

# HOUSE BILL REPORT

## SHB 2455

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### As Amended by the Senate

**Title:** An act relating to financial literacy.

**Brief Description:** Providing for financial literacy.

**Sponsors:** By House Committee on Education (originally sponsored by Representatives Santos, Anderson and G. Simpson).

**Brief History:**

**Committee Activity:**

Education: 1/22/04, 1/28/04 [DPS].

**Floor Activity:**

Passed House: 2/11/04, 93-1.

Senate Amended.

Passed Senate: 3/4/04, 45-1.

<h3>Brief Summary of Substitute Bill</h3>
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| <ul style="list-style-type: none"><li>· Creates a legislative ad hoc committee on financial literacy to develop and pilot financial literacy guidelines in school districts and for other similar purposes.</li></ul> |
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## HOUSE COMMITTEE ON EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Quall, Chair; McDermott, Vice Chair; Talcott, Ranking Minority Member; Tom, Assistant Ranking Minority Member; Anderson, Cox, Haigh, Hunter, McMahan, Rockefeller and Santos.

**Staff:** Susan Morrissey (786-7111).

**Background:**

According to Youth and Money, a 1999 study conducted by the American Savings Education Council, fewer than half of all high school and college students have regular savings plans. Only about one-fourth of the students stick to a budget and more than one-third don't keep track of their spending at all. According to a survey conducted by the National Council on Economic Education, financial illiteracy is not limited to

students. Half of all adults fail to understand basic economic concepts.

Testimony before the United States House of Representatives Committee on Education and the Workforce suggests that many Americans live paycheck to paycheck and acquire substantial debt because they never learned the basics about personal finance. Bob Duvall, CEO of the National Council on Economic Education testified that "This (financial) literacy, together with reading and mathematics, is the key to home ownership, managing credit, financing higher education, saving for retirement, and citizenship."

Further testimony before the committee reported that the Departments of the Treasury and Education are working to encourage schools to integrate basic financial education into their reading and math curriculum in accordance with the goals of the "No Child Left Behind Act" (Act). The Act includes several provisions that encourage financial literacy. For example, the law allows districts to use funds from the Local Innovative Education Programs to support activities that provide consumer, economic and personal finance education. The law also included the Excellence in Economic Education program. Through the program, the Secretary of Education may award a grant to a non-profit entity to foster economic literacy through a variety of activities.

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### **Summary of Substitute Bill:**

The Legislature finds that the average high school student lacks a basic knowledge of personal finance. The Legislature intends to help school districts in their efforts to ensure that students are financially literate.

The legislative ad hoc committee on financial literacy is established. The committee is composed of members representing the Governor, the Legislature, the Superintendent of Public Instruction, and the Department of Financial Institutions. It will also include stakeholders representing educational interests and the interests of the financial and credit industries. Eight members of the committee will be members of the Legislature. The legislative members will be selected from each caucus of the policy committees that work on issues related to education and financial institutions and insurance. The members from state agencies and educational organizations will be selected by their agencies or organizations. The two members representing the financial and credit industries will be selected by the Governor. The members of the ad hoc committee will be selected by July 1, 2004.

Staff support to the ad hoc committee will be provided by legislative committee staff. The Superintendent of Public Instruction and the organizations selecting committee members may provide additional logistical support. Legislative members of the ad hoc committee will receive travel and per diem allowances. The expenses of the other committee members will be covered by the agencies, organizations, or associations that appointed the members.

The responsibilities of the ad hoc committee are:

1. To collect and analyze information on the costs and benefits to students and society of ensuring that students are financially literate when they graduate from high school;
2. To recommend outcome measures or other means for schools and communities to measure the financial literacy of students;
3. To recommend a system to follow the opportunities a district's students have to become financially literate as the student progresses through different educational levels;
4. To provide annual reports, and by November 15, 2008 a final report to the Governor, the Legislature, and others;
5. To adopt a definition of financial literacy by September 30, 2004. The definition must be aligned with, and may be embedded in, the essential academic learning requirements for other content areas;
6. To develop a set of recommended financial literacy guidelines by September 30, 2005 that may be used in school districts;
7. To recommend a structure and set of operating principles for a public-private partnership to work with interested school districts by November 30, 2004. The partnership may assist in the development or selection of instructional materials and may provide professional development for educators; and
8. To select school districts in which to pilot the guidelines in 2006, subject to funding. The purpose of the pilots is to determine the best methods of helping students acquire the financial knowledge and skills they need to make personal financial decisions. The pilots will include an evaluation that includes student outcomes.

The SPI will make available to school districts the guidelines, instructional materials, and other relevant information developed by the ad hoc committee. Each school district is encouraged to provide its students with an opportunity to master the guidelines.

The Washington Financial Literacy Education Partnership Account is created to provide learning opportunities for students and professional development for educators. Public funds and donations may be included in the account. Money may be withdrawn from the account by the SPI or the superintendent's designee. The account is subject to allotment procedures, but no appropriation is required for expenditures.

The ad hoc committee expires on June 30, 2009.

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**EFFECT OF SENATE AMENDMENT(S):**

A public private partnership rather than an ad hoc committee is established to develop a working definition of "financial literacy," identify strategies that promote the use of financial literacy curricula in schools, serve as a resource, and seek outcome measures to determine the effectiveness of educational efforts. The partnership is limited to 12 to 14 members. The number of legislative members is reduced from eight to a maximum of four, and no representation from members of the legislative education committees is required. The partnership will receive staff support from the Superintendent of Public Instruction and other partners rather than from legislative committee staff. The duties of the public private partnership are refocused to be less specific and to reduce or eliminate required timelines. The expiration date for the legislation is 2007 instead of 2009.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 2004.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** State and national surveys and studies all reach the same conclusion: most high school and college students have a vague understanding, if any, of the elements of personal finance. In a survey of high school seniors conducted in Washington in 2002, almost 70 percent of the respondents failed to show an adequate understanding of personal finance issues. There are practical indicators too. Many students are getting into trouble with readily available credit cards. Many don't know how to balance a checkbook and others don't understand why it is important to pay bills on time. This lack of understanding is causing many young people to get into financial trouble before they leave high school or college. The goal of this ad hoc committee is to help provide schools with the tools to give students a better understanding of those elements. Although many schools have strong partnerships with community banks and credit institutions, and although the study of personal finance is available in certain vocational classes, students are not getting the message. This legislation will help give schools some tools to address the issue. The tools will be developed through a public-private partnership and will be embedded in the state's essential academic learning requirements.

**Testimony Against:** None.

**Persons Testifying:** Representative Santos, prime sponsor; Senator Keiser; Mark Minickiello, Washington Credit Union League; J.T. Batstone, Simpson Community Credit Union; Sue Larkin, Jumpstart Washington; Josh Roberts, Snohomish High School; Kyra Kester, Office of the Superintendent of Public Instruction; and Kathleen Lopp, Washington Career and Technical Education.

**Persons Signed In To Testify But Not Testifying:** None.