



**House  
Legislative  
Analysis  
Section**

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**MODEL FINANCIAL LITERACY  
PROGRAM**

**House Bill 5327 as introduced  
First Analysis (12-4-01)**

**Sponsor: Rep. Michael Bishop  
Committee: Education**

***THE APPARENT PROBLEM:***

In 2001 faculty at the National Institute of Consumer Education located at Eastern Michigan University administered a 30-question survey to 362 Michigan high school seniors. The questionnaire was designed to ascertain the students' knowledge and know-how about matters of financial management—income, spending, saving, investing, and credit. The results of the survey indicate: that the respondents' average score was 49 percent correct; that 13 percent scored "C" or better (that is, scored 75 or more); and, that 62 percent failed (that is, scored less than 60). The Michigan respondents demonstrated the weakest understanding of saving and investing money, and how effectively to use credit.

The understanding about financial matters that Michigan students demonstrate is similar to that of their counterparts in other states. For, according to committee testimony, the Michigan survey replicates a national questionnaire. The National Survey of Financial Literacy, an identical multiple choice examination administered in 1997 and 2000 to 12th graders throughout the nation, revealed that the respondents' average score was 52 percent correct, only 7 percent scored "C" or better, and 59 percent failed.

To improve students' understanding of finance and savings, and also to increase their personal financial management skills, some banks, credit unions, and software design companies have developed money management materials for classroom use. They disseminate the information through interactive web sites, in order to share sample developmentally appropriate curricular materials with teachers. For example, the Michigan Credit Union League reports that its education staff visited 12,000 classrooms during the past school year, and the Rochester, Michigan-based Technology Integration Services, Inc. (TIGS) promotes a program called Kid Savers for elementary school students. See *BACKGROUND INFORMATION* below. Further, the Michigan Jump\$tart Coalition for Personal Financial Literacy--

a group of 25 government, corporate, and professional organizations--has proposed that K-12 curriculum standards and benchmarks be developed, and that these be included in the Michigan Educational Assessment Program (MEAP). To this end, they urge that public schools "infuse" or embed the principles of money management within core curricular subjects so that coursework in social studies, mathematics, and language arts also include the principles of earning, spending, saving and investing.

For these reasons and others, legislation has been introduced.

***THE CONTENT OF THE BILL:***

House Bill 5327 would amend the Revised School Code to direct the Department of Education to develop a model financial literacy program.

The bill specifies that not later than March 1, 2002, the department would be required to develop and make available to schools one or more model programs for youth financial education. Under the bill, the program would be designed to incorporate financial education throughout the curriculum for grades K to 12. Further, it would be based on the concept of achieving financial literacy through the teaching of personal financial management skills, founded on the principles of earning, spending, saving, and investing. The bill would encourage each school district, local act district, and public school academy to adopt and implement the model programs, or similar financial management programs. Finally, the bill specifies that if federal funds were available for these purposes, then the department would be required to use those funds for grants to public schools, and for other measures to encourage the implementation of financial management programs.

MCL 380.1165

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**BACKGROUND INFORMATION:**

For further information about financial literacy programs, readers can visit the following web sites: National Institute for Consumer Education at [www.nice.emich.edu](http://www.nice.emich.edu), Technology Integration Group Services, Inc. at [www.tigs.com/main/htm](http://www.tigs.com/main/htm), and the National Endowment for Financial Education at [www.nefe.org/pages/history.html](http://www.nefe.org/pages/history.html).

**FISCAL IMPLICATIONS:**

The House Fiscal Agency notes that the bill would have an indeterminate fiscal impact; however, it is foreseeable that the department would incur additional staffing costs. (11-28-01)

**ARGUMENTS:****For:**

The personal financial literacy skills of school students should be a uniform and consistent part of their curricular experience beginning in kindergarten and continuing through the 12<sup>th</sup> grade. Personal financial standards and benchmarks should address income, money management, spending, saving, and investing. These standards and benchmarks should be infused within the core curricular subjects, most especially within coursework concerning the social studies, mathematics, and language arts.

According to the Jump\$tart Coalition for Personal Financial Literacy, with regard to *income*, students should be able to: identify sources of income; analyze how career choice, education, and job skills affect income; and explain how taxes, transfer payments, and employee benefits relate to disposable income.

With regard to *money management*, students should be able to: explain how limited personal financial resources affect the choices people make; identify the opportunity cost of financial decisions; discuss the importance of taking responsibility for personal financial decisions; apply a decision-making process to personal financial choices; explain how inflation affects spending and investing decisions; describe how insurance and other risk-management strategies protect against financial loss, design a plan for earning, spending, saving, and investing personal financial resources; and, explain how to use money-management tools available from financial institutions.

With regard to *spending*, students should be able to compare the benefits and costs of spending alternatives; evaluate the quality of consumer information from different sources; compare the advantages and disadvantages of different payment methods; analyze the benefits, costs, and sources of consumer credit; compare sources of consumer credit; explain factors that affect creditworthiness and ways to avoid credit problems; identify ways to avoid or correct credit problems; and describe rights and responsibilities of buyers and sellers under consumer protection laws.

Finally, with regard to *saving and investing*, students should be able to explain the relationship between saving and investing; describe reasons for saving and reasons for investing; compare the risk, return, and liquidity of investment alternatives; describe how to buy and sell investments; explain factors that affect the rate of return on investments; evaluate sources of investment information; and, explain how agencies that regulate financial markets protect investors.

**Against:**

Concern has been expressed by the Tri-County Alliance for Public Education that the bill encroaches on school districts' authority to exert local control. In particular, concern has been expressed that the bill infringes on districts' ability to design the curriculum and implement the students' academic coursework. The alliance—comprising school officials responsible for providing educational services to 40 percent of Michigan's publicly educated students—proposes that state level policy makers maintain the principle of general powers, or local control, a tenet of the Revised School Code when it was re-codified in 1995. To that end, the alliance asks that policy makers avoid legislation and laws that merely permit or encourage curricular programs. Further, the alliance argues that many requirements in law could better be left to local decision-makers, and its members express special concern about curricular requirements for which there is no funding to ensure implementation.

Customarily those who support the principle of general powers urge policy makers to employ a uniform set of criteria for the purpose of protecting local control for local school district boards of education. The advocates cast the criteria as a series of overarching questions, and they urge that policy makers pose and answer those questions before supporting proposed legislation that could infringe on

local authority. The questions are these: Where is the evidence in Michigan schools to merit the need for this legislation? Is this legislation, rule, or policy necessary at a state level, or could it be better determined at a local level? Does the legislation, rule, or policy provide: a) the school district the power to decide how to implement the request? b) the school district the flexibility to determine how to meet the request? c) the school district the ability to be innovative in meeting the request? d) stability in the legislative and state policy-making environment? e) the funding to implement the legislation, rule, or policy?

***POSITIONS:***

The Michigan Department of Education supports the bill. (11-29-01)

The Michigan Credit Union League supports the bill. (12-3-01)

The Michigan Federal of Teachers and School-Related Personnel supports the bill. (11-29-01)

The Michigan Bankers Association supports the bill. (12-3-01)

A representative from the Michigan Jump\$tart Coalition for Personal Financial Literacy testified in support of the bill. (11-29-01)

The Tri-County Alliance (representing the intermediate and local school districts in Wayne, Oakland, and Macomb counties) is concerned the bill encroaches on local control. (12-3-01)

Analyst: J. Hunault

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.