

# Legislative Analysis

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## PERSONAL ECONOMICS & FINANCIAL LITERACY

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House Bill 4390 (reported from committee as H-1)

Sponsor: Rep. Jim Tedder

Committee: Education

Complete to 4-23-15

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 186 of 2015)*

**BRIEF SUMMARY:** The bill would allow high school students to satisfy their half-credit economics requirement by completion of at least a half-credit course in personal economics.

**FISCAL IMPACT:** The bill would have no fiscal impact on state or local government.

### **THE APPARENT PROBLEM:**

In Michigan, high school students must successfully complete at least 18 credit requirements to earn a high school diploma—four each in English and math, three each in science and social science, two in a foreign language, and one each in physical education and the arts. See **Background Information** for a more detailed description of the Michigan Merit Curriculum.

Now under the law, the three-credit social science requirement includes completion of at least one credit in United States history and geography, one credit in world history and geography, one-half credit in *economics*, and a civics course.

Personal economics has been described as a merger of economic theory and economic practice—an opportunity for students to explore the application of economic principles while using financial calculators to solve problems. For example, students might explore the power of saving money by exploring the mathematics of compound interest.

Legislation has been introduced to allow the economics requirement to be met with a course in personal economics that includes financial literacy.

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

House Bill 4390 (H-1) would amend the Revised School Code to allow high school students to satisfy their half-credit economics requirement by completion of at least a half-credit course in personal economics that includes a financial literacy component, as described in Section 1165 (see below).

That personal economics course would have to cover the subject area content expectations for economics developed by the Michigan Department of Education, and approved by the State Board of Education.

***BACKGROUND INFORMATION:***

***Financial Literacy***

Section 380.1165 of the Revised School Code requires the Department of Education to make one or more models of programs for youth financial education available throughout the K-12 curriculum. Such programs 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.

***Michigan Merit Curriculum High School Credit Requirements***

Currently under Michigan law, high school students must successfully complete at least the following 18 credit requirements to earn a high school diploma:

- Three credits in social science including completion of at least one credit in United States history and geography, one credit in world history and geography, one-half credit in *economics*, and a civics course. ***House Bill 4390 would modify this one-half credit economics requirement.***
- Four credits in mathematics including completion of at least algebra I, geometry, and algebra II (or an integrated sequence of this course content that consists of three credits), and also an additional mathematics credit (such as trigonometry, statistics, pre-calculus, calculus, applied math, accounting, business math, a retake of algebra II, ***or a course in financial literacy as described in Section 1165 of the code.***) [Note: the algebra II requirement can be fulfilled with completion of a career and technical education program].
- Four credits in English language arts.
- Three credits in science including biology and either chemistry or physics. [Note: students are strongly encouraged to complete a fourth science credit in courses such as forensics, astronomy, Earth science, agricultural science, environmental science, geology, physics or chemistry, physiology, or microbiology.]
- Two credits in a language other than English during grades K-12, allowing American Sign Language and on-line coursework. [Note: Students who graduate high school in 2016, 2017, 2018, 2019, 2020, and 2021 can fulfill one credit of this requirement by completing a career and technical education program, or by completing visual or performing arts instruction.]
- One credit in both health and physical education (allowing one-half credit for extracurricular athletics).
- One credit in the arts including the visual, performing, or applied arts.

## ***ARGUMENTS:***

### ***For:***

Citizens, worldwide, are increasingly challenged by the global and interconnected financial world in which we live. To become knowledgeable citizens, then, high school students must understand taxation, debt, inflation, market volatility, finance, banking, and more. In addition, students must gain an understanding of their own personal economies—their own resources, knowledge, and skills (sometimes called human capital)—if they are to experience and sustain financial success across their lifespans.

This legislation gives high school educators more flexibility when implementing the 18-credit Michigan Merit Curriculum. In addition to traditional economics courses, it allows teachers to focus on "personal economics"—for example, to present economic concepts that help students interpret the daily news; to better understand how interdependent the world's economies are; and to anticipate how events will impact their lives. Personal economics allows students to develop thinking skills that include situational analysis, economic reasoning, decision making, and problem solving. The aim of the personal economics educator is enable financial literacy for students while merging economic theory and practice.

### ***Response:***

Some have observed that this legislation is not needed. They offer two arguments. First, they note that The Revised School Code Michigan Merit Curriculum already allows a course in financial literacy to substitute for one math course, so an additional emphasis on financial literacy is not necessary. Second, they worry that an emphasis on personal economics within the economics curriculum will likely weaken the disciplinary content of both economics and mathematics—so the "personal economics" course would become both math-lite, and econ-lite.

## ***POSITIONS:***

The Michigan Bankers Association supports the bill. (4-16-15)

The Michigan Education Association supports the bill. (4-16-15)

Junior Achievement supports the bill. (4-16-15)

The Michigan Credit Union League supports the bill. (4-16-15)

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