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BILL ANALYSIS

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Senate Bill 834 (as enacted)
Sponsor: Senator Michael Switalski
Senate Committee: Education
House Committee: Education

PUBLIC ACT 316 of 2008

Date Completed: 4-9-09

RATIONALE

The financial decisions young people make can have a lasting impact on their economic future, but research indicates that many do not have a solid understanding of money management methods, principles of saving and investing, and other key financial concepts. To help address this knowledge gap, Public Act 111 of 2002 amended the Revised School Code to require the Michigan Department of Education to establish a model financial literacy course, and encourage school districts and public school academies to offer financial education courses as part of their curriculum.

It was suggested that financial courses developed under that provision should be listed among the courses that fulfill the math requirements under the Michigan Merit Standard. The Merit Standard requires a student to complete four math credits, including algebra I, geometry, algebra II, and one additional course, before graduating from high school. Although the Revised School Code did not preclude a financial literacy course from meeting that additional course requirement, some believe that referring to the course explicitly may help signal the importance of financial literacy and encourage more schools to offer and more students to enroll in such a course.

In a separate issue related to the math requirement, some educators and others have been concerned that students may have particular difficulty completing the algebra II requirement under the Merit Standard. The Code permits a student to earn credit for a retake of algebra II, but that provision did not specify how or under

what circumstances credit should be awarded. With the first class of students affected by the graduation requirements reaching upper grade levels, school officials requested clarification about how credit should be awarded if a student needs more than one year to meet the algebra II content expectations.

CONTENT

The bill amended the Revised School Code to do the following:

- **Include a course in financial literacy among specific courses that satisfy the math credit requirements under the Michigan Merit Standard.**
- **Permit a pupil to complete algebra II over two years with a credit awarded for each of those years.**

The Code requires a pupil, beginning with those entering 8th grade in 2006, to meet certain requirements before receiving a high school diploma. The requirements include the successful completion of at least four credits in math, including at least algebra I, geometry, and algebra II (or an integrated sequence of that course content that consists of three credits), and an additional math credit, such as trigonometry, statistics, precalculus, calculus, applied math, accounting, business math, or a retake of algebra II.

The bill includes in the additional math credits a course in financial literacy as described in Section 1165 of the Code.

The bill also permits a pupil to complete algebra II over two years with a credit awarded for each of those years for the purpose of meeting the credit requirements.

The bill states that the provisions setting forth the math credit requirements do not require completion of math courses in any particular sequence.

(Section 1165 of the Revised School Code, added by Public Act 111 of 2002, requires the Department of Education to make available to schools one or more model programs for youth financial education, which must be designed to incorporate financial education throughout the curriculum for grades K through 12 and must be based on the concept of achieving financial literacy through the teaching of personal financial management skills and the basic principles involved with earning, spending, saving, borrowing, and investing. Each school district and public school academy is encouraged to adopt and implement the model program or one or more similar financial education programs.)

The bill took effect on December 18, 2008.

MCL 380.1278a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill will help to raise awareness of the importance of financial literacy, and will encourage more students to take financial literacy classes, by specifically including such a course among those that count toward the required math credits under the Michigan Merit Standard.

Students today face a financial world that is increasingly complex, and developing the skills to manage money prudently is an important part of a student's education. That need is not being met in many Michigan schools, however. In a national financial literacy survey administered by the Jumpstart Coalition in 2008, students answered an average of 48.3% of the questions correctly, down from 52.4% in 2006. The survey included questions on saving, insurance, investing, managing

credit cards, and other topics reflecting decisions that students will have to make in the future. The survey has been administered every two years since 1997, when the average score was 57.3%. Since 2000, average results had remained between 50.2% and 52.4%, until the decline in 2008. The results of the Jumpstart survey and other studies indicate that Michigan students still lack the information they need to make sound financial decisions and plan for a solid future.

A course in financial literacy can help students understand the key concepts of personal finance and prepare them to be smart consumers. One aspect of the continuing mortgage crisis is that many homebuyers evidently did not understand the details and the possible risks associated with the terms of their mortgages. Credit card agreements also frequently contain complex provisions that many consumers may not fully understand. Giving students the knowledge to make informed decisions in these and other situations can be of lasting benefit.

Financial courses also can help students understand mathematical concepts, by putting those them into everyday terms. For instance, students may use the concept of present value to determine whether it is better to take lottery winnings as a lump sum payment or to receive a larger amount paid over a number of years. Also, students may calculate the odds of winning the lottery and determine whether the potential payout justifies the cost of a ticket. Using such concrete examples helps engage students in more active learning, giving them a stronger intuitive grasp of fundamental financial concepts that will benefit them for the rest of their lives.

Instead of requiring students to take such a course, the bill simply indicates that a financial literacy course meets the requirement for "an additional mathematics credit" under the Michigan Merit Standard, helping to raise awareness of financial literacy and signal the importance of the subject matter.

Supporting Argument

Algebra II is widely considered to be a difficult course for many students, generally taken only by those who plan to go on to college or work in math-intensive fields.

The Michigan Merit Standard will require all students to complete algebra II, but educators have warned that some students may need additional time to master the material. The Code permits a pupil to receive a math credit for a "retake of algebra II", but that language created some confusion about how credit should be awarded, and many districts asked for clarification from the Michigan Department of Education. To help resolve that confusion, the bill indicates that a student may take algebra II over two years, receiving two credits for demonstrating an understanding of that material.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: Kathryn Summers-Coty

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.