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Strengthening Financial Education in California: Expanding Personal Finance Training among Youth

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The views and conclusions in this paper are solely those of the author, and do not necessarily represent the views of the Federal Reserve Bank of San Francisco or the Federal Reserve System.

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FOREWORD

Laura Choi
Federal Reserve Bank of San Francisco

May 2010

From executive meetings in corporate boardrooms to family discussions around the kitchen table, the economic recession has caused all of us to reconsider our financial situations. As individuals face greater economic uncertainty and fewer financial safety nets, the core principles of personal financial management, such as budgeting and saving, have become more important than ever. Yet Americans from all socioeconomic backgrounds struggle to master basic financial concepts, suggesting the need for widespread financial education.

One approach for delivering financial education is to utilize the public school system and introduce personal finance concepts to youth in the classroom. The adoption of financial education mandates at the state level has increased in recent years, and 44 states currently have financial education requirements. However, despite multiple legislative attempts and a strong advocate base, California is one of the few states that has been unable to pass a mandate for financial education. California is the most populous state in the Federal Reserve's Twelfth District and represents the largest economy of any state in the nation—thus, while the need for financial education is clear, the policy challenges, budgetary implications, and implementation issues are not yet well understood.

Recognizing the research gap in this area, and the growing importance of educating and equipping individuals to make sound financial decisions, the Community Development Department of the Federal Reserve Bank of San Francisco (FRBSF) commissioned this study to explore the feasibility of passing a financial education mandate in California. Specifically, we sought to understand the key barriers related to passing a mandate in California and to identify strategies to implement financial education in the current environment, despite the absence of a state mandate.

We are pleased to present “Strengthening Financial Education in California: Expanding Personal Finance Training among Youth,” by Justina Cross (Goldman School of Public Policy, University of California Berkeley). Cross explores multiple options for expanding personal finance training among youth in California, including statewide legislation or education code changes for financial education, professional development and training for teachers on personal finance concepts, and school district adoption of financial preparedness curriculum. At the FRBSF, we intend to take the report's findings and explore how we can help to facilitate stakeholder discussions in the area of teacher training and continue to support the field of financial education through ongoing research and strategic partnerships. But we also believe this report has much broader relevance to the community, and provides important information for educators, advocates, and policymakers in their efforts to promote widespread financial education for youth in California.

EXECUTIVE SUMMARY

The recent economic recession has heightened the awareness of policymakers that many individuals lack understanding of critical finance concepts, making them vulnerable to the complex products and services available in the financial marketplace. Poor financial choices affect an individual's economic wellbeing and can lead to negative effects in wealth accumulation, housing, employment opportunities, and educational attainment. Policymakers in many states have turned to financial education programs to equip young people with the tools to make better financial choices.

California is one of only six states that has not adopted requirements for youth financial education programming in schools. The state faces many barriers to implementing financial education, including: a shrinking state budget, declining expenditures for education, extensive and inefficient processes for determining and reimbursing legislative mandates, prior gubernatorial vetoes on similar legislation, and no clear procedure for regularly updating education standards. Although barriers exist, California can take steps forward to ensure that its youth are equipped with the knowledge and ability to make better choices in today's financial marketplace.

This working paper explores three options for expanding personal finance training among youth in California:

- Statewide legislation or education code changes for financial education,
- Professional development and training for teachers on personal finance concepts, and
- School district adoption of financial preparedness curriculum.

RECOMMENDATIONS

Legislation has been targeted as a promising strategy for youth financial education, but the

current political and economic climate requires a different approach. This paper ultimately recommends shifting the strategy away from requiring financial education through legislation or changes to the educational code. Instead, California should focus first on implementation strategies that builds political support and demonstrates success at the district level. Two strategies should be pursued before attempting legislation:

- Provide professional development and training for teachers on personal finance concepts, and
- Incentivize school district adoption of financial preparedness curriculum.

The strategies are complementary and decision makers should consider implementing them concurrently. Providing professional development to teachers can take a variety of forms at the state or district level and allows for partnerships with nonprofits and other entities to deliver appropriate training. Additionally, encouraging administrators of teaching programs in universities to add personal finance concepts to curriculum could help teachers gain familiarity with financial education before they teach it in the classroom.

California's school districts have local control over curriculum, thus working with districts to adopt financial education is a good strategy for expanding youth financial capability. San Diego Unified School District can serve as a model for other districts; it has already developed curriculum and modified education standards to include financial education.

While this paper suggests implementing short-term recommendations, decision makers should not lose sight of statewide adoption of financial education. Laying the groundwork first can help to cultivate relationships that will make legislative or administrative changes easier in the future.

INTRODUCTION

The recent subprime crisis—coupled with a growth in the use of credit and alternative financial services such as payday loans—provide strong evidence that American consumers are having difficulty navigating their personal finances and the complex choices they face in the financial marketplace. Four in ten Americans admit that they are living beyond their means primarily because of their misuse and misunderstanding of credit, and less than half of high school seniors are able to pass a financial literacy test.¹

This lack of financial knowledge has troubling implications, particularly in today's financial marketplace. The continually evolving nature of financial products and services makes choices about how to spend, save, and invest more difficult for families and individuals. Policymakers are recognizing the need to shore up consumer protection in the financial marketplace, especially since financial decisions have significant implications for personal and financial wellbeing, affecting important outcomes such as personal debt, wealth accumulation, housing, employment opportunities and higher education. The long-term repercussions of limited financial knowledge can affect an individual for a lifetime.

One potential tool for improving the financial decisions of consumers is financial education. Financial education is broadly defined as the process by which individuals attain knowledge and skills about financial products and services, and learn to plan for short-term and long-term goals.² Financial education is designed to help people make better-informed choices in the financial marketplace. Over the last fifteen years, the number of financial programs has grown exponentially, and includes everything from short classes run by nonprofits to intensive one-on-one coaching. However, even with this proliferation of programs and delivery mechanisms, behavior remains hard to change, particularly when people develop feelings about money and ways to manage it early in their lives.

A key question confronting policy-makers is how to deliver financial education to youth, to ensure that the foundation for prudent financial decisions is laid early on. Certainly, financial education is not a panacea, and equipping citizens with the knowledge and tools to evaluate financial decisions should work in tandem with better regulation of the financial services industry. Nevertheless, given that the financial sector is likely to remain a complex and competitive marketplace, there is a strong argument for ensuring that consumers are equipped to navigate that marketplace successfully. This working paper focuses on strategies for expanding financial education for youth in California.

The paper proceeds as follows. First, the paper looks at the need for financial education, particularly among American youth. Next, the paper examines the landscape of California and the need for financial education among the state's residents as well as some of the barriers facing the state in adopting a comprehensive financial education policy for youth. In addition, the paper reviews unsuccessful California legislation to expand financial education in schools. The penultimate section

¹ U.S. Department of the Treasury, Office of Financial Education (2002). Integrating financial education into school curricula. Washington, DC. Retrieved from www.treasury.gov/ofe. 1. Mandell, L. (2008). The financial literacy of young American adults: Results of the 2008 national Jump\$Start coalition survey of high school and college students. Jump\$Start Coalition. Washington, D.C.

² U.S. Financial Literacy & Education Commission. (2006). Taking ownership of the future: The national strategy for financial literacy. Washington, DC. Retrieved from www.treasury.gov/ofe.

reveals implications for California from a series of case studies on states that have comprehensive financial education policies. Lastly, the paper presents a number of strategy options to expand financial education among youth in California and makes recommendations about potential next steps.

THE NEED FOR FINANCIAL EDUCATION

In recent years, the push for statewide financial education policies has intensified. Both the complexity of financial products and the recognition that consumers lack critical skills and knowledge to make financial decisions have initiated the trend toward state financial education policies.

COMPLEX FINANCIAL PRODUCTS

The landscape of financial products and services is complicated and rapidly changing. Through advances in technology and innovation, more products and services are available to consumers and investors. Financial institutions have also become more efficient at communicating with, and delivering services to, consumers through the Internet and other timesaving technological innovations. Faced with this abundance of options, consumers increasingly need tools to help them make wise choices.

One example of this is the home mortgage market. Loan products designed to assist homeowners have proliferated and grown in complexity. Until recently, the industry standard for home loans was a 30-year fixed rate mortgage (FRM). However, “exotic” mortgage products, such as interest-only loans or adjustable rate mortgages, quickly eclipsed the plain vanilla 30 year mortgage, shifting risk to the consumer. These innovations in mortgage products required consumers to assess their short- and long-term ability to repay and, as evidenced by the recent mortgage crisis, many were unable to do so. In today’s market, citizens confront more choices about handling finances than ever before and face steep consequences for poor financial decisions.

In addition to technological changes and product innovations, access to credit has become easier for consumers, and as a result, institutions providing credit have proliferated. Pay day lenders and check cashing institutions did not exist as an option for consumers until just over a decade ago. Payday lenders originate \$8 to \$14 billion in loans annually through over 100,000 outlets across the country.³ Arguably, these check cashers exist precisely because people do not choose to access traditional banks. Users might be on ChexSystems,⁴ have bad debt to income ratios, have bad credit, or have no access to a bank in their neighborhood. Thus, these fringe financial institutions fill a gap in financial services. However, these institutions are regulated less than traditional banks, and have less accountability to create products that work for consumers.

³ Sawyer, N., & Temkin, K. (2004). Analysis of Alternative Financial Service Providers. Washington, D.C: Fannie Mae Foundation and the Urban Institute.

⁴ Financial institutions are the members of ChexSystems network, a central clearinghouse of information on mishandled checking and savings accounts. Users listed on ChexSystems may have a harder time opening an account because financial institutions use the database to assess the risk of opening new accounts. ChexSystems, Inc. (2009). ChexSystems Consumer Assistance. Retrieved from <https://www.consumerdebit.com>

A GROWING CRISIS AMONG AMERICAN YOUTH

The complexity of the financial marketplace and increased access to credit are only half the story; it is also important to understand financial decision-making by youth in today's marketplace. American youth lack knowledge about personal finances such as saving, investing, spending, and debt. The Jump\$tart Coalition's test of financial skills and knowledge revealed that high school seniors on average answered less than fifty percent of financial competency questions correctly.⁵ Since the first test administration in 1997, the average score has fallen by ten percent indicating that students graduating from high school, regardless of their exposure to financial concepts, do not have an adequate understanding of savings, investing, and money management.⁶ The findings suggest that youth are ill equipped to make major financial decisions over their lifetime.

At the same time, youth have tremendous purchasing power. In 2006, youth ages 12- to 19-years-old cumulatively spent \$179 billion with an average individual weekly expenditure of \$102.⁷ Moreover, about half of all teenagers in the U.S. receive an allowance; an average of \$50 a week.⁸ Teenagers and younger children influence both their own purchases and those of their family tremendously, thus their knowledge of money management and consumer protection can help or hurt their financial wellbeing before entering adulthood.

Not only do young people have immense purchasing power, they are also taking on more financial obligations than ever before. Take as an example college-bound young adults, a small segment of the youth population, but a group increasingly burdened by financial obligations. Average student loan debt for undergraduates rose from \$12,750 to \$23,200 over a twelve-year period from 1994 to 2008; a 45 percent increase in average college debt.⁹ Additionally, for college students, median credit card debt increased from \$946 to \$1,645 from 2004 to 2009.¹⁰ Taking on consumer debt on top of educational loans early in life can create significant financial burden, particularly when financial obligations are misunderstood and lead to poor credit scores and severe debt accumulation.

Youth also tend to have overly optimistic ideas about their financial capability and future financial position. Most teens believe they will be financially solvent in the future and earning "plenty of money." According to a Charles Schwab Teens & Money Survey, boys expected to earn \$173,000,

⁵ Mandell, L. (2008). The financial literacy of young American adults: Results of the 2008 national Jump\$tart coalition survey of high school and college students. Jump\$tart Coalition. Washington, D.C.

The Project on Student Debt (2010). Quick facts about student debt. Retrieved from http://projectonstudentdebt.org/files/File/Debt_Facts_and_Sources.pdf

⁶ Ibid. 8.

⁷ Gale, D. (2007, Feb 1). Purchasing power of kids and teens: Restaurants need to recognize the influence and consumer strength of young customers. Restaurants & Institutions. Retrieved from http://www.rimag.com/article/374736-Purchasing_Power_of_Kids_and_Teens.php

⁸ Casanova, D. (2004). Downtown and the Youth Market. Let's Talk Business, 94. Center for Community Economic Development, University of Wisconsin-Extension. Retrieved from <http://www.uwex.edu/ces/CCED/downtowns/lbt/lets/0406LTB.pdf>

⁹ The Project on Student Debt (2010). Quick facts about student debt. Retrieved from http://projectonstudentdebt.org/files/File/Debt_Facts_and_Sources.pdf

¹⁰ Sallie Mae (2009). How undergraduate students use credit cards. Retrieved from <http://www.salliemae.com/NR/rdonlyres/OBD600F1-9377-46EA-AB1F-6061FC763246/10744/SLMCreditCardUsageStudy41309FINAL2.pdf>. 3.

and girls expected to earn about \$114,000 on average.¹¹ However, the median household income in the U.S. is \$50,303.¹² Although it is understandable that teens might incorrectly predict their future incomes, such evidence suggests that youth may not fully appreciate the challenges of earning and managing their money.

Teens form ideas about managing their money early in life through the influence of family and peers. Youth learn financial behaviors through participation, observation, and direct instruction.¹³ Although families greatly influence children's knowledge about personal finance, families cannot be expected to teach children all aspects of financial decision-making, particularly given the constantly evolving financial marketplace. This suggests that there is an important role for more formalized training in financial education that could help to ensure that all youth have at least a basic understanding of financial concepts.

EFFICACY OF YOUTH FINANCIAL EDUCATION PROGRAMS

Essential to directing California's financial education strategy is whether youth make better decisions when equipped with personal finance knowledge and skills. Research points to a correlation between learned abilities and increased market participation and improved financial behavior.¹⁴ Furthermore, a growing body of research shows positive effects of youth financial education, although these findings are far from conclusive and much more research is needed to tease out the relationship between financial education and consumer behavior.

YOUTH FINANCIAL EDUCATION PROGRAM RESEARCH

One of the first studies on the effectiveness of youth financial education showed that students demonstrated increased knowledge and confidence and had a higher savings rate after completing the High School Financial Planning Program (HSFPP), and these outcomes persisted three months after completion of the program.¹⁵ Hogarth, Hilgert and Beverly (2003) found that financial education positively affects consumer behavior.¹⁶ Additionally, a longitudinal study of Visa's *Practical Money Skills for Life* program (2005) showed that teenagers who had taken the course were more likely to budget, less likely to buy something they did not need, and had greater money management knowledge than their peers who had not taken the course.¹⁷ A 2007 evaluation of the FDIC's *Money Smart* program found similar results; positive changes in the savings rates and amount of debt at six

¹¹ Charles Schwab, Inc. (2007). Teens & money survey: Insights into money attitudes, behaviors and concerns of teens. Retrieved from <http://www.aboutschwab.com/community/financial-literacy/teensand-money.html>

¹² U.S. Census Bureau (2009, Sept 10). Income, poverty and health insurance coverage in the United States: 2008. Retrieved from http://www.census.gov/Press-Release/www/releases/archives/income_wealth/014227.html

¹³ Rettig, K.D., & Mortenson, M. (1986). Household production of financial management competencies. In R. Deacon & W. Huffman (Eds.), *Human Resources Research 1887-1987*. Ames, IA: Iowa State University. 137-45. 137.

¹⁴ Cole, S., & Shastry, G. K. (2009). *Smart Money: The effect of education, cognitive ability, and financial literacy on financial market participation*. Working Paper, Harvard Business School. Retrieved from <http://www.hbs.edu/research/pdf/09-071.pdf>. 31.

¹⁵ Boyce, L., & S. Danes (1998). *Evaluation of the NEFE high school financial planning program 1997-1998*. Greenwood Village, CO: National Endowment for Financial Education.

¹⁶ Hilgert, M. A., Hogarth, J. M., & Beverly S.G. (2003) Household financial management: The connection between knowledge and behavior. *Federal Reserve Bulletin*, 89 (7), 309-322.

¹⁷ VISA. (2005). *Practical Money Skills for Life longitudinal survey: March 2004–January 2005*. Retrieved from www.practicalmoneyskills.com/english/resources/about/PMSFL_Longitudinal_Study.pdf

and twelve months after completing the program.¹⁸ A nine-month study in 2008 analyzed responses from nearly 600 youth, ages 13-18, at Boys & Girls Clubs across the U.S. to understand the efficacy of the *Money Matters: Make it Count*SM program. Study participants reported they were more likely to open both checking and savings accounts if they had learned about managing both types of accounts.¹⁹ However, studies like Peng, et al. (2007) showed no relationship between financial education in high school and investment knowledge.²⁰

Some research has found that financial education works best when students are motivated to learn the information, such as a student learning about their credit score before they apply for a credit card or car loan. Mandell and Klein (2007) found that lack of motivation to learn the material correlated with low financial literacy scores.²¹ Attendees of a convening hosted by New America Foundation and Citi Foundation asserted that financial education must be relevant to the needs of a diverse group of students. Attendees suggested that in order for financial education to be effective it needed to have direct application to students' lives.²² This indicates that programs need to ensure that students understand how the financial knowledge will be useful for them now and in the future.

Researchers could help to close the knowledge gap regarding assessment measures and evaluation of the effect of youth financial education programs on future financial decisions. Additionally, more research is needed regarding the effectiveness of youth financial education in schools, particularly identifying types of programs that increase students' financial knowledge and skills.

STATE MANDATED FINANCIAL EDUCATION RESEARCH

State education mandates are often the first strategy advocates pursue to enact personal financial literacy training for youth. Many believe schools to be effective delivery mechanisms because they reach so many youth and the classroom environment emphasizes learning. Additionally, mandates can be an effective way to enforce requirements and ensure local accountability. However, research is inconclusive about the effectiveness of mandated financial education. Four studies show different results. First, Mandell (2004) found no positive effect from states that required consumer education when compared to states that had no such requirement.²³

In contrast, Bernheim, Garrett and Maki (1997) looked at both consumer and personal finance mandates and concluded that mandates increase exposure to financial concepts and subsequently

¹⁸ Federal Deposit Insurance Corporation (2007). A longitudinal evaluation of the intermediate-term impact of the Money Smart financial education curriculum upon consumers' behavior and confidence. Retrieved from <http://www.fdic.gov/consumers/consumer/moneysmart/pubs/ms070424.pdf>

¹⁹ 57 percent compared to 44 percent opened a savings account; 36 percent compared to 28 percent opened checking accounts. Charles Schwab (2009, Jan 27). Report from Boys & Girls Clubs of America and Charles Schwab Foundation shows increased knowledge among teens leads to positive behavioral change. Retrieved from http://www.businesswire.com/portal/site/schwab/index.jsp?ndmViewId=news_view&ndmConfigId=1016332&newsId=20090127005745&newsLang=en

²⁰ Peng, T., Bartholomae, S., Fox, J., & Cravener, G. (2007). The impact of personal finance education delivered in high school and college courses. *Journal of Family and Economic Issues*, 28(2), 265-284.

²¹ Mandell, L., & Klein, L. S. (2007). Motivation and financial literacy. *Financial Services Review*, 16, 106-116.

²² Lopez- Fernandini, A., & Murrell, K. (2008). The effectiveness of youth financial education. New American Foundation & Citi Foundation. Retrieved from http://www.newamerica.net/publications/policy/effectiveness_youth_financial_education_1

²³ Mandell, L. (2004). Financial literacy: Are we improving? Results of the 2004 national Jump\$tart survey. Washington, D.C.: Jumpstart Coalition.

increase the individual's savings and wealth accumulation later in life.²⁴ The margin for error is high with Bernheim, Garrett and Maki's data because participants self-reported exposure to consumer finance curriculum, often long after attending the school program, and the researchers corroborated those answers with undependable records of schools offering consumer finance. In general, survey participants have a harder time remembering events the further they occur in the past.²⁵ Participants also tend to align their answers with responses seen to be socially desirable;²⁶ in this case, individuals may have over-reported their strong savings habits.

Cole and Shastry (2007) found that financial education mandates did not increase financial market participation among students.²⁷ They suggest that outside factors such as rapid economic growth accounted for the positive effects that Bernheim, Garrett and Maki originally found. Finally, Tennyson and Nguyen (2001) examined the issue of mandates and found that on average a state mandate does not relate to students' test scores in personal finance.²⁸ However, mandated courses, when compared to testing or integration into standards, positively correlate with student knowledge of personal finance. Tennyson and Nguyen's promising findings point to dedicated financial literacy courses as being more effective than testing or curriculum standards. It is important to note that their study does not account for the length of time a mandate had been in place, which could dramatically affect the results; presumably the longer a program has been in operation, the more effective it will be at training youth.

Researchers could help to close the knowledge gap regarding the effectiveness of school-based financial education programs and the effect on future financial decisions. Developing assessment measures that can be used across different programs and generating more research on program efficacy can help practitioners draw better conclusions about their work and design better programs.

POLICY CONTEXT

Despite the lack of conclusive evidence about the effectiveness of youth financial education programs, there is growing attention from decision makers at all levels of government about the importance of improving financial knowledge. Many government agencies at the state and federal level have launched new initiatives with the goal of increasing financial decision-making skills.

NATIONAL AND STATE APPROACHES TO FINANCIAL EDUCATION

According to the Government Accountability Office (GAO) report "The Federal Government's Role in Improving Financial Literacy," approximately 20 federal agencies operate 30 financial literacy-related programs and more agencies partner with non-governmental organizations to

²⁴ Bernheim, B.D., Garrett, D.M., and Maki, D.M. (1997). Education and saving: The long-term effects of high school financial curriculum mandates. Retrieved from <http://www.sciencedirect.com/science/article/B6V76-42VM8HM-5/2/5e6a4d08e173ffa2f469ffc2f45d23a1>. 462.

²⁵ Groves, R., Fowler, F., Couper, M., Lepkowski, J., Singer, E., & Tourangeau, R. (2009). Survey methodology. New York, NY: Wiley. 221.

²⁶ Ibid. 168.

²⁷ Cole, S., & Shastry, G. K. (2007). If you are so smart, why aren't you rich? The effects of cognitive ability, education, and financial literacy on financial market participation. Working Paper, Harvard Business School and Harvard Economics Department.

²⁸ Tennyson, S., & Nguyen, C. (2001). State Curriculum Mandates and Student Knowledge of Personal Finance. *Journal of Consumer Affairs*, 35 (2), 241-262. 249, 259.

improve financial skills and knowledge of citizens.²⁹ Released in 2004, the report recommends that the federal government should be a leader in financial literacy and use its influence to establish it as a national priority.³⁰ As the federal government takes a leadership role in financial literacy, more coordination across agencies is needed to streamline efforts and minimize duplication of efforts.

The GAO report, coupled with the increased recognition of consumer vulnerability in the financial services marketplace, has prompted several federal initiatives in the area of financial education. In particular, the U.S. Department of the Treasury and the President's Advisory Council on Financial Education have worked to develop a national awareness about the benefits of financial education and synthesize federal efforts in this area.

Over the last ten years, the U.S. Department of the Treasury has increased efforts to improve financial literacy among Americans and created the Office of Financial Education (OFE). In 2002, the Treasury's report "Integrating Financial Education into School Curricula" suggested that the most effective delivery mechanism for youth financial education is through math and reading courses in school.³¹ In 2003, Congress passed an act to establish the Financial Literacy and Education Commission (FLEC), hosted by the Treasury, to develop a national financial education strategy and to coordinate interagency efforts. FLEC includes members from 20 federal agencies including: Department of Education, Federal Deposit Insurance Corporation, and the Federal Reserve Board.³² FLEC released a strategy report in 2006, which included recommendations for both youth and adult financial literacy training.

FLEC emphasized three major approaches to K-12 financial education: (1) curriculum integration, (2) teacher training, and (3) outside-the-classroom learning. The FLEC report suggests that financial concepts should be integrated into existing curricula since stand-alone financial literacy courses are unrealistic given other required courses in a student's schedule, as well as budget constraints.³³ Secondly, the strategy emphasizes teacher training, support through professional development, and access to relevant materials as critical in facilitating learning of personal finance concepts.³⁴ Lastly, the Commission recommended that financial literacy knowledge and skills be reinforced through non-traditional venues, such as after-school care or summer camps.³⁵ FLEC will release a revised strategy in 2010, yet it is likely that K-12 financial education will remain a key focus of the commission's recommendations.

In addition to the work in Treasury, The President's Advisory Council on Financial Literacy, housed in the executive branch of government, is another federal entity involved with financial preparedness. Since 2008, one of the roles of the Council has been to launch and promote the

²⁹ Government Accountability Office. (2004). The Federal Government's Role in Improving Financial Literacy. Washington, DC. Retrieved from <http://www.gao.gov/highlights/d0593sphigh.pdf>. 3.

³⁰ Ibid. 5.

³¹ U.S. Department of the Treasury, Office of Financial Education (2002). Integrating financial education into school curricula. Washington, DC. Retrieved from www.treasury.gov/ofe. iii.

³² U.S. Financial Literacy & Education Commission. (2006). Taking ownership of the future: The national strategy for financial literacy. Washington, DC. Retrieved from www.treasury.gov/ofe.

³³ U.S. Financial Literacy & Education Commission. (2006). Taking ownership of the future: The national strategy for financial literacy. Washington, DC. Retrieved from www.treasury.gov/ofe. 83.

³⁴ Ibid. 88.

³⁵ Ibid. 90.

National Financial Literacy Challenge, a competition for high school seniors that tests their knowledge of personal finance concepts.³⁶ One of the major recommendations of the Council is to incorporate financial education in the classroom:

The United States Congress or state legislatures should mandate financial education in all schools for students in grades Kindergarten through 12. For those schools without access to curricula, encourage the adoption of "Money Math: Lessons for Life," a ready-to-use, middle-school curriculum created by the Department of the Treasury and endorsed by the Council.³⁷

The Council recommends that the legislative branches of government at the state or local level should create laws requiring financial education in schools, yet the Council itself does not have authority to create such a mandate.

Within U.S. Congress, a few bills do seek to boost financial education for youth, yet all the current bills stop short of mandating financial education in K-12 schools. Current legislation includes the Financial and Economic Literacy Improvement Act of 2009, S. 638 (H.R.1645), which would allow state education agencies or nonprofits to receive grant money for financial literacy programs and activities. The bill would also develop a clearinghouse for financial literacy information accessible through the Department of Education website. The Young Adults Financial Literacy Act, H.R. 3147 (2009), would provide competitive grants to institutions to support research, implementation and evaluation of financial education programs. The Financial Literacy for Youth Act, H.R. 3037 (2009), comes closest to requiring financial education by establishing a pilot program that would provide ten state or local education agencies with grant money to develop financial literacy programs in elementary and secondary schools. However, none of these bills have yet been voted into law.

Despite these bills, it is not clear whether federal legislation is the right approach. While federal legislation would allow for national action regarding financial literacy, it would also provide a more rigid framework for adopting it. For example, federal proposals for financial education generally must be implemented uniformly across each state, which does not allow states much flexibility to invent solutions to meet the needs of its particular population. Additionally, schools already face federal requirements set forth by No Child Left Behind (NCLB); teachers feel pressed for time in the classroom to meet NCLB requirements and test students. Imposing more requirements without providing resources and building support among teachers and school district officials may limit the effectiveness of additional programming.

In the absence of federal legislation, states have taken disparate approaches to financial education for youth. The majority of U.S. states set requirements for financial literacy in schools. In total, 44 states include personal finance in curriculum standards through a variety of methods.³⁸ However, states with personal finance education requirements often have vastly different visions for implementing and enforcing the requirements. (See Appendix 3 for a map of state financial education requirements). Of those 44 states, 34 require implementation of personal education

³⁶ President's Advisory Council on Financial Literacy. (2008). 2008 Annual Report to the President. Washington, DC. Retrieved from http://www.ustreas.gov/offices/domestic-finance/financial-institution/fin-education/docs/PACFL_ANNUAL_REPORT_1-16-09.pdf. 16.

³⁷ Ibid. 14.

³⁸ Council for Economic Education (2009). Report Card: Survey of the States: Economic, Personal Finance & Entrepreneurship Education in our Nation's Schools in 2009. 3.

standards by school districts, meaning states hold districts accountable for meeting the standards. Just fifteen states require offering a separate high school course in financial literacy to students; thirteen states require students to take a course in order to receive a high school diploma.³⁹ Some states have implemented financial literacy administratively through a Board of Education decision rather than through formal legislation.

CALIFORNIA'S NEED FOR FINANCIAL PREPAREDNESS

In California, youth financial education has long been part of the legislative agenda, and nearly every year a state legislator introduces a bill to that effect. To date, however, California remains one of the six states without any sort of financial education policy in place.

The lack of a statewide mandate for financial education does not suggest that the need for financial literacy in California is smaller than in other states. Unemployment in California remains high in 2010, over 12 percent,⁴⁰ calling for those without jobs to draw on savings, borrow and utilize unemployment benefits to meet basic living expenses. Yet savings in the state are low: approximately 29 percent of California households have insufficient savings and wealth to survive at the poverty level for three months if family members stopped receiving any income.⁴¹ Moreover, residents carry high levels of debt; California's median credit card debt is \$3,142, compared with a national average of \$2,960.⁴² California has also been extremely hard hit by the foreclosure crisis, driven by high rates of subprime lending during the housing boom. Taken together, these statistics paint a gloomy picture of Californians' financial wellbeing, and draw attention to the need for improving financial knowledge and skills. However, while the piqued interest in financial education has corresponded to increased numbers of financial education programs, it has not led to a distinct coordinated effort from the state to improve the financial skills and knowledge of its residents. (See Appendix 4 for a sample of primary activities by financial education organizations and agencies in California).

Given that too many California youth lack personal financial management expertise, how should policymakers move forward to equip them with skills necessary to evaluate financial options and make decisions? Is it possible, particularly given the state's large fiscal deficit, to pass a state level financial education policy? The purpose of this working paper is to address these questions, focusing on financial education for children 5-18 years old. More specifically, the report draws on qualitative interviews with a wide variety of state experts, practitioners, and advocates to explore:

- What are the key barriers related to passing a state mandate for financial education in California and what is the optimal approach to overcoming them?
- What is the most efficient strategy to gain support for a financial education mandate prior to introducing a new bill in the state legislature?

³⁹ Council for Economic Education (2009). Report Card: Survey of the States: Economic, Personal Finance & Entrepreneurship Education in our Nation's Schools in 2009. 15.

⁴⁰ U.S. Bureau of Labor Statistics (2010). Regional and State Unemployment, 2009 Annual Average Summary. Retrieved from <http://www.bls.gov/news.release/srgune.nr0.htm>

⁴¹ CFED (2009). Asset poverty profile: California. CFED 2009-10 Assets & Opportunity Scorecard. Retrieved from <http://scorecard.cfed.org/downloads/pdfs/assetPoverty/california.pdf>

⁴² CFED (2009). Median credit card debt. CFED 2009-2010 Assets & Opportunity Scorecard. Retrieved from http://scorecard.cfed.org/financial.php?page=median_credit_card_debt

- If a mandate is not possible in California, what is the most efficient strategy for implementing financial education outside of schools?

Using these questions as a frame, the report evaluates various options for California and suggests some steps towards achieving the goal of equipping the state's youth with personal financial skills and knowledge. Additionally, this report illuminates lessons that may translate to other states working to implement financial literacy.

PART I: CHANGING CALIFORNIA'S EDUCATION CURRICULUM

California educates one in eight public school students in the U.S.,⁴³ thus any curriculum changes require careful consideration because of the widespread impact on students and the potential cost increases to the education budget. With 6.2 million students in California's education system, the state's school age population surpasses the next largest state's school-aged population (Texas) by nearly 2 million students.⁴⁴

Once heralded as having the best school system in the nation, education spending in California has declined over time. For the past ten years, California has spent less per pupil than the national average (See Appendix 1 for a comparison of California's per pupil spending over time). Limited education funding means that financial education programming would have to compete with other programs for dollars; all programs, including core academic subjects, face scarce resources that have declined over time.

In order to evaluate the potential for requiring school districts to incorporate financial education into K-12 curriculum, it is useful to review funding sources for education as well as the political processes that can be used to revise curriculum at the statewide level.

EDUCATION FUNDING IN CALIFORNIA

The state contributes the majority of funding for California public education, and state leadership controls funding for each of the state's 1,000 districts.⁴⁵ Other states typically use local tax dollars to fund school districts, and priorities are often determined at the local level. California shifted from local to state control of school district funding to help equalize monies available to districts after the passage of Proposition 13 in 1978. Proposition 13 decreased property tax revenue available to the state, which, in turn, greatly reduced state education funding. In 1979, voter-approved Proposition 4 also affected California's education funding; it prevented the state from mandating district activities without reimbursing them for the costs associated with the activities. The last major educational funding reform happened in 1988 when voters passed Proposition 98, modified by Proposition 111,

⁴³ EdSource (2009). California K–12 education system. Retrieved from http://www.edsource.org/sys_overview.html

⁴⁴ Education Data Partnership (2008). Comparing California. Retrieved from <http://www.ed-data.k12.ca.us/Articles/article.asp?title=California%20comparison>

⁴⁵ EdSource (2009). California K–12 education system: Schools, districts, and the state. Retrieved from http://www.edsource.org/sys_edsystem.html

which guaranteed a minimum funding for education by setting a funding “floor.”⁴⁶

California’s Proposition 98 primarily funds public education; revenue generated from Proposition 98 provides approximately three-fourths of all public funding for kindergarten through community college. The remaining quarter of California’s public education funding comes from non-Proposition 98 state general funds, federal funds, special funds, lottery revenue, and some fee revenue. Despite its importance as a funding source for education, Proposition 98 provides unpredictable levels of funding from year to year, particularly during an economic downturn, because the state uses its discretion in funding school districts from this pot of money from one year to the next. To provide an example of how this works, in the 1999-00 school year, the state was flush with revenue and added an extra \$1.8 billion to school spending. In contrast, for the 2004-05 school year, the state chose to suspend the Proposition 98 minimum funding floor.⁴⁷

The current budget crisis has affected education spending in California even further. The final Budget Act of 2009 reduced Proposition 98 funding to \$49.1 billion; a \$9 billion cut compared to the original Budget Act of 2008. Additionally, the budget package included 2009-10 spending at \$50.4 billion; an \$8 billion cut compared to the original 2008 figure.⁴⁸ Cash-strapped state and school district budgets make it more challenging to implement new programs; this has direct implications for the feasibility of financial education in California’s schools because in a severe budget shortage, legislators and administrators will not choose to fund new programs.

LEGISLATIVE MANDATES FOR EDUCATION REQUIREMENTS

Since many look to mandating youth financial education as a solution to California’s financial skills gap, it is important to understand the mandate system. Mandates are any state sanctioned requirement on local jurisdictions, such as school districts, and are used not only in the area of education, but also in health, housing and emergency services.

In California, Proposition 4 requires that mandates must be reimbursed from the state coffers if they put the cost burden on local jurisdictions to carry out the activity. In contrast, voter approved measures, local requested requirements, and federal requirements are all exempt from reimbursement from the state.⁴⁹ The implications of the current mandate system are significant; the Legislative Analyst’s Office (LAO) estimates that the 50 education mandates result in over \$200 million in reimbursements each year (K-12 institutions must carry out 36 of the 50 mandates).⁵⁰ The cost jumps to \$400 million annually when accounting for the pending science course requirement.

The Commission on State Mandates (CSM) has the legal authority to determine what qualifies as a mandate, thereby requiring reimbursement. Gubernatorial appointees from the public, local

⁴⁶ Legislative Analyst’s Office (2009). 2009-10 budget analysis series: Proposition 98 education programs. Retrieved from http://www.lao.ca.gov/analysis_2009/education/ed_anl09.pdf. 5.

⁴⁷ Legislative Analyst’s Office (2009). 2009-10 budget analysis series: Proposition 98 education programs. Retrieved from http://www.lao.ca.gov/analysis_2009/education/ed_anl09.pdf. 5.

⁴⁸ O’Connell, J. (2009, August 28). 2009 budget act and related legislation. Sacramento, CA: California Department of Education. Retrieved from <http://www.cde.ca.gov/nr/el/le/2009budgetact.asp>

⁴⁹ Legislative Analyst’s Office (2006, December). What is a mandate: An overview. Sacramento, CA. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=1534>

⁵⁰ Legislative Analyst’s Office (2010). Education mandates: Overhauling a broken system. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2193>. 3-5.

government officials and heads of various state departments comprise the CSM. Once the legislative body refers a law to the CSM for review, the mandate process takes about five years to complete. Each step in the process is typically a cumbersome exercise. Once an executive order is issued by the governor or a bill is passed into law by the legislature, districts or other local education authorities (LEAs) can file a test claim, the first claim filed with CSM asserting a statute creates costs to perform the mandated activity. The CSM reviews the test claim and if accepted, the district or LEAs proposes guidelines to meet the mandate. If the CSM accepts the guidelines, the state completes a cost estimate and issues claiming instructions. (See Figure 1 for a simplified version of the mandate approval process).

Figure 1. California State Mandate Approval Process⁵¹



The LAO labels the education mandate system in California “broken” because the current mandate process results in many unintended consequences.⁵² First, costs to execute the mandated activity often exceed estimated amounts; thus, California has a large backlog of mandate reimbursements owed to school districts. Deferred payment from the state places the burden on school districts to comply with the mandate regardless of receiving funding.

Second, the reimbursement system poses another systemic problem; districts charge disparate amounts for the same services and are not held accountable to keep spending under control. The reimbursement system provides little incentive to carry out the mandates efficiently and the effectiveness of implementing the mandated activities are often unknown.

Lastly, mandate claims by districts to the state have increased significantly over the last decade. (See Appendix 2 for a chart showing increasing cost of claims over time). The price tags of claims and California’s outstanding mandate obligations related to K-12 activities have increased and created unpredictable spending for the state. Additionally, the state has deferred payments creating a large backlog of reimbursements owed by the state for K-12 activities. In 2009-10, the outstanding obligation was approximately \$3.2 billion, up from \$2.5 billion in 2007-08.⁵³ As a solution to curbing mandate expenditures, the Governor’s 2010-11 budget proposal suspends all but three K-14 mandates to save the state money.⁵⁴

⁵¹ Legislative Analyst’s Office (2010). Education mandates: Overhauling a broken system. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2193>. 6.

⁵² Ibid. 3.

⁵³ Legislative Analyst’s Office (2010). Education mandates: Overhauling a broken system. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2193>. 9.

⁵⁴ Legislative Analyst’s Office (2010). Education mandates: Overhauling a broken system. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2193>. 13.

Interestingly, very few of the 36 mandates relate to curriculum revisions. Most mandates are administrative requirements such as notification for truancy and physical education reports.⁵⁵ The only ones that add to California's education standards are the high school exit exam and science graduation requirements.⁵⁶ The science graduation requirement expands the number of science classes needed in order to graduate from one to two classes, and thus resulted in an extra expense to the state costing approximately \$200 million annually.⁵⁷ The science requirement was determined to be a mandate because it increased the number of classes students needed to graduate.

If the mandate process were not complicated enough, it is possible to design bills that circumvent the mandate reimbursement requirement. For example, in the case of the science education mandate, legislators could have worded the statute differently so it was clear that schools could utilize existing science classes to count toward the graduation requirement.⁵⁸ In other words, the state could have instructed districts to meet the science requirement without increasing the number of courses schools needed to offer in science. With this adjustment, the state would not need to reimburse for the additional science course requirement. Alternatively, legislators try to design bills in order to avoid entering the mandate determination process altogether.⁵⁹ For example, a bill could provide an incentive to a school district to provide an activity without requiring them to carry out that activity and thus, the activity would not be mandated or eligible for reimbursement.

California's complicated mandate system has implications for state level financial education policy. Pursuing an education mandate for new financial education programming in schools could be a slow process, even after legislation passes. Additionally, the current mandate system does not reward efficient delivery of programs. Finally, if the mandate process is circumvented and no reimbursement is needed, smaller school districts in particular may find it difficult to provide financial education without any funding support for materials or teacher training. Given these complications, a state mandate for youth financial education may not be the best approach for equipping California's youth with financial decision-making skills in the short-term.

ADMINISTRATIVE APPROACHES TO ADDING OR CHANGING CURRICULUM

California can achieve curriculum changes administratively rather than legislatively. In California, the Curriculum Development and Supplemental Commission (Curriculum Commission) revises and approves curriculum frameworks, which are narratives about the standards, although they do not have the authority to change the standards directly.⁶⁰ The frameworks provide guidance to districts and teachers about what concepts to address in the classroom. In addition, the Curriculum Commission approves K-8 textbooks used in classrooms statewide. It is comprised of two legislators, a government appointee, thirteen individuals appointed by the Board of Education, and two other appointed members.

⁵⁵ *Ibid.* 7.

⁵⁶ *Ibid.* 21,24.

⁵⁷ Legislative Analyst's Office (2010). Education mandates: Overhauling a broken system. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2193>. 16.

⁵⁸ Soland, J., personal communication, February 26, 2010.

⁵⁹ *Ibid.* 6.

⁶⁰ In California, unlike many states, neither the state legislature nor the state Department of Education (CDE) have the authority to change education standards.

Currently financial preparedness concepts appear in three disciplines: math, health, and history-social studies. Four history-social science standards reference financial preparedness concepts, as do four math standards. Additionally, most grade levels get some discussion of financial preparedness through the health framework related to consumer products and services.⁶¹ For example, the California education code states that the legislature intends to create requirements to ensure that young people understand the importance of “financial planning and preparation.”⁶² This same section of the code also acknowledges the free financial education curriculum available to teachers designed by financial institutions and suggests that the Superintendent of Public Instruction will make these materials available.

Another education code section states:

51284. After January 1, 2003, and 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 shall ensure that these academic areas integrate components of human growth, human development, and human contribution to society, across the life course, and also financial preparedness.

With this code in place, the most recent review of the history-social studies framework considered financial education. Under the purview of the Curriculum Commission, the K-12 history-social studies curriculum framework committee recommended offering financial literacy as a stand-alone 9th grade course, and integrating some financial education into economics classes in 12th grade (which is a California graduation requirement). The 9th grade elective course in personal finance would provide skills to prepare students for “the economic realities and responsibilities of adults in our society.”⁶³ Additionally, the newly revised framework proposes financial preparedness as essential to the goals of the economics curriculum. The statement yet to be adopted reads: “Students should be able to apply the [economic] principles that they learn and the economic tools of analysis to make informed personal, social, and political decisions.”⁶⁴ These suggested changes to the framework would help to expand financial education among youth by making it explicit to teachers and educators that they are responsible for covering curriculum that aligns with this framework. However, the process of adopting the new framework has been placed on hold until 2014 due to budget cuts.

The Commission revises the frameworks for each subject every few years. The revision process helps to add new skills that prepare California’s youth for future success. Critical to increasing financial literacy among youth in a school setting is building relationships with members of the Curriculum Commission and revising curriculum frameworks.

⁶¹ K. Cruz, personal communication, March 16, 2010.

⁶² K. Cruz, personal communication, March 10, 2010.

⁶³ California Curriculum Commission (2009). History–social science framework field review draft. Chapter 5: course descriptions for grades nine through twelve. Retrieved from <http://www.cde.ca.gov/ci/hs/cf>. 273.

⁶⁴ “History–Social Science Framework Field Review Draft. Chapter 2: Goals and Curriculum Strands” <http://www.cde.ca.gov/ci/hs/cf>. 24.

PART II: HISTORY OF FINANCIAL EDUCATION LEGISLATION IN CALIFORNIA

Both houses of California's legislature have introduced multiple pieces of legislation related to increasing financial literacy among youth, but the proposals have never passed into law. During his term, Governor Schwarzenegger has consistently vetoed bills that had passed through both the Assembly and Senate, arguing that teachers already have the discretion to teach financial literacy concepts in the classroom. Governor Schwarzenegger returned bill AB 1502 (2008), which would have added financial literacy concepts to the history-social studies framework and would have encouraged school districts to teach about personal finance,⁶⁵ writing that, "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."⁶⁶ In addition, it is possible that legislation has been unsuccessful because the governor does not want to encroach on the responsibilities of the State Board of Education (SBE).⁶⁷

In the most recent legislative sessions, legislators have sought increasingly smaller concessions for financial education, yet the bills have still received a gubernatorial veto. (See Figure 2, a timeline of bills introduced in California). Initially proposed bills required financial education courses in high school (AB 150), but more recently, the legislation has simply focused on creating a clearinghouse for financial literacy materials and a way for private entities to contribute funds to a state financial literacy initiative (AB 550, AB 2457). The Controller's Office sponsored legislation AB 150 (2007) that tried a softer approach to expanding financial literacy among youth.⁶⁸ Financial Literacy Initiative (AB 150), introduced by Assemblymember Lieu had an impressive number of supporters ranging from nonprofits like Operation Hope to trade organizations like California Bankers Association.⁶⁹ The legislation would have created a library and a set of resources on financial literacy, however, the bill did not pass.

In the 2009 session, legislators introduced numerous bills that would have helped expand financial education. Senator Wyland introduced SB 223 (2009) that required the Curriculum Commission to examine ways to include financial preparedness concepts in the history-social studies framework. Bill AB 550 (2009), introduced by Assemblymember Lieu, would have established a fund administered by the State Controller's Office that could be used for financial literacy programming and materials. In addition, Senator Yee introduced SB 426 (2009), which does not directly relate to expanding financial education among youth, but has implications for changes made to school curriculum, such as adding financial preparedness concepts. SB 426 (2009) would have amended the education code regarding the review and adoption of curriculum frameworks by requiring the Senate Committee on Rules to inform the State Department of Education about any resolutions in the legislature that propose changes to curriculum frameworks so they could be reviewed by the Curriculum Commission simultaneously.⁷⁰ In effect, this bill would have circumvented vetoes by the governor

⁶⁵ Instructional materials: financial literacy, AB 1502 (2008).

⁶⁶ Schwarzenegger, A. (2008). Instructional Materials: financial literacy, AB 1502 (2008) veto letter. Retrieved from http://gov.ca.gov/pdf/press/AB_1502_Lieu_Veto_Message.pdf

⁶⁷ In response to some of the legislation and interest in the topic, the office of the Superintendent of Public Instruction under the Department of Education put together a website of financial education materials and resources.

⁶⁸ Lieu, T. (2008, Sept 13). Letter to honorable Arnold Schwarzenegger: Request to sign AB 150.

⁶⁹ D. Okenfuss, personal communication, February 25, 2010.

⁷⁰ Legislative counsel's digest: Public school instruction: curriculum frameworks, SB 426 (2009). Retrieved from http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=sb_426&sess=CUR&house=B&author=yee

because resolutions, such as the one proposed in the bill, do not require the governor's signature. If it had passed, the law would have added modest costs to CDE expenditures, not expected to exceed \$50,000, to review the resolutions within the framework revision process.⁷¹ It would also have allowed a formal channel for the public to suggest curriculum changes and additions. Despite support for legislation, all bills related to financial education have so far died in committee or received a gubernatorial veto. None have passed into law.

Assemblymember Mary Salas is sponsoring current legislation on youth financial literacy, California Financial Literacy Fund, AB 2457 (2010). The bill is very similar to AB 550 (2009), but establishes a fund, rather than a fund and clearinghouse of resources. The State Treasury would house the fund and allow government and nongovernment entities to contribute as long as the entities do not have a direct interest in a particular financial product.⁷² The State Controller would administer the funds, which could be used for workshops, materials, and other purposes.⁷³ The State Controller's office and New America Foundation have jointly sponsored both AB 550 and AB 2457.

The governor and legislators have also exercised their ability to halt other suggested curriculum changes; it is not solely an issue with financial education curriculum. Elected officials have dismissed legislation suggesting curriculum changes such as adding community service or Latino and Filipino history to social sciences curriculum. The Senate Committee on Education noted ten recently proposed bills related to curriculum changes.⁷⁴ For example, the governor vetoed SB 520 (2009) that would have added a community service component to high school curriculum because the bill was too prescriptive. In fact, the only recent example of curriculum modification is SB 1274 (2008), which allows public schools that opt to recite the Pledge of Allegiance to the Flag of the United States of America to instruct students about concepts of pledge, allegiance, republic, and indivisible as part of the patriotic activity. Prior to the Pledge addition, curriculum changes made by state legislation occurred thirteen years ago when the Irish potato famine was added to history curriculum.⁷⁵ Reviewing the legislative history of bills proposing curriculum changes, it is clear that passing this type of legislation is difficult.

⁷¹ Bill analysis: Senate appropriations committee fiscal summary. Public school instruction: curriculum frameworks, SB 426 (2009). Retrieved from http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0401-0450/sb_426_cfa_20090529_155930_sen_comm.html

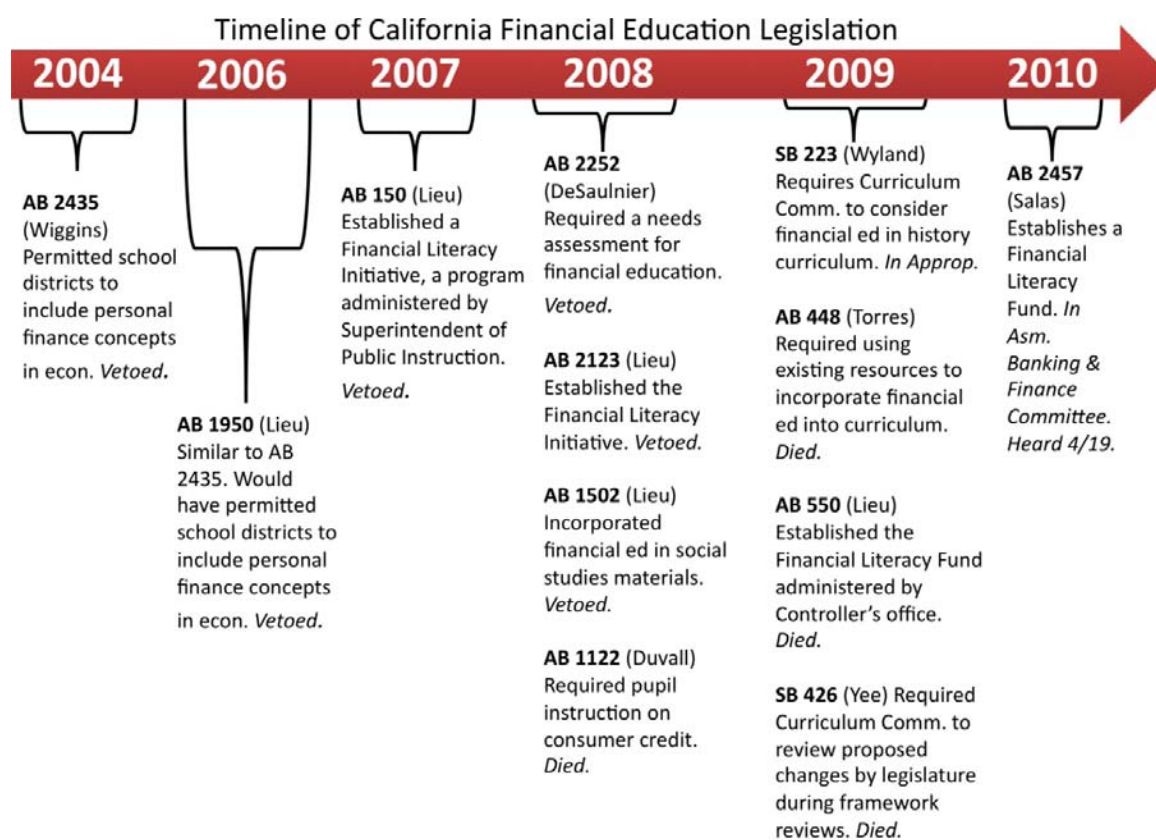
⁷² Legislative counsel's digest: California financial literacy fund, AB 2457 (2010). Retrieved from http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2451-2500/ab_2457_bill_20100219_introduced.html

⁷³ L. Ross, personal communication, March 26, 2010.

⁷⁴ Bill analysis: Senate committee on education. Public school instruction: curriculum frameworks, SB 426 (2009). Retrieved from http://www.leginfo.ca.gov/pub/09-10/bill/sen/sb_0401-0450/sb_426_cfa_20090413_141523_sen_comm.html

⁷⁵ Committee approves bill for school curriculum changes (2009, Apr 17). California Chronicle. Retrieved from <http://www.californiachronicle.com/articles/view/98767>

Figure 2. Timeline of Legislation Related to Expanding Financial Education



PART III: CURRENT APPROACHES BY VARIOUS U.S. STATES

California is one of six states that does not set any requirements for financial education in schools. The majority of states have requirements, although the implementation and rules are different across states. Some states have created financial education requirements through legislation while others have done it administratively. (See Appendix 3 for a map of state financial education policies).

This section presents case studies of jurisdictions that have financial literacy requirements in order to highlight the variety of methods used to expand financial education among youth. Most cases focus on states, but an alternative model at the district level is also presented. The case studies reveal barriers to getting personal financial education in place, implementation and accountability challenges, as well as ideas about critical elements for integrating financial education in schools. The following cases were informed by phone conversations with department of education employees, and financial education experts and advocates.

CASE STUDIES

ARIZONA⁷⁶

Arizona incorporated personal finance education administratively, rather than legislatively. The Board of Education approved a new set of standards that integrated personal finance concepts into economics curriculum and made it a graduation requirement.⁷⁷ Currently, about 20 percent of the economics curriculum is devoted to financial preparedness. The change first affects the graduates of the class of 2012. The rule also adds introductory economic concepts in K-8 curriculum such as explaining the role of financial institutions in lending, saving and investing. The Arizona Council on Economic Education (ACEE) played a role in convincing the Board of Education of the importance of this requirement and helped to organize advocates in favor of the rule.⁷⁸ The Arizona Society of Economics Teachers (ASET) also worked to have the requirement adopted.

ARIZONA QUICK FACTS

Provision: 20% of economics course dedicated to financial education

Years in place: <1

Method: Administrative

Funding: No

Key Challenges: Teacher training, accountability, and resources

Legislation for expanding financial education among youth had been introduced prior to the administrative rule. In 2004, the Social Studies Standard Taskforce and Writing Committee requested a high school economics course as a graduation requirement and legislation was introduced. However, the Arizona Department of Education (ADE) and the teachers union opposed the financial literacy legislation.⁷⁹ Thus, Arizona's path of least resistance was to adopt financial preparedness graduation requirements administratively rather than through legislation.

Although Arizona was able to add financial education to economics curriculum through an ADE rule change, the state still faces challenges with implementing the program. A few of the key challenges are discussed below.

Teacher training: High school economics teachers are often not well equipped to teach personal finance. In Arizona, teachers are required to be "highly qualified" in their subject area and as a result more teachers need training in economics and personal finance.⁸⁰ ACEE has played a role in training teachers. In 2009, ACEE provided professional development to over 2,100 teachers.

Testing/accountability: Arizona does not test students on financial literacy material, even though concepts appear in the economics standards. Without an emphasis on testing, there is no guarantee that personal finance curriculum will be taught in the classroom.

Funding/resources: ADE is implementing the requirement without state funding for the new program. ADE must use existing resources, including staff and materials, for curriculum

⁷⁶ This case was largely informed by P. Jordan, personal communication, March 5, 2010.

⁷⁷ Arizona Board of Education Rule Change R7-2-302.01 (2007).

⁷⁸ Volard, E. (2008, Jan). Arizona Council on Economic Education newsletter. Retrieved from <http://www.azecon.org/pages/newsLetter.html>

⁷⁹ S. Lee, personal communication, February 2, 2010.

⁸⁰ Arizona Council on Economic Education (2006). About ACEE. Retrieved from <http://www.azecon.org/pages/about.html>

development, teacher training, and program implementation. Lack of funding is often a source of tension for states when adopting financial education.

NEVADA⁸¹

Nevada requires youth financial education through newly passed legislation, SB 317 (2009). The law added financial preparedness to the standards in July 2009 and went into effect immediately. The class of 2010 will receive the new required curriculum. The Nevada legislation states that schools must cover five broad financial education concepts: (1) analyzing benefits and consequences of financial decisions, (2) finding and evaluating financial information, (3) communicating effectively about financial issues, (4) safeguarding personal information, and (5) understanding consumer protection laws. Five state senators championed the initial legislation and United Way's Financial Stability Partnership and Nevada Bankers Association supported it. The Assembly also presented a similar bill addressing financial literacy. The economic crisis, Nevada's high foreclosure rate, and the national trend toward including financial preparedness were all catalysts for authoring the bill.⁸²

NEVADA QUICK FACTS

Provision: Integrate financial education into existing curriculum

Years in place: <1

Method: Legislative

Funding: No

Key Challenges: Timing, extensive requirements, teacher training, and accountability

Nevada moved quickly to implement the new financial literacy legislation, and encountered some implementation challenges along the way.

Timing: Nevada Department of Education (NDE) had no time to create a plan or prepare teachers since the bill went immediately into effect. Despite the lack of preparation time, NDE conducted outreach to districts about how to meet the requirements outlined in the legislation. NDE wrote an implementation guidance document with the support of a taskforce made up of twelve teachers; the document included a description of each requirement, its alignment to the standards, and suggestions for how to teach it. Additionally, United Way's Financial Stability Partnership worked to put into action the requirements in northern Nevada by creating teaching plans indicating how each curriculum element will be implemented in math and other subjects. They have also been securing volunteers to provide some of the personal finance training in schools.⁸³

Integrating into existing curriculum: The many personal finance concepts outlined in the legislation pose a challenge to teachers deciding how to fit all the ideas into existing core curriculum. The evaluative and decision-making concepts could easily fill the content of an entire semester course.⁸⁴ Thus, the tradeoff between teaching personal finance and other core concepts must be made.

Most districts are choosing to cover financial education in the government curriculum. Some of the larger school districts already offer a financial literacy course through business education, but it is not required of all students. If financial education was a half credit requirement, Nevada could

⁸¹ This case was largely informed by conversations with M. Scott, C. Marshall, and N. Hamilton.

⁸² M. Scott, personal communication, March 25, 2010.

⁸³ C. Marshall, personal communication, April 26, 2010.

⁸⁴ M. Scott, personal communication, March 25, 2010.

address these challenges by teaching financial concepts in one stand-alone course.⁸⁵ However, there are no plans to do that in the near future.

Funding/resources: NDE struggles with paying for implementation costs of the new requirement. The law did not provide any funding for it. The program thus far has added minimal costs: staff time and travel for an initial taskforce meeting. However, future costs, such as teacher professional development, remain unknown.

Teacher training: Teachers need support to learn the new financial education material. Teachers of government curriculum do not necessarily have foundational knowledge in economics or finance, or the tools to teach the new requirements. In the 2009-10 school year, teachers had to teach the material prior to receiving professional development on youth financial capability because 12th graders needed financial education to graduate. NDE is considering two teacher professional development options for the future: (1) holding a teacher training hosted by NDE, or (2) working with regional professional development centers to provide training on personal finance concepts and ways to teach it in the classroom.

Testing/accountability: Resolving district accountability poses another challenge for Nevada. Currently, accountability measures have not been established, but in the future NDE may require districts to submit a written report on financial education efforts or allow NDE to monitor efforts.

Nevada's recent adoption of financial education in schools is helpful to understand implementation successes and challenges that might be applicable to other states.

UTAH⁸⁶

Utah's financial literacy legislation passed because state leadership realized it needed to do something about the state's dismal personal bankruptcy rate; thus, financial education became a critical topic on the agenda of legislators. State Representative Dave Hogue, a member of the Utah Jump\$tart Coalition, was an early legislative champion for financial education.⁸⁷ Utah legislators passed SB 154 (2003) adopting personal financial literacy in schools. A large education reform bill packaged the financial preparedness regulations with other smaller changes to education, which may have made it easier to become law.⁸⁸ It is important to note that the final language of the education reform bill did not require a financial literacy course to graduate because of the bill's revised wording. However, the Utah Board of Education (UBE) made the administrative decision to require the course for graduation given the original intent of the bill and the importance of financial education. Now in the third year of the program, the class of 2008 was the first to receive the 0.5 credit course; students typically take the course in 11th or 12th grade.

UTAH QUICK FACTS

Provision: Required semester-long high school course

Years in place: 3

Method: Legislative. Required course added administratively

Funding: No

Key Challenges: Teacher training and support, funding, and accountability

⁸⁵ M. Scott, personal communication, March 25, 2010.

⁸⁶ This case was largely informed by conversations with J. Felshaw and J. Stowe.

⁸⁷ Tivol, L. (2007). Financial education as a potential doorway to children's savings accounts: A strategic opportunity for state policy? CFED. Washington, D.C.

⁸⁸ J. Felshaw, personal communication, March 9, 2010.

Financial education requirements have been in place in Utah longer than most states. Many of its implementation challenges have been addressed although a few remain.

Teacher training: Utah is further along than most states in providing professional development for teachers on financial literacy; they have been offering training for four years. The Utah Jump\$tart Coalition puts on a Teachers Summit once a year that 200 teachers attend. However, Utah plans to do more to increase teacher training and support.

Utah Department of Education (UDE) plans to upgrade professional development for teachers in 2011. UDE's professional development course for teachers will review the resource website and demonstrate lessons and activities. Teachers are motivated to take the course by gaining critical knowledge and re-certification credit for their teaching license.⁸⁹

Additionally, teacher preparation is a concern because many have not taken a related course in college while getting their teaching certificate. UDE is working with teacher training institutions across the state to include financial literacy in their curriculum. The downside to addressing teacher training through university courses is that it adds extra course expenses for students in teacher programs.⁹⁰

Testing/accountability: Utah does not require testing of financial education concepts for all students. Career and technical education teachers are required to test students, but math and social studies teacher are not required to test students. In the future, assessment of financial skills may expand across the state; currently two districts are doing pilot assessment testing.

Funding/resources: Utah passed an unfunded mandate so expenditures on financial literacy came from the existing UDE budget. So far, the costs have not been extreme; the state spent approximately \$90,000 to develop standards and objectives, put the course together, and provide teacher professional development for the first two years. However, the lack of funding has met resistance from principals and teachers who cannot purchase adequate financial education materials or must assign teachers to teach finance concepts who are not interested in teaching the course.

Placement within disciplines: Utah also experienced a challenge due to lack of ownership over the financial education course by any one discipline. In Utah, six approved teacher classifications can teach financial literacy: business education, marketing, agriculture, math, family and consumer science, and social studies. With so many teacher classifications allowed to teach the course, it allows smaller school districts more flexibility in how to meet the requirement.

Financial capability instruction does not fit neatly into one discipline or department, thus financial literacy teachers felt isolated from support. Two Utah school districts have come up with an innovative solution to provide teachers with support; they convene financial education teachers across the district a few times each year to discuss pedagogy and other issues, much like how a regular department would meet together at an individual school.

⁸⁹ J. Felshaw, personal communication, March 9, 2010.

⁹⁰ Ibid.

MISSOURI⁹¹

Missouri took an incremental approach to adopting financial education. In 2002, Missouri legislators adopted a law (through passage of HB 1973) that required a study to be completed by 2003 on how to improve financial and economic education in the state. Then the Task Force on the High School used the study's findings and evaluated the feasibility of including personal finance into graduation requirements in 2004. The Missouri Board of Education (MBE) adopted a new graduation requirement—a semester-long financial literacy course—that same year. The financial education program was fully implemented statewide in 2010.⁹²

Like Arizona, Missouri added the requirement administratively. Prior to the administrative code change, the Missouri Council on Economic Education (MCEE) was supporting legislation for an economics course requirement and the Missouri Bankers Association was supporting financial education legislation. Eventually both organizations came together to strategize about how to get financial education adopted. However, advocates believe that if the education code was not changed, legislation would have passed partially because of the lobbying power of the Missouri Bankers Association. Moreover, the rule change was possible largely because the Commissioner of Education for the state was an advocate for financial literacy and sat on the MCEE Board of Trustees. Additionally, official public comments during the hearing process were positive and a number of community members attended town hall meetings on the topic.⁹³

Teacher training: Teacher preparation has been the most difficult component of the implementation process.⁹⁴ Implementation has been a struggle for rural districts that have never had a personal finance or similar course offered. In the larger school districts, most schools have a business or economics teacher, which made it less difficult to adhere to the new state requirement.⁹⁵ The MCEE and the Federal Reserve Bank of St. Louis and Kansas City have been training teachers to teach personal finance concepts; about half the teachers that need the training have attended a session.⁹⁶

Funding/resources: The state budget crisis means that little professional development resources are available for teachers. Often financial institutions provide funding for teacher training. Additionally, poorer school districts do not have funds to purchase curriculum so MCEE assists those districts in finding grants for purchasing materials.

Testing/accountability: At the district level, administrators must submit school improvement

MISSOURI QUICK FACTS

Provision: Required semester-long high school course

Years in place: <1

Method: Required course added administratively. Feasibility study required by legislation.

Funding: No

Key Challenges: Teacher training and support, funding, accountability and rural adoption

⁹¹ This case was largely informed by a conversation with M. English.

⁹² M. English, personal communication, March 25, 2010.

⁹³ Tivol, Leigh. "Financial Education as a Potential Doorway to Children's Savings Accounts: A Strategic Opportunity for State Policy?" CFED. 1:2 (2007). 3.

⁹⁴ M. English, personal communication, March 25, 2010.

⁹⁵ Ibid.

⁹⁶ Ibid.

plans demonstrating compliance with course requirements such as financial education. However, that accountability measure could be improved. If school districts choose the option of teaching personal finance concepts as part of another course, their students must pass a difficult exam to graduate and demonstrate they learned the concepts. In contrast, schools using the curriculum in a stand-alone course are not required to test, so it is unclear how those schools will be held accountable for students learning personal finance concepts.

TEXAS⁹⁷

In 2005, two new laws required schools to incorporate personal finance concepts into the economics course requirement and to conduct a financial literacy pilot program administered by Texas Education Agency (TEA).⁹⁸ The bills had bipartisan support. Financial education proponents believe legislative support was strong because national awareness about the need for financial education had increased; large entities such as the Federal Reserve Bank, FDIC, and financial institutions highlighted the importance of financial literacy training.⁹⁹ Additionally, the bills passed because they did not require state funding and HB 492, adding financial education to economics courses, had a strong legislative champion as a sponsor.¹⁰⁰

Texas launched a financial literacy pilot program in 2006, which was funded by a \$40,500 grant from the Texas Credit Union Foundation (TCUF). TCUF funding provided teacher training and travel costs to the 25 participating school districts. The teacher training was hosted by the Dallas Federal Reserve Bank and taught curriculum to teachers from a variety of disciplines ranging from economics to career and technical education. TEA collaborated with the Office of Consumer Credit Commissioner (OCCC) and the State Securities Board (SSB) to develop curriculum and materials.¹⁰¹ Ultimately, the Texas pilot program used existing material, FDIC's *Money Smart* and *Financial Literacy 2010* developed by SSB and other agencies.

Although financial education legislation in Texas passed fairly easily, the state still faces implementation challenges. The key issues that have arisen include leadership and accountability.

No bureaucratic champion: Financial education programming lacks a clear champion within TEA who could help steward program implementation in school districts. The large geography of Texas and local control of school districts make statewide adoption of financial education a slow process.¹⁰² Nearly all the school districts meet the financial education requirement, but smaller school districts lag behind larger ones. TEA's original goal was to integrate financial education into

TEXAS QUICK FACTS

Provision: Integrate financial education into economics course

Years in place: 3

Method: Legislative

Funding: No

Key Challenges: Lack of bureaucratic champion, and accountability

⁹⁷ This case was largely informed by a conversation with D. Baylor

⁹⁸ D. Baylor, personal communication, March 25, 2010.

⁹⁹ Tivol, L. (2007). Financial education as a potential doorway to children's savings accounts: A strategic opportunity for state policy? CFED. Washington, D.C. 2.

¹⁰⁰ Ibid.

¹⁰¹ Texas Education Agency (2007). Implementation and effectiveness of the personal financial literacy pilot program. 1.

¹⁰² D. Baylor, personal communication, March 25, 2010.

the required 12th grade economics curriculum, starting with the 2006-07 school year.¹⁰³ However, full statewide adoption has yet to be achieved.

Testing/accountability: It remains unclear how students will be assessed on their knowledge of key financial education concepts and curriculum. Additionally, the method for holding school districts accountable for teaching the material has yet to be determined in Texas.

CALIFORNIA'S SAN DIEGO UNIFIED SCHOOL DISTRICT¹⁰⁴

An additional model of classroom based financial education implementation comes from California's San Diego Unified School District (SDUSD). In contrast to the state level mandates presented in this section, SDUSD adopted financial education in schools through a more localized approach at the district level. SDUSD was successful at adding financial education to 12th grade economics curriculum for a number of reasons, but primarily because they had business, government, community and district leadership who believed in equipping youth with personal finance knowledge.¹⁰⁵ The catalyst for integrating financial preparedness into schools was concern about the poor financial capabilities of youth vocalized to the district's community relations department by local financial institutions and a personal bankruptcy judge.

In response to community concerns, San Diego took an incremental approach to adopting financial education in schools. The district developed a Financial Literacy Taskforce comprised of high school teachers, district administrators, business leaders, government employees, and community members who were responsible for discerning what students needed to know. The Taskforce then received private sector funding to develop the curriculum for a pilot program in 12th grade economics. Nine of the curriculum creators piloted the program in their classrooms the next school year and the Taskforce met monthly to assess the effectiveness of the curriculum and make adjustments. Next, district leadership revised California history-social studies standards at the local level to include financial literacy as a required topic in the economics curriculum.¹⁰⁶ SDUSD voluntarily made this change without any state directive or requirement.

Like many of the cases in this section, San Diego confronted a number of implementation challenges.

Teacher training: Teacher preparedness was a concern for integrating financial education into the economics course. Teacher training in the first year of the new program helped teachers become more comfortable with the concepts. Two teachers who developed the curriculum and sat on the Taskforce conducted training for their peers.

SAN DIEGO QUICK FACTS

Provision: Integrate financial education into economics course

Years in place: <3

Method: Administrative, at the district level.

Funding: Mostly private contributions.

Key Challenges: Teacher training, funding, and leadership transition.

¹⁰³ Personal financial literacy: An act, HB 492 (2005). Retrieved from <http://www.capitol.state.tx.us/tlodocs/79R/billtext/html/HB00492F.htm>

¹⁰⁴ This case was largely informed by a conversation with E. Towers

¹⁰⁵ K. Anderson, personal communication, February 12, 2010.

¹⁰⁶ E. Towers, personal communication, April 9, 2010.

Funding/resources: SDUSD was able to attract outside financial support to launch its financial education efforts.¹⁰⁷ United Way of San Diego provided a \$54,000 grant to print manuals and workbooks for all the high schools in the district. In addition, financial institutions contributed money to the program, minimizing the direct funding that SDUSD has had to allocate to the effort. The district contributed \$50,000 in 2008 and guaranteed funding for two more years.¹⁰⁸

The initial time and cost of writing the curriculum was a concern for the district. The process of writing and testing the curriculum took two years because much of the work done by teachers happened during the summer months when they could focus on curriculum development rather than teaching.

Integrating into existing education standards: Changing the California education standards posed an implementation challenge for the district. Even when district leadership revised the standards to include financial education, some teachers disputed how finance concepts aligned with state standards and did not initially want to teach it in the classroom.

Bureaucratic champion: Another implementation challenge is that several early leaders for financial education have left SDUSD, transitioned to new positions, or retired, including the superintendent. The desire for continuing financial education when a new superintendent is hired remains unknown. Several strong bureaucratic champions who could help steward the implementation process would ease any personnel transitions.

IMPLICATIONS FOR CALIFORNIA

This section synthesizes some of the key lessons from the case studies and highlights ones that will help guide California's efforts. The two most common themes that emerged from the case studies are challenges associated with identifying sources of funding and adequately training teachers.

As California develops its strategy for implementing youth financial education, it needs to seek creative ways to fund the effort and provide training to teachers to increase their preparedness. The two short sections below outline some potential resources for locating funding and bolstering teacher training in California.

IDENTIFY SOURCES OF FUNDING

Funding was a key issue for all states featured in the case studies above. Many states had unfunded laws or code requiring financial education in schools, which can cause tension in the implementation process. Districts often struggle with how to pay for materials and pay for teachers when a financial education requirement goes into effect. Unfunded financial education requirements also produce equity concerns between large and small, as well as urban and rural, school districts. Large school districts have a less challenging time adopting the requirement, especially if they already have an elective financial education, economics, or business course. Smaller, often more rural, school districts have a more difficult time implementing new requirements if they do not already have a similar course in place. Furthermore, teachers unions are less supportive of additions to the school

¹⁰⁷ E. Towers, personal communication, April 9, 2010.

¹⁰⁸ Magee, M. (2008, Oct 16). High schools in S.D. add crash course in finances. Union-Tribune. Retrieved from <http://www.uwsd.org/media-events/media-events-file-folders/news-folder/high-schools-in-s.d.-add-crash-course-in-finances/?searchterm=financial%20literacy>

day that are not funded. Instituting financial education at the state or district level has real costs that need to be planned for, including material development and production, teacher training, and administration.

To date, no major federal funding has been identified exclusively for financial education. At the state level, elected officials face diminishing state coffers, suggesting that negligible funding exists for new programming. So where can California turn for funding to seed youth financial preparedness programming?

FEDERAL FUNDING

While no dedicated financial education fund exists, many federal programs include financial literacy training as an approved activity and provide funding for it.

- **21st Century Community Learning Centers, U.S. Department of Education.** Provides funding for academic enrichment, including financial literacy services, for students that attend low-performing schools.¹⁰⁹
- **Children, Youth, and Families at Risk Initiative (CYFAR), U.S. Department of Agriculture.** Provides funds to develop and provide educational programming in partnership with the Land Grant University Cooperative Extension System. Programs must use resources for educational programming, including financial education, to families and youth at-risk for not meeting basic needs.¹¹⁰
- **WIA Incentive Section 503, U.S. Department of Labor.** WIA provides funds to innovative youth programs through Title I, which includes the Adult Education and Family Literacy Act (AEFLA), which states can use for financial education.¹¹¹
- **WIA Youth Activities, U.S. Department of Labor.** These funds can be used for financial literacy training for 14-21 year-old, low-income individuals facing at least one of six identified barriers to employment.¹¹²
- **American Recovery & Reinvestment Act of 2009 (ARRA).** California has received \$2.79 billion in ARRA funding for elementary and secondary education.¹¹³ Potentially some of that money could be used to fund financial education in the state. Additionally, ARRA also created the Temporary Aid to Needy Families (TANF) Emergency Fund that allows states to be reimbursed for 80 percent of program costs if they supply 20 percent of the funding. The TANF Emergency Fund can be used for financial education as long as it targets low- to moderate-income (LMI) individuals. The Fund may be extended for the 2011, making it a viable option for California financial education training. Because of the LMI eligibility restriction, it may not be possible for school districts to receive these funds for financial education, but an afterschool program may qualify.¹¹⁴

¹⁰⁹ Friedman, P. (2005). Providing and funding financial literacy programs for low-income adults and youth: strategy brief. The Finance Project. Retrieved from

<http://www.financeproject.org/publications/FESfinancialliteracy.pdf>

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² Ibid.

¹¹³ National Education Association. American Recovery & Reinvestment Act of 2009: Federal education-related programs. Retrieved from <http://www.nea.org/assets/docs/ARRAStateTable.pdf>

¹¹⁴ U.S. Department of Health and Human Services Office of Family Assistance. Temporary Assistance for Needy Families program instruction: Emergency fund for TANF programs. Retrieved from

STATE FUNDING

California needs to get creative about ways to fund financial education, particularly given the state's large budget deficit. Education receives general funds and specific funds from the lottery. California can look to divert or add a revenue stream to support financial education standards, such as money generated from licensing financial institutions. For example, the funding stream could be modeled after a provision in the Deferred Deposit Transactions, AB 377 (2009), which requires money service businesses to pay a five-cent fee (which cannot be passed on to the customer) for every payday loan transaction that would then be used for financial education programs.¹¹⁵ Although state funding for new programs is difficult to obtain, state monies can augment funds provided by the federal government.

PRIVATE SOURCES OF FUNDING

California can leverage some state and federal monies, with additional funding from private sources such as foundations and financial institutions, to expand financial education programming. Public-private partnerships to expand financial education for youth may be a good strategy for California to pursue. Financial institutions and foundations that have a vested interest in the financial wellbeing of citizens are ideal partners.

Financial institutions, such as local banks, can sponsor teacher training or provide volunteers in the classroom to teach segments of financial literacy curriculum. In certain cases, Community Reinvestment Act (CRA) credit is available to banks for financial literacy efforts through the Service or Investment Tests for large institutions. For smaller institutions, financial literacy activity may qualify under the Community Development Test. These financial literacy activities must target low- and moderate- income (LMI) individuals, which makes it difficult for banks to get credit for collaborating with schools or school districts to bring financial education into the classroom. However, under the Service Test, developing curricula or teaching financial education to LMI individuals, or establishing school savings programs would qualify banks for CRA credit.¹¹⁶ In Missouri, Bank of America was able to get CRA credit for financial education teacher training in some of southern Missouri's LMI neighborhoods. Additionally, because financial institutions qualify for CRA credit through volunteer hours, Bank of America employees helping with teacher training earned them credit.¹¹⁷

Foundations can be another strategic partner and funding support for financial education. Foundations such as Citigroup Foundation, ING Foundation, JPMorgan Chase Foundation, and Wells Fargo Foundation, have provided past funding to youth financial education programs, and they may be interested in collaborating in a public-private partnership to expand financial education among youth in California.¹¹⁸ United Way supported efforts in Nevada, Utah, and in California's San

<http://www.acf.hhs.gov/programs/ofa/policy/pa-ofa/2009/pa200901.htm>. . Also see more information on Emergency fund for TANF programs at: http://www.clasp.org/issues/pages?type=temporary_assistance&id=0001

¹¹⁵ Bill analysis: Senate Judiciary Committee. Deferred Deposit Transactions, AB 377 (2009). Retrieved from http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0351-0400/ab_377_cfa_20090713_124245_sen_comm.html

¹¹⁶ Olson, J. (2009, Summer). Dr. CRA. Community Investment. Federal Reserve Bank of San Francisco.

¹¹⁷ M. English, personal communication, March 25, 2010.

¹¹⁸ List of foundations pulled from Operation Hope's 2007 Statement of Financial Supporters. Retrieved from http://www.operationhope.org/fileupload/File/ar_2007.pdf

Diego school district by providing funding for youth financial education. Funding program pilots may be a good match for foundation dollars.

States have taken multiple approaches to funding youth financial education, but public-private partnerships appear to be a common strategy. In San Diego, financial institutions provided early funding to the districts. In Missouri, financial institutions funded teacher training across the state through contributions to the Missouri Council on Economic Education. While not mentioned in the case studies above, states such as Ohio, Illinois, South Carolina and Louisiana do provide state funding for financial education requirements; some of those states have set up an initiative to allow both public and private funding.¹¹⁹ Funding for any new programming is difficult; by diversifying funding streams and leveraging public and private dollars, states have the ability to expand financial education for youth.

PROVIDING RESOURCES FOR TEACHER TRAINING

The most commonly cited implementation issue among the case study respondents was teacher training. Respondents pointed to teacher training as a key factor for successful implementation, but also voiced the challenges they have faced in this area. Unless teachers already have a strong background in finance or economics, they often do not feel comfortable teaching personal finance concepts. For example, in Missouri new teachers were often assigned to teach personal finance course regardless of their fundamental knowledge in the area.¹²⁰ In Utah, many teachers are assigned to teach financial education who simply do not want to teach it.¹²¹ The California Teachers Association recognizes the need for good professional development in any subject, including financial education. They believe that good professional development shows teachers how to use the curriculum and allows them to experience how the lessons connect to standards.¹²² Implementing financial education requires both teacher support and training for educators who will ultimately teach the personal finance concepts.

Teacher training can take several different forms: week-long seminars, day-long workshops, online courses, or semester-long university courses. Support and planning in this area helps to generate approval from teachers who are responsible for teaching financial education curriculum. As noted in the state case studies, unfunded rules or codes made it difficult to devote state Department of Education resources to training teachers. State Councils on Economic Education and Jump\$tart Coalitions are often involved with teacher training and professional development related to financial literacy.

Geography plays a role in the ability to offer training for teachers; in large states, it is difficult to find travel funding to bring teachers together to receive training. One solution is to merge financial literacy curriculum training with required statewide conferences for teachers in order to keep costs down. For example, a state could offer a financial education workshop immediately before or after a mandatory statewide teacher gathering.

¹¹⁹ Loibl, C. (2006). Survey of financial education in Ohio's high schools: Assessment of teachers, programs, and legislative efforts. Retrieved from <http://p12.osu.edu/reports/Loibl.PersonalFinanceEducation.pdf>. 137.

¹²⁰ M. English, personal communication, March 25, 2010.

¹²¹ J. Felshaw, personal communication, March 9, 2010.

¹²² M. Fong, personal communication, April 2, 2010.

Although teacher training presents an implementation challenge, it is a critical element of success for school-based financial education. Teacher competency in financial literacy concepts may influence students' ability to learn and retain personal finance knowledge and skills.

In addition to adequately training teachers and identifying funding, it is important to note that identifying a legislative and bureaucratic champion, defining accountability measures, and working with administrators and teachers early in the process were also mentioned as being important elements for states that want to successfully expand financial education among youth. These themes are consistent with findings from the California Jump\$tart Coalition. California Jump\$tart Coalition board members collected information from financial education advocates and found similar common themes including the importance of funding, teacher training, a legislative champion, and working with educators early in the process.¹²³

PART IV: FINANCIAL EDUCATION INTEGRATION AND IMPLEMENTATION STRATEGIES

Financial education leaders in California have the opportunity to learn from other movements that have successfully added curriculum to schools and received funding through state legislation. Financial education programming could be akin to the school garden and nutrition movement that has helped increase the number of school garden and outdoor classroom programs across California. First Lady Michelle Obama's exercise and healthy eating campaign for youth, along with the White House garden, has popularized the effort nationally. So similar to nutrition and gardens in school, how does financial education become the next *thing to do* in California? First, financial education practitioners and advocates can apply some of the lessons learned from implementing school garden programs into California's districts. Like financial education, nutrition education was seen as somewhat expendable in California's curriculum, however, nearly 40 percent of all state schools (3,850 school total) received state grants in 2007 to start, or improve, instructional school gardens.¹²⁴ California Department of Education (CDE) provided \$10.8 million in grant funds to local education authorities (LEAs) for school instructional gardens in 2007 and another \$4.2 million in 2008.¹²⁵ This funding was provided through legislation AB 689 (2005) chaptered into the education code for nutrition and physical activity. The law required the State Board of Education (SBE) to add education content standards for health education.¹²⁶

In San Francisco, the Green Schoolyard Alliance (SFGSA) co-locates with San Francisco Unified School District and provides technical assistance to schools starting garden programs.¹²⁷ SFGSA also

¹²³ S. Lee, personal communication, April 12, 2010.

¹²⁴ McConnaughey, J (2008, May 4). Out of Katrina, a school's garden grows. San Francisco Chronicle. Retrieved from http://articles.sfgate.com/2008-05-04/news/17153294_1_school-gardens-green-principal-tony-recasner-national-gardening-association

¹²⁵ California Department of Education (2007, Oct 10). State schools Chief Jack O'Connell announces \$10.8 million in garden grants to schools throughout California. Retrieved from <http://www.cde.ca.gov/nr/ne/yr07/yr07rel131.asp>

¹²⁶ Nutrition and physical activity curriculum, AB 689 (2005). Retrieved from http://www.leginfo.ca.gov/pub/05-06/bill/asm/ab_0651-0700/ab_689_bill_20051007_chaptered.html

¹²⁷ R. Pringe, personal communication. April 20, 2010.

provides professional development for teachers twice a year and provides ongoing support and resources. CDE released a guide *A Child's Garden of Standards: Linking School Gardens to California Education Standards* that demonstrates how the garden and outdoor classroom curriculum aligns to California content standards. The school garden and outdoor classroom movement offered a solution to the childhood obesity problem and poor knowledge about nutritious eating. Financial education has the opportunity to equip young people with the knowledge and evaluative tools to make better financial decisions.

Given the recent interest in and importance of financial education, decision makers and advocates can take a few lessons from the school gardens and nutrition movement: (1) build a statewide coalition (the school gardens movement had a loosely affiliated group), (2) partner with a nonprofit to provide professional development for teachers, (3) secure funding from the state and other sources, (4) include parents and enlist more than one bureaucratic champion within each school, and finally, (5) allow the efforts to be localized to foster ownership of the program.

As reviewed in previous sections, the barriers to providing financial education to youth are numerous, but not insurmountable. California has the opportunity to expand financial education among youth. The following section explores three major strategies for achieving this goal:

1. Statewide legislation or education code changes for financial education
2. Professional development and training for teachers
3. School district adoption of financial preparedness curriculum

Additionally, this section offers recommendations about the next incremental steps that California can take toward increasing financial literacy.

EXPLORATION OF STRATEGY ALTERNATIVES

In light of specific challenges facing California, as well as the lessons learned from other states that have successfully introduced financial education requirements, this section introduces multiple strategy alternatives. These strategy alternatives are not meant to be mutually exclusive approaches; there may be opportunities to combine certain aspects of different strategies to expand youth financial education.

ALTERNATIVE 1 - STATEWIDE LEGISLATION OR EDUCATION CODE CHANGES FOR FINANCIAL EDUCATION

California could choose to expand financial education for youth through legislation or administrative changes to the education code. There are four main legislative options for mandating financial education in schools and one strategy for changing the education code. Legislators could introduce bills that combine a mixture of these ideas to increase financial literacy among California's youth.

1.A. Require K-12 financial education standards

California could adopt K-12 financial education standards. This strategy would allow financial preparedness to appear in many disciplines taught in school at various grade levels. However, it may not guarantee that educators will teach personal finance concepts in the classroom. Courses are already crowded with more standards than teachers can teach in a semester long course. The math or social studies-history education standards could include financial preparedness. As mentioned in

Part I, in the section *Administrative Approaches to Adding or Changing Curriculum*, the social studies-history framework review committee has already suggested adding it to high school curriculum. One logical place for inclusion is the required high school economics course that students usually take in their junior or senior year. However, in order to include financial concepts into economics, the standards would potentially have to exclude some of the economics requirements.¹²⁸ This strategy would also add costs for curriculum revisions aligned to the new standards and training teachers.

1.B. Require students to take a personal finance course in high schools

The benefit of requiring students to take a personal finance class is that nearly all California's youth will have exposure to financial concepts. A stand-alone course may be easier to plan because it does not require revisions to existing curriculum. Additionally, concepts presented in a stand-alone course will not have to compete with other required standards. However, California's curriculum is already full (the state already requires two science classes and one economics class to graduate above baseline requirements) so adding a half credit semester-long financial education course may not be feasible without revising the graduation requirements or lengthening the amount of time it takes to complete high school. One of the major drawbacks of this solution is that smaller school districts would be at a disadvantage for meeting the requirement because they have fewer teachers, resources and course offerings.

1.C. Require public and charter high schools to offer a personal finance course

Instead of adding financial education as a new graduation requirement, legislators could choose to approve a bill that would require every high school to offer an elective course in personal finance. This option is promising because the Social Science Framework Review Committee has recommended the adoption of a 9th grade financial literacy course as well as adding some elements of financial preparedness to the economics graduation requirement, a course usually taken in 11th or 12th grade.¹²⁹ However, the tradeoff between a required and elective course is that the reach of the course may be smaller, since not every student will want to take personal finance.

1.D. Add financial literacy test questions to high school exit exam

A fourth option is to add questions about personal finance concepts to the high school exit exam. The assumption is that the test questions would incentivize teachers to teach it in the classroom, despite the absence of financial preparedness in education standards. Another benefit to this option is that the fiscal impact would be minor; arguably because the high school exit exam must already be administered so the cost of developing new financial preparedness questions for the test would be the only major new expense. Teachers do not often teach standards unless the state or federal government requires assessment of students' knowledge in the subject area, which bolsters the viability of this option. Often teachers are "teaching to the test" so it could be beneficial to encourage acquiring financial preparedness skills through testing.¹³⁰ A drawback of this option is that it expects students to understand personal finance without providing them with fundamental knowledge in the classroom.

¹²⁸ In Arizona, the requirement uses 20 percent of the economics course to present personal financial literacy material.

¹²⁹ J. Charkins, personal communication, March 1, 2010.

¹³⁰ U.S. Department of the Treasury, Office of Financial Education (2002). Integrating financial education into school curricula. Washington, DC. Retrieved from www.treasury.gov/ofe. 10.

Alternatively, the State Board of Education (SBE) could voluntarily adopt one of the four options outlined above as part of the education code. However, many of the benefits and shortcomings are the same as with legislation. Administrative change may mitigate some of the tension created between educators and legislators when receiving a directive about curriculum. Educators may be more trusting of the SBE to make good choices for students, schools, and districts. However, the process to change the education code can be arduous. Unlike most states, California does not have an entity responsible for reviewing the state curriculum standards periodically. The Curriculum Commission could decide to revise subject frameworks to include financial preparedness, but this work is on hold until 2014 due to the state budget crisis.

Legislation and changes to the administrative code for financial education are not politically promising at this time. The budget crisis and past gubernatorial vetoes of financial education legislation make statutes creating a new program or requiring state funds unlikely. Since legislation for financial education in schools is unlikely in the current funding climate, the remaining alternatives focus on the possibility of adequately supporting teachers and working with districts to voluntarily adopt financial education standards and curriculum.

ALTERNATIVE 2 - PROFESSIONAL DEVELOPMENT AND TRAINING FOR TEACHERS

Instead of a legislative or an exclusively top-down administrative approach, California Department of Education (CDE), in conjunction with nonprofit partners, could provide professional development and additional training to help teachers become more comfortable with financial education material. This approach would allow for public-private partnerships and more flexibility in the delivery of professional development for teachers. Investing in resources could happen in two major ways:

1. Professional development for licensed teachers at California's schools, or
2. Integration of financial concepts into university curriculum for new teachers before they are licensed and working in California.

Baron-Donovan, Wiener, Gross and Block-Lieb (2005) demonstrated that instructors teaching financial education felt more confident, motivated, and satisfied after receiving training on the topic.¹³¹ A recent study by National Endowment for Financial Education (2010) asserted that less than 20 percent of teachers felt competent to teach personal finance topics, ranging from savings to financial decision-making. In addition, the study found that teachers were more comfortable teaching financial education to students if they had taken a course in college that covered personal finance concepts.¹³² Godsted and McCormick's (2007) national survey of teachers reveals that 38 percent of financial education teachers do not teach financial concepts because they lack the professional development required to teach the material.¹³³

¹³¹ Baron-Donovan, C., R. Wiener, K. Gross and S. Block-Lieb (2005). Financial Literacy Teacher Training: A Multiple-Measure Evaluation. *Financial Counseling and Planning* 16 (2), 63-75. Retrieved from <http://www.afcpe.org/doc/Vol1626.pdf>. 68-72.

¹³² Way, W., & Holden, K. (2010). Teachers' Background and Capacity to Teach Personal Finance. National Endowment for Financial Education. Retrieved from <http://www.nefe.org/tntfinalreport>. 13-14.

¹³³ Godsted, D. & McCormick, M. (2007) National K-12 Financial Literacy Research Overview. Networks Financial Institute Report 2007-NFI-03. Retrieved from

The following discussion explores the two main options for investing in resources to support teachers and educators in successfully implementing financial education.

2.A. Provide professional development for licensed teachers at California's schools

Professional development activities could help support teachers in the field of financial education. The CDE, either alone or in partnership with another organization, could help deliver teacher training in the area of financial education. In other states, organizations that have filled this partnership role are the local Jump\$tart Coalition, Council on Economic Education, Federal Reserve Bank, or nationally, the Take Charge America Institute (TCAI).¹³⁴ In California, The History Project, part of the California Subject Matter Project (CSMP), could also be a strategic partner in developing training curriculum for teachers on personal finance concepts. CSMP is a professional development network for teachers with 100 sites at University of California, California State University, and independent colleges and universities.¹³⁵

Ensuring that teachers will attend trainings is critical to the success of this alternative. Teachers attend professional development trainings to enhance their subject knowledge in a particular field. Other incentives for teachers to attend training include monetary stipends and earning credits that apply to recertification requirements and salary increases. However, in California, teachers no longer need credit for extended learning or professional development to renew their credentials.¹³⁶ Thus, it may be beneficial to pursue other incentives.

2.B. Integration of financial concepts into university curriculum for new teachers before they are licensed and working in California

Including financial concepts in new teacher certification programs is a relatively new idea. It would require convincing each university within a state that has a teacher-credentialing program to integrate these ideas into course work for teachers. Over 100 approved credentialing programs exist in California, making this a large task.¹³⁷ However, the majority of schools fall under the California State University or University of California systems, thus it might be possible to work with the university system rather than individual programs. In California, prospective middle and high school teachers earn a Single Subject Teaching Credential, which allows them to teach a specific subject such as math, social studies (economics), and business.¹³⁸ Courses designed for teachers pursuing their credential in one of those areas could add personal finance concepts and pedagogy about teaching financial preparedness to students.

http://www.networksfinancialinstitute.org/Lists/Publication%20Library/Attachments/86/2007-NFI-03_Godsted-McCormick.pdf. 5.

¹³⁴ TCAI, affiliated with University of Arizona, Tucson, conducts research on financial literacy and offers financial education training to teachers through its Family Economics and Financial Education (FEFE) program.

¹³⁵ The California Subject Matter Project (2009). The California Subject Matter Project (CSMP). Retrieved from <http://csmf.ucop.edu>

¹³⁶ California Commission on Teacher Credentialing (2010). Renewing your credential manually. Retrieved from <http://www.ctc.ca.gov/credentials/renew-manually.html>

¹³⁷ California Commission on Teacher Credentialing (2010). Approved programs. Retrieved from http://134.186.81.79/fmi/xsl/CTC_apm/recordlist.html

¹³⁸ California Commission on Teacher Credentialing (2010). Single subject teaching credential: Requirements for teachers prepared in California. Retrieved from <http://www.ctc.ca.gov/credentials/leaflets/cl560c.pdf>

One of the added benefits of providing professional development opportunities in personal finance is that the teachers themselves will be exposed to financial education concepts and may learn to better manage their own finances and prepare for retirement. One potential partner for providing financial education training for teachers is the California State Teachers' Retirement System (CalSTRS), which provides retirement related benefits and services to teachers in California's public schools and community colleges. CalSTRS is the largest teachers' retirement fund in the U.S. and the second largest public pension fund in the nation¹³⁹, and given its interest in teachers' retirement, may be able to support teacher training efforts.

ALTERNATIVE 3 - SCHOOL DISTRICT ADOPTION OF FINANCIAL PREPAREDNESS CURRICULUM

Instead of an education mandate or other legislation at the state level, districts can be encouraged to adopt financial education. California is a "local control" state so school districts have freedom in selecting curriculum. District officials who would like to adopt financial education can employ local control to require it in schools. This strategy could be enhanced by the state or another funding organization incentivizing school districts to offer financial education through grant money. Districts adopting financial education would need to demonstrate that local curriculum aligns to California education standards and to ensure that teachers are adequately trained to teach the new material.

School districts that want to include financial literacy in curriculum can learn from a local example; San Diego Unified School District (SDUSD) has already included personal finance concepts in high school economics curriculum. Currently, adoption at the district level is more achievable than a statewide approach.

ALTERNATIVES FOR FURTHER RESEARCH

During research and data collection for this working paper, a few other ideas surfaced that could help expand personal finance training among youth in California. These ideas were outside the objectives of the research questions laid forth in this working paper, but warrant further research to determine each one's potential for expanding financial education among youth.

PROVIDE FINANCIAL PREPAREDNESS AS AN AFTERSCHOOL PROGRAM FOR YOUTH

Instead of pursuing school-based financial education, California could add financial education to afterschool programs for children.

INCENTIVIZE TEXTBOOK MANUFACTURERS TO ADOPT FINANCIAL EDUCATION CURRICULUM

The large size of California's school age population has the ability to influence textbook curriculum not just in the state, but also for other states. Working with textbook manufacturers to add personal finance concepts is not a new idea. The U.S. Department of Treasury encouraged states to influence textbook manufacturers to include financial education concepts in state-approved textbooks.¹⁴⁰ When researching this alternative, it is important to know that this option would only bolster financial education efforts in grades K-8 because California does not require standard textbooks for secondary education (grades 9-12).

¹³⁹ California State Teachers' Retirement System (2010). CalSTRS at a glance. Retrieved from <http://www.calstrs.com/About%20CalSTRS/ataglance.aspx>

¹⁴⁰ U.S. Department of the Treasury, Office of Financial Education (2002). Integrating financial education into school curricula. Washington, DC. Retrieved from www.treasury.gov/ofe. 11

REQUIRE FINANCIAL LITERACY THROUGH STATE SOCIAL SERVICES, SUCH AS FOSTER CARE TRANSITIONAL SERVICES, JUVENILE CORRECTIONAL FACILITIES, OR HEALTH SERVICES

Similar to afterschool programming, state social services could provide a venue for equipping California's youth with personal finance knowledge and skills. This option could help to target at-risk youth, but would not necessarily penetrate the entire youth population.

RECOMMENDED STRATEGY

This paper recommends shifting California's strategy away from a top-down legislative approach. In light of the difficult economic conditions in the state and the related barriers to passing legislation, California should pursue two policy alternatives outside the scope of state mandates:

1. Increase professional development and training opportunities for teachers
2. Promote school district adoption of financial preparedness curriculum

These strategies complement each other and should be pursued jointly, if possible. For example, providing teachers with training and resources to feel confident with the material could strengthen a district-by-district approach, arguably because more teachers would become advocates for financial education.

While the actual planning and implementation process would be iterative, this working paper addresses some potential first steps toward expanding youth financial education in California. These recommendations can help California move toward a statewide financial education policy by taking a number of near-term steps outlined below.

RECOMMENDATION 1: CREATE A STATE WORKING GROUP ON YOUTH FINANCIAL EDUCATION

This working group should include members of advocacy groups like the California Jump\$tart Coalition, as well as financial institutions representatives, foundation staff, educators, district officials and California Department of Education personnel. The goal of this group would be to assist with district implementation and increase opportunities for teacher training. The statewide working group on youth financial education could help to develop the groundwork for statewide adoption. Some of the steps that the working group can take include:

- **Cultivating relationships** with legislators and getting a financial education advocate appointed to the Curriculum Commission. Although legislative action to mandate financial education curriculum should not be considered for this legislative session, these short-term relationship-building steps may make expanding youth financial education more feasible in California in a few years. Additionally, the working group can encourage the Curriculum Commission to adopt the 9th grade elective financial education course and framework changes that add personal finance concepts to 12th grade economics.
- **Identifying potential public and private sources of funding** at the state level, and helping districts identify local financial institutions and foundations to contribute to program start-up costs. As identified in the case studies, funding is critical to successful implementation of new financial education programming in schools. California must get creative in locating various funding streams for financial education.
- **Gathering data on efficacy of financial education curriculum** in the San Diego Unified School District through pre- and post-course testing of student knowledge. San Diego has been

operating a financial education program in high schools for the past three years. It would be useful to understand the effectiveness of the curriculum, so that it can be adapted and used by other districts across the state.

- **Codifying the San Diego Unified School District’s curriculum** and pedagogical method to share with other California school districts. California already has curriculum developed by SDUSD that aligns to state education standards for the 12th grade economics requirement. Other districts that choose to adopt financial education can utilize this curriculum as a starting point for teaching personal finance concepts to students.

RECOMMENDATION 2: DESIGN A “HOW TO” SESSION ON DISTRICT ADOPTION

In order to spur district adoption, a stakeholder group can host a session for districts interested in implementing financial education programs. The session would target attendees such as: district administrators, economics and business teachers, and school principals. The organizers of the session could invite members of San Diego Unified School District (SDUSD) to discuss implementation strategies and lessons learned. Some of the topics covered in the session could include how to:

- Create a local financial education taskforce
- Identify potential supporters and funders such as financial institutions, foundations, and parents
- Work with district leadership to add personal finance concepts to local education standards
- Use SDUSD’s nine-unit financial education curriculum in the economics course
- Train teachers so they are adequately prepared to teach the material

RECOMMENDATION 3: ORGANIZE SEVERAL STAKEHOLDER MEETINGS ON TEACHER PROFESSIONAL DEVELOPMENT NEEDS

Convene California Department of Education leadership, California Teachers Association representatives, and teachers and educators in a session to identify and prioritize what teachers need to feel supported in using financial preparedness curriculum in the classroom. This recommendation ultimately allows California to develop appropriate teacher preparation trainings and support for educators who would like to teach financial education. The stakeholder group should help prioritize strategies to assist teachers, such as:

- **Working with existing teacher professional development programs** to make financial education part of their regular course offerings. The findings of the various planning groups may lead to developing relationships with established entities for teacher professional development, such as The California Subject Matter Project (CSMP) and Beginning Teacher Support and Assessment (BTSA) Induction Program.
- **Creating a network of master teachers** in financial education to train and provide support to other teachers. Use the information gathered from the stakeholder groups to collaborate with Take Charge America Institute (TCAI) or another partner like California Council on Economic Education to develop a core group of master teachers in California (who are enthusiastic and can train their peers).
- **Identify existing conferences and gatherings** for district teachers and educators. Often knowledge sharing on subject pedagogy happens at the district level. Thus, there is an opportunity to merge financial education teacher training with these gatherings.

RECOMMENDATION 4: CONVENE TEACHER CERTIFICATION PROGRAMS TO EXPLORE INCLUSION OF PERSONAL FINANCE CONCEPTS

By bringing together an exploratory group of representatives from teacher certification programs, colleges and universities can determine whether adding personal finance concepts to new teacher courses, such as the single subject social studies requirement, would be beneficial. For this session, it is important to include programs throughout the state of California, in particular University of California and California State University systems that train large numbers of new teachers. The personal finance curriculum may fit in economics, math, finance, or social studies/history courses. The assumption here is that if new teachers familiarize themselves with financial education, they will be more comfortable and willing to teach it in the classroom. Since certification programs would adopt personal finance curriculum voluntarily; they should have a forum to discuss the benefits and consequences of inclusion in various subjects. Teacher certification programs often align their curriculum for new teachers to the current California education standards, thus without financial preparedness appearing in the standards or frameworks, teacher certification programs would need justification for including it in curriculum.

Although four immediate recommendations are outlined above, the overall strategy for California is two-fold. In the short-term, decision makers should take steps toward building capacity for district implementation and increase professional development and training opportunities for teachers in fields that align closely with financial education such as social studies, economics, business and math. In the long-term, decision makers and financial literacy leaders can work toward full statewide adoption through legislation or a change to the education code by building support and demonstrating success at the district level.

CONCLUSION

Youth financial education may not be a panacea for improving consumer finances, but it is critical for increasing the decision-making capabilities of young people. The current economic downturn and the proliferation of complicated financial products and services provide a signal that consumers are having trouble navigating their personal finances and are not making optimal decisions in today's financial marketplace. On a local level, California lags behind other states in providing youth with financial education, particularly in a school-based setting.

Given the current budget crisis in California, two strategies emerge as recommended paths toward equipping youth with the knowledge and tools needed to make wise financial choices. First, California should pursue district adoption of financial education by supporting districts with grants and resources to launch local programs. Second, the state can implement teacher training and professional development to increase financial education in the classroom. Synergy exists between the district-by-district approach and providing training and resources for teachers; ideally, California would pursue the strategies simultaneously. Lastly, with progress made in youth financial education at the district level, in a few years the potential for pursuing legislation to require personal finance curriculum becomes more realistic. Many players – from financial institutions to government agencies to educators – can help expand personal finance training among California's youth by working at the community level to adopt school-based financial education programs and provide support for teachers.

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APPENDICES

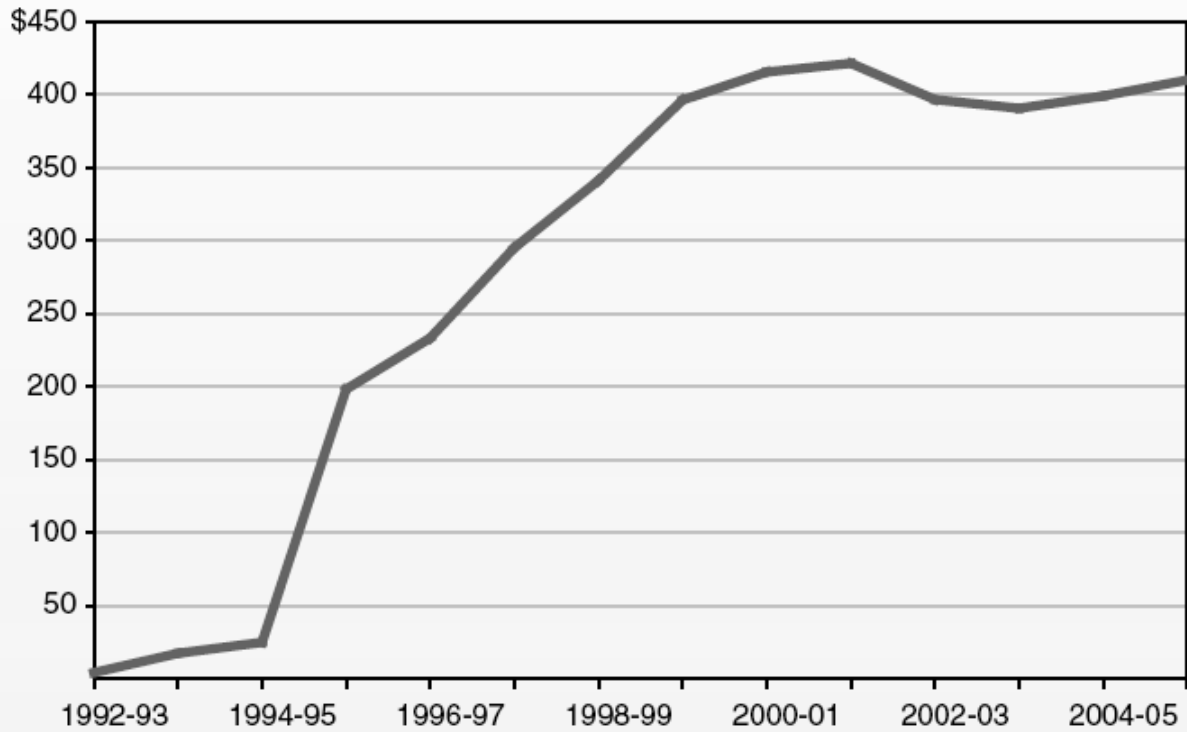
APPENDIX 1. EXPENDITURES PER PUPIL IN CALIFORNIA OVER THE LAST 10 YEARS (FALL ENROLLMENT K-12 EDUCATION)

Year	California	Rank	U.S Average
1996-97	\$5,191	36	\$5,949
1997-98	\$5,580	31	\$6,174
1998-99	\$5,666	36	\$6,455
1999-00	\$6,333	27	\$6,824
2000-01	\$7,018	24	\$7,296
2001-02	\$7,055	31	\$7,532
2002-03	\$7,580	26	\$8,065
2003-04	\$7,745	27	\$8,340
2004-05	\$7,935	30	\$8,717
2005-06	\$8,486	29	\$9,100
2007-08	\$9,539	26	\$9,963

Data: National Education Association (NEA) *Rankings and Estimates*.

APPENDIX 2. K-14 MANDATE CLAIMS IN CALIFORNIA HAVE INCREASED OVER TIME^a

(In Millions)



^a Represents all claims filed with the State Controller's Office. Includes claims for some mandates still completing the determination process, such as the mandate relating to high school science graduation requirements.

Source: Legislative Analyst Office (2010). Education mandates: Overhauling a broken system. Retrieved from <http://www.lao.ca.gov/laoapp/PubDetails.aspx?id=2193>. 8.

APPENDIX 4. SAMPLING ORGANIZATIONS AND AGENCIES CURRENTLY INVOLVED IN ADVANCING FINANCIAL EDUCATION IN CALIFORNIA

Sample of Organization/Agency	Youth Training & Education	Teacher Training	Policy	Coordination	Raise Awareness
State					
CalCPA Institute	X	X			X
California Chamber of Commerce					
California Council on Economic Education (CCEE)		X			
California Credit Union League					
California Department of Corporations					X
California Jump\$tart Coalition			X	X	X
California Society of Certified Public Accountants					
California State Controller's Office					X
California State Superintendent of Public Instruction (DOE)					X
Center for Student Credit Card Education, Inc. (CSCCE)	X				X
Creative Wealth Intl.	X				X
It's a Habit	X				
Juma Ventures, Wall St. Wizards, Snigglezoo	X				
Junior Achievement	X				
New America Foundation			X		X
Operation Hope, Inc.	X				X
National					
Building Wealth by Federal Reserve Bank	X				
Credit Union National Association	X				X
Hands on Banking (Wells Fargo)	X				
Learn to Earn for Kids	X				
Money Math by the U.S. Treasury Department	X			X	X
Money Skills (AFSA)	X				
Money Smart by FDIC	X				
Money Wise (Schwab)	X				
MyMoney.gov by U.S. Financial Literacy and Education Commission	X				X
National Endowment for Financial Education	X				X
Practical Money Skills for Life by Visa	X				
President's Council on Financial Literacy				X	X
Take Charge America Institute - Family Economics and Financial Education		X			
Teach Children to Save (National Bankers Assoc.)	X				X
The Stock Market Game	X				
U.S. Department of Treasury - Office of Financial Education				X	X

Note: Information compiled by author based on review of organization websites and personal interviews.