

## **Proponent Testimony for H.B. 108**

Education and Career Readiness Committee

March 28, 2017

**Chair Brenner, Vice-Chair Slaby, Ranking Member Fedor and members of the House Education and Career Readiness Committee.** My name is Brian Page, and I sincerely thank you for the honor of offering proponent testimony for HB 108.

I am in my 13<sup>th</sup> year of teaching with Reading Community City Schools where I teach personal finance and have taught AP Macro and AP Micro Economics, and where we proudly require students to pass a semester long course devoted to personal finance for graduation. While at Reading, I also worked collaboratively with Michael Rousch of the National Disability Institute and Chris Shannon, now with the Boston Federal Reserve, to write and deliver a financial literacy course specific to the needs of special education students. I have consulted for the University of Pennsylvania's Wharton School and George Washington University's Global Financial Literacy Excellence Center, providing financial literacy curriculum and professional development support. I also serve as President of Ohio Jump\$tart, and Chaired the National Teacher Advisory Board for the Council of Economic Education. In 2011, I was the Ohio recipient of the Milken National Educator Award, presented in person with \$25,000, by the past Ohio Department of Education State Superintendent, various lawmakers, and later Governor John Kasich. I was informed my selection was as a result of the work I was doing as a classroom teacher in delivering financial literacy instruction. Further, I was a member of the Ohio

Department of Education Financial Literacy Academic Content Standards writing team.

I believe that financial literacy is a 21<sup>st</sup> century survival skill that every Ohio graduate deserves, and that our capitalistic system needs. As we graduate students from a world of test scores to a world of credit scores, we must bear in mind that to avoid paternalistic solutions to address our increasingly complex financial world we must make a commitment to ensure future graduates are able to make wise and informed financial decisions. Yet current Ohio law is not preparing many of our students, because academic content standards are largely meaningless unless a mandate is in place for the standards to be taught by a trained teacher, in a semester long course devoted to personal finance.

Other states are beginning to pass meaningful financial education mandates. For example, beginning in 2015 Virginia students have been required to pass a full year one credit course in personal finance and economics to graduate. Alabama, Georgia, and Texas have similar requirements, while Missouri, Tennessee, and Utah mandate a semester course devoted to personal finance be taken for graduation.<sup>1</sup>

The FINRA Investor Education Foundation-funded study, *State Financial Education Mandates: It's All in the Implementation*<sup>2</sup>, examined the effectiveness

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<sup>1</sup> "Survey of the States and the Progression of Economic Education." *Council for Economic Education*. Web. 08 Apr. 2016.

<sup>2</sup> Urban, Carly, Ph.D., Maximilian Schmeiser, Ph.D., J. Michael Collins, Ph.D., and Alexandra Brown. *State Financial Education Mandates: It's All in the Implementation*. Issue brief. FINRA Investor Education Foundation, Jan. 2015. Web.

of such state mandates in Georgia, Texas, and Idaho. Dr. Urban, one of the authors of the study compared these states to states without mandates. The research analyzed the credit behavior of young adults starting at age 18 until they reached age 22. Bear in mind that because credit is just being established during these ages, it is difficult to establish a brief credit history. Therefore the 30 or 90+ days delinquency rates on any credit account, and 30 or 90+ days delinquent on an auto loan were also analyzed.

The study found that, if implemented, a rigorous financial education program has improved the credit scores and lowered the probability of credit delinquency for young adults.

- Credit scores improved by 11 points in Georgia, 16 points in Idaho and 32 points in Texas.
- Ninety-day delinquency rates on credit accounts decreased in all three states.
- Texas had the largest decrease in delinquency rate—a relative decrease of 33 percent.

Similar research of the effect of state mandated financial education standards on credit behaviors of Oklahoma young adults were released in February<sup>3</sup>. However, Oklahoma stands in stark contrast to Texas, Georgia and Idaho. Oklahoma did not mandate rigorous financial education programs and had some of the highest default rates in the country. Even though low credit scores

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<sup>3</sup> Urban, Carly, Ph.D, Maximillian Schmeiser, Ph.D, and Alexandra Brown, P.M.P. *How Did State Mandated Financial Education Statements in Oklahoma Affect the Credit Behaviors of Young Adults*. Issue brief. Montana State University and University of Wisconsin-Madison Center for Financial Security, Feb. 2016. Web.

left much room for improvement, the impact on credit scores and delinquency rates were negligible. Notable here is the Oklahoma mandate draws strong parallels to Ohio's. And not surprisingly, the Financial Capability Survey<sup>4</sup> found Ohioans to be the 4th worst in the nation in financial literacy and paying only the minimum payment on their credit card bills.

Although some states are beginning to pass meaningful mandates, most of the country continues to deprive students the opportunity to receive financial literacy instruction that leads to a financially healthy life. Our world standing is reflected in the 2012 PISA results<sup>5</sup>. PISA examined 15-year-old students' performance in financial literacy in the 18 countries and economies that participated in the optional assessment. The United States finished behind Latvia, Estonia, Poland, the Czech Republic, and others. The questions required students, in part, to demonstrate they understood practical topics such as how to read paychecks, bills, loan agreements, and solicitations... topics all covered in the Ohio Department of Education Financial Literacy Academic Content Standards.

Brazil did not participate in the Financial Literacy component to the 2012 PISA, but research conducted by The World Bank Development Research Group indicates that their commitments have yielded some of the most compelling results in the world.<sup>6</sup> They studied the impact of a 17 month comprehensive financial education program spanning six states, 868 schools,

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<sup>4</sup> *U.S. Financial Capability Survey*. FINRA, 29 May 2013. Web.

<sup>5</sup> OECD (2014), *PISA 2012 Results: Students and Money: Financial Literacy Skills for the 21st Century (Volume VI)*, PISA, OECD Publishing. <http://dx.doi.org/10.1787/9789264208094-en>

<sup>6</sup> Bruhn, Miriam, Luciana De Souza Leão, Arianna Legovini, Rogelio Marchetti, and Bilal Zia. *The Impact of High School Financial Education Experimental Evidence from Brazil*. Working paper. The World Bank Development Research Group & Latin America and Caribbean Region, Dec. 2013. Web.

and approximately 20,000 high school students in Brazil through a randomized control trial. The program increased student financial knowledge by a quarter of a standard deviation and led to an increase in saving for purchases, better likelihood of financial planning, and greater participation in household financial decisions by students. “Trickleup” impacts on parents were also significant, with improvements in parent financial knowledge, savings, and spending behavior. The study also finds evidence that the program affected students’ inter-temporal preferences and attitudes... meaning they are now considering **how** the decisions they make today will impact their options in the future.

HB 108 would require semester long instruction devoted entirely to the Ohio Department of Education Financial Literacy Academic Content Standards. The seven standard topics are:

- Financial responsibility and decision making
- Income and Careers
- Planning and Money Management
- Consumerism
- Investing
- Credit and Debt
- Risk Management and Insurance

I am thrilled to see a special emphasis of instruction in the concepts of credit, debt, investments, sound money management, calculating interest and compound interest on loans and exposure to federal financial aid forms, such

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as the free application for federal student aid (FAFSA). A specific emphasis on resources and concepts surrounding student loans is of particular importance as student loans nationally are exceeding one trillion dollars<sup>7</sup>, and more than 40% of Americans who borrowed from the government's main student-loan program are not making payments or are behind<sup>8</sup>.

Students who receive instruction from trained teachers exhibit improvements in knowledge. Growth varies by program and state, and recent results exhibited in the principal research paper *The Features and Effectiveness of the Keys to Financial Success Curriculum*<sup>9</sup> are particularly promising. For the high school students in their sample, the use of the Keys to Financial Success curriculum by trained teachers resulted in an average knowledge improvement of 25.34 percentage points, or a change of 61 percent.

As the noted research indicates, the more equipped teachers are to provide instruction, the greater the student outcomes. It is in this vein that I fully support HB108's mandate that instruction be provided by an individual who holds a valid educator license issued by the state board to teach social studies, business education, or consumer and family sciences.

My passionate support of this legislation is in part ignited by experiencing first hand the positive impact a semester long course devoted to personal

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<sup>7</sup> Federal Reserve Bank of New York. *Household Debt Continues Upward Climb While Student Loan Delinquencies Worsen*. *NewYorkFed.org*. Federal Reserve Bank of New York, 17 Feb. 2015. Web.

<sup>8</sup> "More Than 40% of Student Borrowers Aren't Making Payments." *WSJ*. Web. 08 Apr. 2016.

<sup>9</sup> Asarta, Carlos J., Andrew T. Hill, and Bonnie T. Meszaros. "The Features and Effectiveness of the Keys to Financial Success Curriculum." *International Review of Economics Education* 16 (2014): 39-50. Web.

finance required for graduation has made on many of my students. Equally important to mention is that much of my teaching career has coincided with a wave of education mandates. As someone who has experienced first hand the effects of these mandates on children, teachers, and schools, the common sense implementation of the coursework proposed in this bill empowers our students while not burdening our schools.

Thank you.