

Testimony of Dr. Julia Heath
University of Cincinnati Economics Center
Before the Senate Finance Higher Education Subcommittee

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Chairman Gardner, Ranking Minority Member Cafaro, and members of the Senate Finance Higher Education Subcommittee, my name is Dr. Julia Heath, and I am the Director of the UC Economics Center. I came to UC 3 years ago after 26 years at the University of Memphis. I have spent the majority of my professional career as an economist involved in economic and financial literacy, providing leadership to the President's Advisory Council on Financial Capability, authoring many articles on the efficacy of financial education, and being recognized by Money magazine as a leader in the field. I am before you today to ask your consideration for funding for an initiative which will provide tremendous return on investment.

While our society's recent financial and credit crisis had many causes, it is undeniable that financial *ill*iteracy played a large part in it. Far too many individuals lack the basic skills necessary to develop and maintain a budget, to understand credit, to understand investments, or to effectively use our banking system. While the lack of sufficient financial literacy is a national concern, the problem is particularly acute in Ohio:

- According to FINRA's recently released 2012 National Financial Capability Study, **Ohioans' financial literacy ranks as the 4th worst in the country.**
 - On a test of five basic financial literacy questions, Ohioans answered, on average, only 2.7 questions correctly;
 - 41% of Ohioans paid only the minimum payment on their credit card balances;
 - Only 40% of Ohioans report they are spending less than their income.
- **Ohio has the 6th highest** proportion of college grads that graduate with student loan debt.
- The average defined contribution retirement account balance for Ohio is \$27,500, **33 lowest in the country.**

The Solution: The \$mart Model

While working at the University of Memphis, I developed the \$mart Model which was implemented in Tennessee in 2006. The program has ensured that over 200,000 Tennessee K-8th grade students have received financial education instruction in their classrooms. Kindergarten to middle school students were targeted because waiting until high school to teach children about financial literacy is too late. Lessons are age-appropriate.

Because of national attention the program received, it became the basis for other states' adoption. In addition to Tennessee, the program has been implemented in Indiana and Texas and is in process of implementation in California, Connecticut, Florida, New Jersey and New York.

The program has several characteristics that have been keys to its success:

Focus on Early Education. Research tells us that waiting to teach children about financial literacy until they are in high school is not effective. Young children can be taught age-appropriate financial education concepts and decision-making skills in the lowest grade levels. Teaching children to become financially literate involves more than the onetime imparting of a set of skills or knowledge. It requires shaping behavior, molding responsible attitudes toward choices and developing critical thinking.

Focus on Statewide Implementation. Ohio has seven centers for economic education, located in regions of the state, insuring statewide implementation. The OSU Extension Office, along with support of other Centers, will be utilized to ensure coverage in the central part of the state. Delivery of teacher training and materials will be accomplished with partnerships with:

Gill Center for Business and Economic Education, Ashland University

H. Kenneth Barker Center for Economic Education, University of Akron

Northwest Center for Economic Education Bowling Green State University

Loren M. Berry Center for Economic Education, University of Rio Grande

Ohio State University Extension Office

Youngstown Satellite Program for Economic Education, Youngstown State

Economics Center University of Cincinnati

Center for Economic Education Wright State University



Focus on Assessment. The \$mart Model has been a successful program, in part, because it generates demonstrable results. The average improvement of financial knowledge (post over pre) has been 35-40%, and the achievement of a 70% benchmark shows statistically significant gains.

Focus on Integration. Because teachers' time is scarce, it is important that financial literacy be integrated into their curriculum as seamlessly as possible. The emphasis of the \$mart Model is integrating financial education into mathematics and English/language arts.

Focus on Sustainability/Partnerships. One of the most important aspects of the \$mart Model is public/private partnerships, building its sustainability. Several private entities have funded pilots of a \$mart Ohio program:

- 5/3 Bank through its Jacob G. Schmidlapp Trust
- Fidelity Investments
- State Farm Insurance
- PNC Bank through its John A. Schroth Family Charitable Trust

To date, 242 teachers have been trained in these pilot programs (impacting over 7,500 students) and analysis of the pre- and post-assessments shows significant gains, with an average of a 43% increase in financial knowledge.

Focus on Teacher Capacity-Building. Research and experience indicates that teachers are not equipped to teach financial literacy (a recent NEFE survey indicates that less than 20% of teachers feel they are qualified to teach the subject). The “\$mart” model includes significant teacher capacity-building in addition to a transfer of materials and pedagogy.

Focus on Efficiency. The \$mart Model allows for maximum flexibility in program delivery, capable of being scaled to match funding levels. With a state appropriation of \$318,000, \$mart Ohio will:

- Reach 500 elementary teachers (K-5), potentially covering approximately 13% of the state’s elementary schools, in workshops.
- Directly impact approximately 7,500 students *per year—once a teacher is trained, the program can be implemented year after year.* Assuming a scant 5 years of additional teaching, these teachers can impact 37,500 students, at a cost of only \$8.48 per student.
- Utilize the 7 Centers for Economic Education (and OSU Extension) in the state to deliver the progra statewide.
- Fund curriculum, assessments, teacher stipends and delivery.

Thank you for your consideration of this important initiative. I would be happy to answer any questions you might have.