

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 714 (Senator Klausmeier, *et al.*)
Education, Health, and Environmental Affairs

State Board of Education - Development of Curriculum Content - Financial Literacy

This bill requires the State Board of Education to develop curriculum content for a semester-long course in financial literacy. Each local board of education must implement the curriculum in every high school under the board's jurisdiction, and a student must complete the course in order to graduate from high school.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$115,400 in FY 2009 to develop curriculum content for a financial literacy course and provide training and technical assistance as local school systems implement the new curriculum. Future year estimates reflect annualization, regular salary increases, and inflation. Revenues would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	115,400	81,400	85,300	89,500	93,900
Net Effect	(\$115,400)	(\$81,400)	(\$85,300)	(\$89,500)	(\$93,900)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local school expenditures could increase by up to \$15.7 million in FY 2010 to implement mandatory financial literacy courses in all public high schools.
This bill imposes a mandate on a unit of local government.

Small Business Effect: Minimal.

Analysis

Current Law: With the advice of the State Superintendent of Schools, the State Board of Education establishes basic policy and guidelines for the program of instruction for public schools. Subject to State law and the bylaws, policies, and guidelines established by the State Board of Education, each local board of education must establish the curriculum guides and courses of study for schools in its jurisdiction. Policies, rules, and regulations for the graduation of students from Maryland public schools are established by local boards of education and the State Board of Education.

Background: The Maryland State Department of Education advises that instruction in financial literacy is currently a graduation requirement in two local school systems (Allegany and Carroll counties) and is offered as an elective course in six school systems. In addition, the concepts of financial literacy are embedded in the State's social studies content standards as part of economics instruction. MSDE also notes that the Maryland Coalition for Financial Literacy recently presented a day-long workshop for school systems' social studies coordinators and has been working with local school systems.

State Expenditures: General fund expenditures could increase by an estimated \$115,370 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of hiring an education program specialist to manage the development of a voluntary State curriculum for financial literacy and to provide guidance and technical assistance to local school systems as they implement the new curriculum. A full-time salary, fringe benefits, start-up costs, and ongoing operating expenses, as well as one-time contractual costs to aid with the development of a financial literacy curriculum, are included in the estimate.

	<u>FY 2009</u>	<u>FY 2010</u>
Salary and Fringe Benefits	\$59,397	\$80,564
One-time Contractual Services	45,000	0
Other Operating Expenses	<u>10,973</u>	<u>826</u>
Total State Expenditures	\$115,370	\$81,390

Future year expenditures reflect • a full salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Local Expenditures: Local school expenditures could increase by an estimated \$15.7 million in fiscal 2010 to hire teachers qualified to teach mandatory financial literacy courses (\$14.0 million) and to purchase textbooks and materials needed for the

courses (\$1.7 million). The information and assumptions used to develop this estimate are stated below.

- The mandatory courses would be developed in the 2008-2009 school year and would be taught beginning in the 2009-2010 school year.
- There are 189 public high schools, 24 vocational-technical schools, and 59 alternative centers in the State. It is assumed that financial literacy courses would be implemented in each of these 272 schools.
- According to MSDE, 8 of the 24 local school systems offer mandatory or elective financial literacy programs, meaning 16 school systems would have to implement financial literacy courses under the bill. Assuming the systems that would need to add financial literacy courses represent approximately two-thirds of the schools, the courses would need to be added in approximately 181 schools.
- The average fiscal 2010 cost per teacher for salary and benefits is estimated at \$77,200. Assuming each new school implementing semester-long financial literacy courses would need just one additional teacher, the total cost for the teachers would be approximately \$14.0 million. However, to the extent that existing teachers are qualified or could become qualified to teach financial literacy, costs for teachers could be less than \$14.0 million.
- In addition to teachers, schools would need to purchase textbooks and other course materials. There are approximately 64,000 students in each grade level. Assuming schools already have adequate materials for two-thirds of these students, additional textbooks and materials would be needed for approximately 42,700 students or 21,350 students each semester. If the materials cost an estimated \$80 per student, school expenditures would increase by \$1.7 million. After fiscal 2010, costs for textbooks and course materials could decrease if the same materials are reused.

Additional Information

Prior Introductions: None.

Cross File: HB 1271 (Delegate Stein) – Ways and Means.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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