EVIDENCE-BASED FINANCIAL EDUCATION PROGRAMMING AND WHERE LEGISLATIVE DOLLARS CAN BEST BE SPENT

A synopsis of a policy convening discussion held on February 4, 2021

FOREWORD

In early-2021, the National Endowment for Financial Education® (NEFE®) and the Council for Economic Education (CEE) convened a series of virtual policy discussions to explore issues surrounding the state of financial education.

Stakeholders across the country gathered to discuss challenging aspects of the financial education field, with the goals of:

- Encouraging intentional approaches to financial education policy and practice that focus on evidence-based strategies, are informed by the right stakeholders and drive toward meaningful impact.
- Developing research questions that, if answered, could inform and advance the field.
- Facilitating spaces for individuals to network across agency and organizational sectors, making financial education conversations more connected.

Each convening consisted of presentations from industry leaders, large-form discussions and small group brainstorming sessions. This summary captures the major discussion points and themes we heard during this event.

NEFE and CEE acknowledge that we don't have a complete view of the challenges discussed in any of the convenings because of the limits of participant perspectives. These conversations are simply a start.

“What do we mean by 'mandate'? We mean that all high school students in a school, district or state are required to complete some kind of financial education whether it is one course or part of a broad curriculum.”

EVIDENCE-BASED FINANCIAL EDUCATION PROGRAMMING AND WHERE LEGISLATIVE DOLLARS CAN BEST BE SPENT: EVENT OVERVIEW

This convening focused on evidence-based financial education programming and where legislative dollars can best be spent to achieve positive, equitable outcomes. In general, the benefits of required financial education are numerous, especially for legislators, policymakers and elected officials. According to Dr. Carly Urban, a principal investigator at Montana State University, individuals who are more aware of their finances are more likely to become skilled consumers, add to the tax base of a community, promote economic development and demonstrate civic responsibility. She also cited that they are more apt to have higher credit scores and a better understanding of different forms of debt. With these benefits in mind, the convening aimed to address the issues financial education legislation can mitigate or solve; what financial education legislation should include to be effective; what information is needed for policymakers to move legislation forward; and the perspectives/needs of the end users (e.g. students).

According to Dr. Carly Urban, a principal investigator at Montana State University, individuals who are more aware of their finances are more likely to become skilled consumers, add to the tax base of a community, promote economic development and demonstrate civic responsibility.

"College students who received financial education in K12 had higher credit scores, and regarding college financing – while carrying overall higher levels of debt – the loans were of better quality and had lower interest rates. In addition, they also carried less credit card debt and were more likely to take advantage of scholarships and grants."

WHAT WE HEARD

Intentional and Supported Mandates Work.

Financial education mandates help students navigate a better-informed path toward financial well-being. According to Dr. Urban, a “financial education state mandate” is defined as any presence of a state requiring high school students to take some level of financial education prior to graduation. Her research provides a strong business case for the effectiveness of financial education mandates. While all communities must have customized mechanisms to ensure financial education content is effective, convening stakeholders outlined several general keys to success:

- Tie financial education content to understanding student loans.
- Teach critical thinking and problem-solving skills to help students achieve practical outcomes such as avoiding scams.
- Include curriculum on the growing complexity of financial systems.
- Provide teachers with the training and support they need to feel confident in delivering quality financial education.
- Explore how to address economic inequalities and how economic systems can be biased.

Participants provided additional comments on what financial education mandates cannot solve or where it cannot make a difference. They noted that it is important to recognize that, although mandates can help students make more informed downstream financial decisions, it cannot directly or immediately lift people out of poverty. Participants also noted that financial education (an individual intervention) cannot replace consumer protections (a systems approach). They work best in concert with one another[1].

> ***“Students without any knowledge about financial literacy are taking a huge loan often at the age of 18 that will continue to affect their lives for several years after. They need to graduate high school with ability to make informed economic decisions.”***

> ***“Although mandates can help students make more informed downstream financial decisions, it cannot directly or immediately lift people out of poverty.”***

[1]This more balanced approach to financial education aligns with the Personal Finance Ecosystem Framework developed by NEFE. Read more at **https://www.nefe.org/initiatives/ecosystem.**

APPROPRIATE GUIDELINES CAN HELP ENSURE EFFECTIVE FINANCIAL EDUCATION.

The convenings participants agreed that legislation is the most effective way to achieve well-delivered financial education that improves students' knowledge across a state. While it is not a “silver bullet” solution, successful legislation should include the following:

- Outlines for standalone class of at least one semester (preferably two or more semesters) that includes economics and personal finance literacy. It also can be helpful to show how financial decisions are reflected in other academic subject areas.
- Uses performance-based assessments and accountability measures (e.g. testing and evaluation).
- Requires highly-trained, well-supported teachers who have ongoing access to professional development content. This is especially critical if teachers are expected to address evolving, real-world economic circumstances.
- Reflects an experiential, hands-on (and personalized, if possible) curriculum so students don’t just study to the test questions.
- Includes funding for schools and partner organizations (e.g. economic councils, nonprofits, etc.) that support financial education across all school districts, especially those that are under-resourced due to crowded curriculum, limited school budgets, etc.

In addition to establishing guidelines, communities need to know and understand who is making decisions about the direction of financial education policy at the state level to inform input and advocacy efforts.

“We are in better shape at crafting a conversation with legislators. We need to do more work on defining the dollar amount our recommendations need to support them.”

ADDENDUM

OVERARCHING POLICY CONSIDERATIONS

For Practitioners

- Push decision makers to understand that legislation is only the beginning, not the end goal, of a financial education initiative.
- Accept/seek out certification opportunities for teaching financial education.

For State Policymakers and Stakeholders

- Develop funded mandates that make sense to ensure equitable support across communities and jurisdictions.
- Balance freedom for teachers to be effective with clear and consistent course expectations. Teachers cannot drive content if reliant on external partners for resources and content.
- Determine who the decision makers really are (and should be) within a state financial education initiative and involve them as legislative architects.[2]
- Recognize what is going on at the school level to appropriately reflect in the legislation to identify gaps in execution, imagining the perspectives of all stakeholders, etc.

For National Consideration

- No unfunded mandates. Consider the longer-term fiscal implications of keeping curricula current. Inequality of resources perpetuates structural inequity. Funding mandates provides an equitable approach across districts and communities and does not leave schools reliant upon community actors who have free resources, but also conflicts of interest and/or a quid pro quo.
- Identify areas where the Department of Education has jurisdiction over the legislature.
- Consider legislative levers for students and teachers.
- Ensure appropriate training and development avenues for teachers and require them to demonstrate content knowledge as with other academic subject areas.

> ***"When required, financial education sets students up on a better financial path, making smarter financial decisions."***

[2]Recommendations by state can be found on the **Council for Economic Education Resource page**.

Questions for Researchers

We heard diverse perspectives on what next steps for the financial education field should look like, but these questions surfaced as the next thing the community of practice should answer to move the field forward. These questions are relevant to the topics from all five events:

- Where is financial education the right tool to improve financial well-being and where could choices and behaviors be the driver for influencing financial well-being?
- What is the cost of *not* offering financial education?
- Is there research from other education disciplines that could help inform the effectiveness of financial education?
- Is there research from other disciplines outside of education we could use to make the case for financial education?
- What is the business case for financial education? Can we quantify the economic return? What is the public benefit?

Other Questions Raised for Policy and Sector Leadership

- Who should be accountable for ensuring financial education policies work for diverse communities?
- What might more inclusive financial well-being markers look like? What is an inclusive definition of "financial success"?
- With the many players in the field, how can you know the right organization to work with?
- Are there other potential vehicles for program delivery that may be overlooked, e.g., municipal-led initiatives?
- What does the next level of leadership in financial education look like?
- What else other than funding might incentivize implementing financial education programming in schools?
- What are the possible gains or challenges of a national approach to financial education?

> ***"Financial well-being is connected to well-being itself."***

APPENDIX—PROGRAMS REFERENCED DURING POLICY CONVENING[3]

- GA – financial education integrated into economic standards with professional training
- NC – mandated requirements, and will be requiring a full year course for graduation
- TN – HS semester course requirement, adding teacher incentive for training
- UT – supplemented with distance learning to solve any instructor availability gaps in the high school
- ME – starts with an age-appropriate book in second grade, includes materials for teacher and parent discussions

"The 'would you rather' exercise allows participants to explore tradeoffs in spending and think through the value of various cost-equivalent investments. When offering cost-equivalent options, people are more precise with answers."

APPENDIX B—PARTICIPATION BY ORGANIZATION AND STATE

Organization	State
A+ College Ready	Alabama
American Association of Retired Persons	Mississippi
Alabama Council on Economic Education	Alabama
Alabama Jump$tart	Alabama
Alabama State Department of Education	Alabama
Alabama State Treasurer's Office	Alabama
BestPrep and Minnesota Jump$tart	Minnesota
Brookings Institute	Washington D.C.
Career Tech Education	Alabama

[3]Please note that this is a list meant to describe programming referenced during these conversations by event participants and does not represent an endorsement by the National Endowment for Financial Education nor the Council for Economic Education.

Center for Financial Literacy, Champlain College	Vermont
City of Jersey City	New Jersey
Consumer Financial Protection Bureau	Washington D.C.
Council for Economic Education	New York
National Center for Education Statistics	Washington D.C.
Edunomics Lab, Georgetown University	Washington D.C.
Federal Reserve Bank of Atlanta	Georgia
Federal Reserve Bank of Atlanta - Birmingham Branch	Alabama
Federal Reserve Bank of Atlanta - Nashville Branch	Tennessee
Federal Reserve Bank of Richmond - Charlotte	North Carolina
Federal Reserve Bank of Richmond	Virginia
Federal Student Aid	Washington D.C.
Florida Council on Economic Education	Florida
George Mason University Center for Economic Education	Virginia
Georgetown University	Washington D.C.
Georgia Council on Economic Education	Georgia
Georgia Department of Education	Georgia
Jacksonville State University / State of Alabama	Alabama
Junior Achievement of Central Carolinas	North Carolina
Junior Achievement of Eastern North Carolina	North Carolina
Louisiana Treasury	Louisiana
Middle Tennessee State University	Tennessee
Minnesota Council on Economic Education	Minnesota
Mississippi State Treasury	Mississippi
Mississippi State University Extension	Mississippi
MoneyTalk	Florida

Montana State University	Montana
Mississippi Council on Economic Education	Mississippi
National Association of State Treasurers	Washington D.C.
National Endowment for Financial Education	Colorado
Navicore Solutions	New Jersey
North Carolina Council of Economic Education	North Carolina
Next Gen Personal Finance	California
New Jersey Council for Economic Education	New Jersey
New Jersey Department of Education	New Jersey
Pennsylvania Treasurer's Office	Pennsylvania
RePublic High School	Tennessee
New Jersey State Government	New Jersey
Tennessee Department of Education	Tennessee
Tennessee Department of Treasury	Tennessee
Tennessee Financial Literacy Commission	Tennessee
University of Denver	Colorado
University of South Florida's Stavros Center	Florida
University of Tennessee	Tennessee
U.S. Department of the Treasury	Washington D.C.
Virginia Bankers Association	Virginia
Virginia Council on Economic Education	Virginia
Virginia Credit Union	Virginia
Westchester Publishing Services	Connecticut
Worker Protection Standard	Ohio

APPENDIX C—HELPFUL DEFINITIONS AND RESOURCES

Helpful definitions

Community: a geographic area with a population size between 1,200 and 8,000 people, covering a contiguous area with boundaries that generally follow visible and identifiable features. A community can also be described as a town, village or neighborhood depending on its size and characteristic. (Census Bureau)

Community Development Financial Institutions (CDFI): a special designation for financial institutions that share a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. (US Department of the Treasury Community Development Financial Institutions Fund)

Community Reinvestment Act (CRA): enacted in 1977, requires the Federal Reserve and other federal banking regulators to encourage financial institutions to help meet the credit needs of the communities in which they do business, including low- and moderate-income (LMI) neighborhoods. (Board of Governors of the Federal Reserve)

Financial Capability: the individual's ability to act in their own self-defined best interested. This includes having the knowledge and skill to decide or act and the ability to exercise choice or take action. (National Endowment for Financial Education)

Financial Education: a systematic approach to cultivating financial knowledge and financial decision-making skills. It implies the use of appropriate pedagogy, learning objectives and assessment techniques, as well as being of adequate duration to allow the learner to incorporate new knowledge into their existing schema. (National Endowment for Financial Education)

Financial Information: a variety of tools, resources and activities that inform the individual about a topic or decision. (National Endowment for Financial Education)

Financial Literacy: the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. (President's Advisory Council on Financial Literacy)

Financial Well-being: self-defined by the individual and typically includes factors such as satisfaction with ability to manage current situation, ability to exercise choice and feel in control, and future prospects. (National Endowment for Financial Education)

State Mandate: any state initiated constitutional, statutory, or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues, excluding any order issued by a state court and any legislation necessary to comply with a federal mandate. (CT.gov)

“'Sneakenomics': Sneak economic lessons into general class or discussion”

Helpful resources

2020 Survey of the States (CEE)

Characteristics of a High-Quality Financial Education Curriculum (University of Chicago)

The Effects of K-12 Financial Education Mandates on Student Postsecondary Education Outcomes (Dr. Carly Urban and Dr. Christiana Stoddard)

Five Key Factors for Effective Financial Education (NEFE)

How Did State Mandated Financial Education Standards in Oklahoma Affect the Credit Behaviors of Young Adults? (Dr. Carly Urban, Dr. Maximillian Schmeiser, Dr. Alexandra Brown)

A Review of Large-Scale Youth Financial Literacy Education Policies and Programs (Brookings Institution)

State Investment in Higher Education: Effects on Human Capital Formation, Student Debt, and Long-term Financial Outcomes of Students (Federal Reserve Bank of New York)

Utah's General Financial Literacy Graduation Requirement: A Program Review (Office of the State Auditor)

> ***"What's most important? Personal finance is a class about students' now, not their future; tackle the issues they face now. Singular choices now, compounding rewards."***

CONVENING EXERCISE

During the convening, Dr. Marguerite Roza, director, Edunomics Lab, led participants through her “Would You Rather?” test to explore tradeoffs in school spending, using a financial education lens, to help identify the impact of decisions from the perspective of various stakeholders.

		Cost/Cost factors (assume $20K for administration is funded separately)	Estimated # of students that can be served annually	Cost per student	Likely effectiveness of delivery (high, uneven, low or ?)	Ongoing costs beyond Year 1?	Risks, considerations, opportunities
A	Pay an org to campaign for a new graduation requirement	$250,000 ($250K = one-year contract w/out guarantee of policy change).	Uncertain?				
B	Incentivize students to complete online courses by providing $100 (to invest) upon completion of online curriculum	$250,000 ($100 per student)	= $250,000 / $100 = **2500 students**	**$100 per pupil**		Required annually	Could partner with banks?
C	Fund teachers/ districts to deliver financial courses	$250,000 ($15K per course delivered. Each course = _25?__ students?)	= $250,000 / $15000 = 17 courses. 17*25 students = **435 students**	$250000 / 435 = **$575 per pupil**		Required annually	Are there enough teachers who know how to teach the course? Could public funds cover costs in future years?
D	Train the trainer: Pay one teacher per district to get financial training and share curriculum with others in the district	$250,000 ($7500 per trainer to include travel, time, sharing materials, etc. Each trainer then results in ____ students are trained?)	= $250,000 / $7500 = 33 trainers. 33 trainers x _____students impacted = _______ students				Will teachers accept curriculum from peer and use it in their courses?

About NEFE

NEFE is a nonprofit, nonpartisan, independent leader that provides guidance, research, resources and thought-leadership for the national community of financial well-being advocates. We envision a nation where everyone has the knowledge, confidence and opportunity to live their best financial lives. Learn more at **www.nefe.org**.