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## SUPERINTENDENT OF PUBLIC INSTRUCTION

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Date: June 29, 2006

To: The Honorable Christine Gregoire, Governor  
The Honorable Members of the House Financial Institutions and Insurance Committee  
The Honorable Members of the Senate Financial Institutions, Housing, and Consumer Protection Committee  
The Honorable Members of the House Education Committee  
The Honorable Members of the Senate Education Committee

From: The Financial Literacy Public Private Partnership Committee

Re: Interim report on the progress of the financial literacy public private partnership committee

The Financial Literacy Public Private Partnership committee is pleased to provide the attached interim report on the substantial progress toward improving the amount and quality of financial literacy education in the Washington state's K-12 system. This report complies with the requirements of RCW 28A.300.450, et. seq. to provide an interim report on the activities of the legislatively created financial literacy public private partnership committee. The final report of the committee will be delivered June 30, 2007.

Enclosure

cc: Financial Literacy Public Private Partnership Committee Members  
Terry Bergeson, State Superintendent of Public Instruction  
Bob Butts, Interim Executive Director, State Board of Education

## **Interim Report of the Financial Literacy Public Private Partnership**

### **Executive Summary**

The 2004 legislature enacted SHB 2455, which became RCW 28A.300.450, et. seq., with the intent that the created Financial Literacy Public Private Partnership (FLPPP) committee would institute actions to increase and improve the financial literacy curriculum in Washington state's K-12 system. Pursuant to the legislative directives, the committee was appointed, formed, and began working in a true public-private partnership with active and enthusiastic contributions from all of the designated parties.

In the two years since enactment, the members of the committee have been able to expand both the quantity and quality of financial literacy materials presented to students. Equally impressive are the processes arising out of this effort that will provide long term increases in the quality of the materials and the cost/effectiveness of the classroom experience.

On the public side of the partnership, the Department of Financial Institutions (DFI) has an on-going effort to provide materials for elementary school students as well as community colleges, and consumers of financial services in the state. DFI has also collected and collated a number of materials used in other states for classroom teacher materials.

The Office of the Superintendent of Public Instruction (OSPI) supports the FLPPP committee and its work with the state K-12 classroom teachers. This includes a Financial Literacy Coordinator position, administrative support for the funds and the committee administration. The coordinator's work plan, detailed in the report, includes training classroom teachers at summer institutes, providing lists of appropriate financial literacy materials aligned for grade level and Essential Academic Learning Requirements (EALR), and coordinating in-service training throughout the school year. Other major coordination efforts include working with financial institutions, financial literacy curriculum material providers, interested legislative committees, and staff.

On the private side of the partnership, numerous programs have been introduced and expanded since 2004. Following are several of the more comprehensive curriculum programs reaching the widest audiences in Washington: Washington Junior Achievement, the Washington Jump\$tart program, the Washington Council for Economic Education, the Washington state Certified Public Accountants (CPA) association, the Consumer University, and various in-classroom presentations from a large number of credit unions, banks, and other financial service organizations.

Beginning April 2006, the program has moved into high gear with the 2006 session legislative funding of \$50,000 and private funding at an equal level. Prior to funds being available, efforts were necessarily limited to individual agency and enterprise programs. With the recent legislative funding, fiscal year 2007 will see a major increase in the amount of educationally aligned materials being used by classroom teachers. The FLPPP committee has also planned to provide a formal outside evaluation of the process of delivering financial literacy curriculum to the classroom teachers and to identify indicators of the pre- and post-levels of financial literacy around sample classroom presentations.

The Washington state effort is integrated with national efforts. Most of the providers of curriculum are part of national organizations with committees reviewing and aligning materials for the K-12 classrooms with Grade Level Expectations (GLE) and EALRs or their equivalents.

The scope of the legislation covers the K-12 system, encouraging but not mandating improvements in financial literacy. The legislation outlines need for a set of criteria to determine satisfactory financial literacy in graduates, and requires a process for moving quality educational material into the classrooms with training provided for interested teachers. The legislation also assumes that there will be systematic assessment to determine whether the education is effective.

By the end of the 2006-07 school year FLPPP has planned a formal assessment of the process to date with recommendations based on feedback from the participating classroom teachers. The FLPPP effort is new. The processes are being developed and refined to best fit the needs of the students and classroom teachers. A formal assessment process is being developed to ensure that results sought by the legislation and concerned communities are being realized and that efforts invested are aligned with necessary outcomes.

## **Interim Report on Financial Literacy Public Private Partnership**

### **Section I: Background to the Legislation**

#### **Need for Legislation**

This legislation is the result of a growing concern by citizens and industry leaders that graduates of the public school system have insufficient personal finance and basic economics understanding to be useful workers, citizens, and to protect their own economic interests.

Recent studies illustrate that many Americans do not have the knowledge or skills to make sound financial decisions:

- The average American is only able to answer 45% of personal finance questions correctly.
- Forty percent of Americans interviewed admit that they are living beyond their means primarily because of their misuse and misunderstanding of credit.

Financial Literacy is crucial. Without it, a consumer can not make wise decisions about:

- Buying a car;
- Shopping for a good rate on a mortgage;
- Saving for retirement;
- Buying cost-effective insurance;
- Understanding how to compare credit card rates; and
- Creating a budget.

Financial literacy is a basic survival skill in today's financially complex world. If you provide tools to students, you're equipping them to make good financial choices—choices that have an enormous effect on the quality of their lives.

Financial literacy training also supports the goals of Washington's Basic Education Act [28A.150.210] which states that "The goal of the Basic Education Act for the schools of the state of Washington set forth in this chapter shall be to provide students with the opportunity to become responsible citizens, *to contribute to their own economic well-being and to that of their families and communities*, and to enjoy productive and satisfying lives..." [emphasis added].

And, from a former student; "financial literacy training doesn't have to be provided as a separate class—it can be a way of teaching concepts and principles students already need to learn. You can give some students a formula, and they understand it. Other students are going to respond better to concrete examples of how to use the formula—how to buy their first car, how to shop for rates on a credit card. That's definitely the type of training that appealed to me when I was in school."

There are three major reasons schools should address this issue:

1. Financial literacy training supports the goals of Washington's Basic Education Act by giving students tools they need to become responsible citizens, contribute to their own economic well-being, and live satisfying lives.
2. Financial literacy training is a practical means of teaching students things they already need to learn. Teaching a student how compound interest works isn't nearly as interesting as teaching them how quickly they can afford their dream car!
3. Good financial skills aren't usually taught at home. Teaching financial literacy in schools equips students to survive in an increasingly complex financial world. Without basic survival skills—whether they're taught at home or in school—students are unprepared and unarmed.

### **The Importance of Financial Literacy to Parents**

- Ninety-eight percent of parents feel that financial literacy is very relevant in their child's future. (Department of Financial Institutions)
- Fifty-six percent of parents believe high school graduates are totally unprepared to manage their personal finances responsibly. (Visa USA)
- According to a 2003 back to school survey conducted by Capitol One, an overwhelming majority of high school (90%) and college (87%) students rely on their parents for financial guidance, however, parents often don't feel prepared to offer good guidance. A September 2003 FleetBoston survey found that:
  - a. Only 27% of respondents feel very well informed about managing household finances.
  - b. Among parents with children five or older, only 26% feel well prepared to teach their kids about basic personal finances.
  - c. Fewer than half of respondents feel they are a good role model for their children regarding saving and spending.
- Almost half of all parents say they don't set a good example when it comes to handling their own money and are not capable of properly teaching their children. (Northwestern Mutual, Fall, 2003)

### **The Importance of Financial Literacy to the Economy**

- The United States has the lowest national savings rate in the industrialized world. Americans' annual personal savings rate currently stands at 0%. It was 10.8% in 1984. (U.S. Department of Commerce)
- Forty-three percent of U.S. families spend more than they earn. (Federal Reserve)
- The average American is only able to answer 45% of personal finance questions correctly. (Jump\$art)
- Personal savings as a percentage of personal income decreased from 7.5% in the early 1980s to 2.3% in the first three quarters of 2003. (Senator Akaka, Financial Literacy Month Resolution, March 9, 2004)

- Between 25,000,000 and 56,000,000 adults are unbanked, i.e., not using any mainstream, insured financial institution. (Senator Akaka, Oversight Hearing on Financial Education and Literacy)

### **The Importance of Financial Literacy to the Workforce/Employers**

- Workplace studies have shown that employees who are given financial literacy education save more, are healthier (take fewer days off work) and more productive (as measured by performance ratings).
- In a 2003 survey, the median reported value of all household retirement savings was only \$40,000, and 25% of those surveyed had no retirement account at all. Only 47% of Americans are either somewhat or very confident that they will have saved enough for retirement. (Merrill Lynch, Retirement Preparedness Survey, August 2003)

### **The Importance of Financial Literacy to Students**

- High school seniors were only able to answer about 50% of questions in the Jump\$art Coalition's personal financial literacy survey correctly.
- Seventy percent of college students surveyed say their parents have not given them tips or advice about spending wisely while shopping for school supplies. (Capitol One, Fall, 2003)
- Fifty-five percent of college students acquire their first credit card during their first year in college. (Senator Akaka, Credit Card Minimum Payment Warning Act, May 21, 2004)
- College students carry an average of three credit cards, with a total balance of \$2,748. (National Center for Education Statistics)
- Ninety-five percent of college students have credit cards and 40% hold credit balances.
- In 2004, Teens are projected to spend \$169 billion, averaging \$91 per week. (Teenage Research Unlimited (TRU), December 1, 2004)

### **The Importance of Financial Literacy to Legislators**

- Thirty-one states have standards for high school economic education that requires implementation. Washington State does not. Thirty-one states have standards for high school personal finance. Washington State does not. States that implement state standards for personal finance have a higher savings rate than those that haven't.
- Seven states—up from four in 2004—had made personal finance a requirement for high school graduation in 2004. Nine states currently require testing in personal finance. (National Council on Economic Education)
- The Washington State Department of Financial Institutions has found that a lack of understanding of concepts such as how interest rates work is a key factor in a person's susceptibility to being a victim of a financial scam.

## **History of Financial Literacy Legislation in Washington**

### **2003**

During the 2003 legislative session, legislation (SB 5456 & HB 2009) was introduced that would have required the teaching of financial literacy in schools. The bills would have required the state to create a model curriculum teaching financial literacy, and encourage schools to adopt the model curriculum. The bills authorized the use of federal funds to support development of the curriculum, and required schools to teach financial literacy. The legislation did not require a separate class devoted to financial literacy, and did not require the teaching of financial literacy at any particular grade level; nor did it require schools to use the model curriculum developed by the state. Finally, the bill created a pilot program for the teaching of personal finance. It was definitely an aggressive step. Although the bill received a hearing, it didn't get out of committee.

### **2004**

During the 2004 legislative session, the Washington State legislature passed HB 2455, which created the Financial Literacy Public Private Partnership (the FLPPP). The FLPPP was created as an ad hoc committee on financial literacy made up of legislators, representatives from the board of education, the Office of the Superintendent of Public Instruction, the Department of Financial Institutions, financial institution industries, school directors, school principals and administrators, educators and representatives from higher education. The committee was charged with:

- Completing a survey of school districts to determine if financial literacy training was already being offered;
- Assembling and analyzing statistics on whether financial literacy information was actually making a difference to employers in Washington. (e.g., Is it reducing bankruptcies or financial issues among corporate employers?);
- Developing recommended learning guidelines that could be voluntarily adopted by schools;
- Recommending the structure and operating principles for a public/private partnership that would help local schools judge which financial literacy programs are best for their own schools;
- Selecting voluntary pilot program schools;
- Reporting back to the governor, the legislature, state board of education, and the Office of the Superintendent of Public Instruction on the results of the pilot program.

As introduced, the bill appropriated \$50,000 for the project, with the understanding that many of the private interests at the table would probably also contribute to the project. Unfortunately, 2004 was an extremely tight budget year, and the \$50,000 appropriation was cut out of the budget during final budget negotiations.

## **2005**

During this session, HB 2152 was introduced to re-appropriate the missing \$50,000 appropriation originally slated for last year, and clarify some of the responsibilities for the FLPPP. The FLPPP has met since the creation of the committee, however, it was very difficult to achieve the objectives of the bill without the involvement of at least one part-time, temporary employee who could help organize the group, manage the survey process, and analyze existing financial literacy curriculum resources for use in Washington schools.

As originally written, the 2005 bill would have:

- Extended the deadline for making a report identifying strategies to increase the financial literacy of public school students in our state from June 2005 to June 2007.
- Added the development of Essential Academic Learning Requirements (EALRs) to the list of Financial Literacy Public Private Partnership (FLPPP) strategies for improving financial literacy.
- Added recommendations on whether financial literacy should be included in the WASL to the list of FLPPP strategies for improving financial literacy.
- Required OSPI to make available lists of identified financial literacy skills, instructional materials, assessments, and other relevant information on financial literacy to school districts.
- Encouraged school districts to provide financial literacy training.
- Appropriated \$50,000 in matching funds over a two-year period to help fund the project.

House Bill 2152 passed the House Education Committee on March 1, however it failed to make it through the House Appropriations Committee in time, and died in committee. A number of parties (including the Washington Society of CPAs, Washington Mutual, Bank of America, the Washington Bankers Association, and the Washington Credit Union League) tried very hard to get the provisions of the bill inserted into other legislation and the overall budget. In the end, with the help of key legislators, one of the provisions of the original bill was added to HB 1347. The appropriation was added to the House version of the budget, but in the last two days of budget negotiations before adjournment, the matching funds appropriation was either cut out of the budget, or accidentally left out of the budget. This left the FLPPP in the same difficult position it's been in for the past year—with big and important goals to achieve, but no state resources allocated to achieve them.

## **2006**

During 2006:

- HB 2152 was reintroduced but failed to pass.
- HB 2394, which defined financial literacy activities as “work activities” for the purposes of the WorkFirst program and eligible for up to ten credits under the program, passed.
- HB 3156, which empowers the Department of Community, Trade, and Economic Development (CTED) to offer consulting services to community action agencies who are interested in developing pilot programs to assist low-income families accumulate assets, passed.

- HB 3157, which required the state to provide information to Temporary Assistance for Needy Families (TANF) recipients about asset building and required the WorkFirst program to provide information on financial literacy programs, did not pass.
- SB 6219, which encouraged school boards of directors to integrate financial literacy training within existing curricula, did not pass.
- SB 6386, which represents the state's operating budget, included \$50,000 in appropriated funds to fund the FLPPP.

## **Section II: The legislation**

The 2004 legislature enacted SHB 2455, directing a number of tasks to be performed under the direction of the created Financial Literacy Public Private Partnership committee. This interim report contains the list of tasks required to be completed and the results.

*(1) By September 30, 2004 the FLPPP shall adopt a definition of financial literacy to be used in educational efforts.*

*(2) By June 30, 2006, the FLPPP shall identify strategies to increase the financial literacy of public school students in our state.*

- a. Identifying and making available to school districts:
  - i. Important financial literacy skills and knowledge;*
  - ii. Ways in which teachers and different grade levels may integrate financial literacy in mathematics, social studies, and other course content areas;*
  - iii. Instructional material and programs, including school wide programs, that include the important financial literacy skills and knowledge;*
  - iv. Assessments and other outcomes measures that schools and communities may use to determine whether students are financially literate; and*
  - v. Other strategies for expanding and increasing the quality of financial literacy instruction in public schools, including professional development for teachers;**
- b. Developing a structure and set of operating principles for the FLPPP to assist interested school districts in improving the financial literacy of their students by providing such things as financial literacy instructional materials and professional development; and*
- c. Providing a report to the governor, the house and senate financial institutions and education committees of the legislature, the Office of the Superintendent of Public Instruction, the State Board of Education, and education stakeholder groups, on the results of work of the FLPPP. A final report to be provided by June 30, 2007*

### **Section III: Complying with the legislation**

To date, the FLPPP committee and its supporters have diligently worked on specific tasks set out in legislation, limited by funding constraints

- The committee adopted the following definition of financial literacy:  
*“Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending and the management of money and credit.”*
  
- The FLPPP developed a working list of important financial literacy skills and knowledge
  - Understanding credit, importance of saving,
  - Knowledge of the financial institutions and ability to compare service offerings
  - Knowledge of financial impact of parenting, marriage, divorce,
  - Ability to determine the cost vs. benefit of purchases and investments
  - Ability to compute interest and earnings on borrowings and savings
  - Ability to evaluate consumer marketing materials
  - Knowledge of the impact of bankruptcy and its causes
  - Ability to calculate the cost of loans, and loan-like borrowing,
  
- OSPI’s Financial Literacy Coordinator, with qualified classroom teachers, are scheduled to make presentations at each OSPI Summer Institute, distributing tested financial literacy materials, and soliciting comments on successful uses of various products.
  
- The OSPI FLC is working with providers of curriculum to ensure that the materials have been properly aligned with OSPI grade level expectations (GLEs) and Essential Academic Learning Requirements (EALRs).
  
- The FLPPP is working with OSPI to integrate as much as possible financial literacy materials into the current curriculum in lieu of creating parallel or stand-alone material sets.
  
- The FLPPP is working with curriculum providers to ensure a viable set of curriculum materials that have vertical integration from K through 12 in concepts, terminology, etc.
  
- OSPI will contract with a qualified program evaluator to do a formative evaluation of FLPPP activities and to identify outcome measures that schools and communities may use to determine whether students are financially literate.
  
- The OSPI FLC will generate and make available financial literacy instructional materials, information, and professional development opportunities.

#### **Section IV: Plan for the future**

FY 2007 will be the year of creating the mechanisms for the distribution of financial literacy materials into the school system. Beginning with the creation of the position of Financial Literacy Coordinator in April 2006, the process is moving along three separate but coordinated lines.

1. **Improvement in materials:** providers of financial literacy materials are being encouraged to provide materials that are aligned by GLE and EALRs to make the selection process easier for classroom teachers.
2. **Increased training for classroom teachers:** providing training via summer institutes, in-service training, and vendor provided training.
3. **Skills assessment process:** The assessment process will be working with the community, financial institutions, classroom teachers, and materials providers to ensure materials provided are most appropriate in reaching the financial literacy goals of the legislation.

#### **Project evaluation, first phase (July 2006-June 2007)**

**Context:** Leaders of the K-12 Financial Literacy Project want a formative evaluation of the FLPPP K-12 effort based on direct feedback from a representative sample of FLPPP stakeholders and a review of project source documents. The goal of the evaluation is to identify the accomplishments the FLPPP K-12 project has achieved for Phase I of the project, to identify challenges, and to suggest recommendations for improvement.

**Formative Evaluation Methods:** The evaluation will emphasize accomplishments of the first phase of the FLPPP, which include the formation of FLPPP stakeholders, partnership development and communications, creation of the project work plan and process used to complete Phase I products, including the list of available financial literacy education tools and project communications plan.

Formative evaluation components are best measured using qualitative research methods. Telephone interviews of a sample of key stakeholders using a structured protocol comprising both specific and open-ended questions are recommended. This method is generally more cost-effective than in-person interviews or site visits, and it affords some distinct advantages over mailed or electronic survey questionnaires, including:

- Better response rates
- Enhanced understanding of responses to specific and open-ended questions
- Ability to explore new topics initiated by respondents that are relevant to the project evaluation

#### **Section V: Findings and Recommendations**

Based on input from educators serving on the FLPPP, the partnership has determined that it doesn't need to "re-create the wheel" and generate its own financial literacy materials that can be incorporated into curricula of Washington schools. Great resources are already out there—the committee needs to figure out where the current offerings fit into Washington's graduation and learning requirements.

The FLPPP committee is pleased that several interested private groups have made contributions and commitments to the venture, including the Washington Credit Union League, BECU, MoneyTree, and the Washington Society of CPAs. Other interests serving on the FLPPP, such as Washington Mutual, Bank of America, and Frank Russell Company have also indicated a willingness to contribute. These contributions and commitments match the legislative funding, making a true public private partnership.

It is the recommendation of the Financial Literacy Public Private Partnership committee that this valuable work should continue and be supported by both the public sector and private interests. Increased financial literacy is in the benefit of all segments of the state.  
End: