



AB 166 – Financial Literacy in K-12

SUMMARY

Assembly Bill (AB) 166 promotes financial literacy by taking existing law that requires the inclusion of “financial preparedness” in the history-social science, health and mathematics curriculum frameworks, and defines this term to include education on budgeting, student loans, managing credit, consumer debt, and identity theft security.

BACKGROUND

California does not have an official state policy or educational plan for the teaching of financial literacy. Currently law allows high schools the option of teaching personal finance within their required economics course. Unfortunately, most students graduate without receiving any education on personal finance.

The growing negative effects of financial illiteracy, such as the housing mortgage crisis and a low national savings rate, have spurred the need for financial literacy education for California students. According to a 2007 national survey commissioned by the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), nearly 50% of homeowners with adjustable rate mortgages admitted that they did not know how their adjustable rate mortgages would adjust or reset. Nearly 75% did not know how much their monthly mortgage payments would increase when the payments adjust or reset. Moreover, according to the National Strategy for Financial Literacy, the national annual savings rate has declined from 9% in the 1980s to approximately negative 0.4% of after-

tax household income, a level not seen since the Great Depression.

The financial literacy of high school students has seen a decrease over time. A biennial survey by Jumpstart Coalition for Personal Financial Literacy, conducted from 1997 to 2008 showed that financial literacy of high school seniors had fallen from 57% in 1997 to a record low of 48% in 2008.

Financial knowledge is a key predictor of financial behavior. Research from the Council for Economic Education found that “students from states where a financial education course was required had the highest reported financial knowledge and were more likely to display positive financial behaviors and dispositions.”

A 2010 national survey from Visa, Inc. revealed that 93% of Americans believe all high school students should be required to take a class in personal finance. Currently, 46 states report having personal finance standards in various forms, while only 13 of those states include personal finance instruction as part of their K-12 graduation requirements. California has neither personal finance standards nor requires personal finance instruction as part of the K-12 graduation requirements.

AB 166 would improve California student’s financial literacy skills and help protect them from predatory lending, credit card fraud and other deceptive practices.

EXISTING LAW

Existing law requires a school district to offer courses in economics. Instruction in personal finance may be a part of the economics course but is not required.

Existing law also requires the State Board of Education (SBE) to adopt statewide academic content standards in core curriculum areas every 8 years. However, current law prohibits the SBE from revising and/or adopting curriculum frameworks until the 2015-2016 school year.

The history-social science framework was last adopted in 2000, the health framework in 2003, and the mathematics framework in 2006. However, the mathematics framework is currently being updated as part of the Common Core State Standards (CCSS).

The California Department of Education (CDE) is authorized to revise the history-social science and health framework during the 2015-2016 school year only after it has completed work related to the development of curriculum frameworks for the CCSS.

SUPPORT

Associated Students of University of California, Davis
California Bankers Association
California Communities United Institute
California Counsel on Economic Education
California Credit Union League
California Federation of Teachers, AFL-CIO
California Jump\$tart Coalition for Personal Financial Literacy
California Independent Bankers
California Latino School Boards Association
California Society of Certified Public Accountants
California State PTA
Compton Unified School District
El Monte Union High School District
Salinas Union High School District
San Joaquin County Hispanic Chamber of Commerce
Sus Finanzas

OPPOSITION

None on File

STATUS

8/26/13 Chaptered by Secretary of State -
Chapter 135, Statutes of 2013