

FLPPP–Financial Literacy Public Private Partnership

Financial Literacy Efforts in Washington

History of FLPPP committee

I. Why is this an important topic?

Financial Literacy is crucial. Without it, a consumer can't 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.

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

- 4 out of 10 Americans admit that they are living beyond their means primarily because of their misuse and misunderstanding of credit.
- more than 2 million families filed for personal bankruptcy
- nearly a third of high school seniors already use a credit card, a higher proportion have an ATM card,
- fewer than 30 percent of young Americans are given the opportunity to take as much as one week's worth of coursework in money management or personal finance in high school.
- Research has shown that as little as 10 hours of personal financial education positively affects students spending and savings habits. (National Endowment for Financial Education, 1998)

Those receiving financial education:

- 38% less likely to file for bankruptcy
 - 36 point increase in credit scores
 - \$14,000 reduction in non-mortgage debt
 - 30% increase in homeownership
 - 40% increase in saving/investment accounts
- **Georgetown University & The National Federation for Credit Counseling (NFCC), January 2003**

In other words, 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].

Finally, 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.

II. Why should schools address this issue?

1. Financial literacy training supports the goals of Washington's Basic Education Act by giving students the 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 always 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.
4. Children that learn these basic skills grow up better able to support themselves, and their families. Understandably so, they are better equipped to excel in college and the business world.

III. 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.

Interestingly, as of 2004, eight states make personal finance a requirement for high school graduation (Idaho, Illinois, Kentucky, New York, Georgia, Louisiana, Utah, and Alabama). This is a marked increase—as only four states (Idaho, Illinois, Kentucky, and New York) required the training in 2002.

2004

During the 2004 legislative session, the Washington State legislature passed HB 2455, <http://www.leg.wa.gov/pub/billinfo/2003-04/Pdf/Bill%20Reports/House/2455-S.HBR.pdf> 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. (See Original Appointees: http://www.dfi.wa.gov/FLPPP/pdf/development/flppp_original_appointees.pdf)

The committee was charged with specific outcome, including a set definition of financial literacy: http://www.dfi.wa.gov/FLPPP/pdf/2007_report.pdf

The committee met on August 3, 2004 and 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."

As introduced, the HB2455 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. 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.

The FLPPP continued to meet, however, it was very difficult to achieve the objectives of the bill without the involvement of at least one part-time, (temporary) employee that could help organize the group, manage the survey process, and analyze existing financial literacy curriculum resources for use in Washington schools.

A number of parties tried very hard to get the provisions of the bill inserted into other legislation and the overall budget bill (including the Washington Society of CPAs, Washington Mutual, Bank of America, the Washington Bankers Association, and the Washington Credit Union League). Private partners came to the table with checks to fund the FLPPP. (click to see original donors) (list of donators-Porsche will get)

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. Leaving the FLPPP committee in the same difficult position it was in for the past year—with big and important goals to achieve, but no state resources allocated to achieve them.

2006

During 2006 many bills were introduced with financial literacy components. Funding was granted at a state level, part time person was hired.

http://www.dfi.wa.gov/FLPPP/pdf/2006_report.pdf

Passed:

- **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.(Dickerson).
- **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. (Darnielle).
- **SB 6386**, which represents the state’s operating budget, included \$50,000 in appropriated funds to fund the FLPPP.

Did Not Pass:

- HB 2152 was reintroduced but failed to pass.
- HB 3157, which required the state to provide information to TANF recipients (Temporary Assistance for Needy Families) about asset building and required the WorkFirst program to provide information on financial literacy programs. (Darnielle).
- SB 6219, which encouraged school boards of directors to integrate financial literacy training within existing curricula. (Keiser).

2007

- As introduced, the Governor’s proposed budget includes an ongoing yearly \$50,000 appropriation for the FLPPP.

Passed:

- HB 1980 “Regarding FLPPP” became law effective 5/14/07. For a summary of the bill, see <http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bill%20Reports/House%20Final/1980-S2.FBR.pdf> For a copy of the bill, see <http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/House%20Passed%20Legislature/1980-S2.PL.pdf>

Did not pass:

- SB 5965

2008

- Committee and Sub-committees meeting to carry out purpose of FLPPP. Website launched, logo created and adopted.
<http://www.dfi.wa.gov/FLPPP/calendar.htm>

Passed:

- SB 6272 Expanding financial literacy through education and counseling to promote greater homeownership security.
<http://apps.leg.wa.gov/billinfo/summary.aspx?bill=6272&year=2007>

Did not pass:

- HB2829 Expanding financial literacy through education and counseling to promote greater homeownership security. (Kelley)
- HB2898 Expanding asset building strategies. (Kelley)
- HB3221 Establishing the financial services intermediary. (Santos)

IV. Ongoing FLPPP Committee

- FLPPP committee board and interested parties hold planning retreat in June 2007. New goals, and sub-committees formed to carry out vision and duties. (See June 2007 Strategic Planning Meeting Report: http://www.dfi.wa.gov/FLPPP/pdf/development/2007_planning_meeting.pdf)
- November 2007 hiring process for new coordinator. Coordinator on board December 2007. Subcommittees start meeting January 2008 to implement retreat goals.