

# HOUSE BILL REPORT

## SHB 2455

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### As Passed Legislature

**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.

House Concurred.

Passed House: 3/10/04, 96-1.

Passed Legislature.

### Brief Summary of Substitute Bill

- Creates a public private partnership to develop an educational definition of financial literacy, identify strategies that promote the use of financial literacy curricula in schools, and serve as an educational resource on the issue.

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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:**

"Financial literacy" is the understanding of basic concepts of money, and the skills

needed to handle personal finances during the course of an individual's lifetime. The concepts include, for example, how compound interest works, the meaning of net worth, the effects of annual percentage rates on credit cards, discernment of appropriate investments, price and term comparisons, and planning ahead for major transactions and life events, such as buying a home or car, or funding college or retirement.

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 Financial Literacy Public Private Partnership 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. A timeline is included for the dates by which various tasks must be completed. The partnership will report to the Legislature and educational stakeholders, with a final report by June of 2007.

The partnership is composed of 12 to 14 members, including legislators, financial services representatives, educators and representatives from the Office of the Superintendent of Public Instruction (OSPI) and the Department of Financial Institutions. From two to four of the members will be legislators. At least two of the legislators, one from each

chamber, will be appointed from the legislative committees that consider legislation dealing with financial institutions and insurance. The OSPI will appoint educators and members from the financial services sector. The members must be appointed by July 1, 2004.

The Washington Financial Literacy Education Partnership Account is created to provide learning opportunities for students, professional development for educators, and support for the partnership. 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 partnership expires on June 30, 2007.

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**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.