Chair Bird, Vice Chair Fowler Arthur, and Ranking Member Robinson, my name is Brad Smith and I am a social studies teacher in Cincinnati Public Schools. Testimony as an interested party.

Arguments for why Financial Literacy should be a Social Studies Credit

- Social Studies teachers are listed by law as properly licensed to teach it
- Districts are using social studies teachers to teach the course in conjunction with American Government for the required third credit for social studies. Those districts don't have business or home economics teachers or any other teacher properly licensed (the test is not available) to teach the course.
- Not allowing the credit to be a social studies credit means these districts then have to find another social studies class for the third credit, which means an increased need for staffing at a time when we are in the middle of a teacher shortage.
- Allowing financial literacy to count as a social studies credit solves the need for extra staffing and allow schools to continue to provide the required three social studies credits without having to make major staffing changes.
- So, allow the credit to count as a math, elective or social studies credit to provide flexibility to school districts to choose which option allows them to best way to meet the need for the financial literacy requirement.
- If AP Economics is added as an option to count as the financial literacy credit, it will be a social studies credit.
- Currently in the school in which I teach, Junior Achievement pushes into Social Studies classrooms in grades 7th and 8th grade. Allowing for financial literacy to count as a social studies credit allows for consistency at my school and allows students to complete their third social studies credit without additional staffing.

Some schools are teaching financial literacy in an economics class. Here is a breakdown comparing the two sets of standards. There is a similarity between the two sets of standards. As an economics teacher, I am teaching the financial literacy standards in my class.

Comparing Economics Standards to Financial Literacy Standards

List 1: Financial Literacy Standards

1. Financial responsibility entails being accountable for managing money to satisfy one's current and future economic choices.
2. Financial responsibility involves life-long decision-making strategies which include consideration of alternatives and consequences.
3. Competencies (knowledge and skills), commitment (motivation and enthusiasm), competition (globalization and automation), training, work ethic, abilities and attitude are all factors impacting one's earning potential and employability.
4. Income sources include job earnings and benefits, entrepreneurship, saving and investment earnings, government payments, grants, inheritances, etc. Workers can experience dramatic income dips and spikes from month to month.
5. Taxes, retirement, insurance, employment benefits, and both voluntary and involuntary deductions impact take home pay.
6. Financial responsibility includes the development of a spending and savings plan (personal budget).
7. Financial institutions offer a variety of products and services to address financial responsibility.
8. Financial experts provide guidance and advice on a wide variety of financial issues.

9. Planning for and paying local, state and federal taxes is a financial responsibility.
10. Tax payers may save money by understanding and using tax credits and deductions.
11. An informed consumer makes decisions on purchases that may include a decision-making strategy to determine if purchases are within their budget.
12. Consumer advocates, organizations and regulations provide important information and help protect against potential consumer fraud.
13. Part of being an informed consumer is knowing how to utilize financial services and risk management tools, as well as comparing consumer lending terms and conditions and reading financial statements.
14. Consumer protections laws help safeguard individuals from fraud and potential loss.
15. Planned purchasing decisions factor in direct (price) and indirect costs (e.g. sales/use tax, excise tax, shipping, handling, and delivery charges, etc.).
16. Using key investing principles one can achieve the goal of increasing net worth.
17. Investment strategies must take several factors into consideration including the time horizon of the investment, the degree of diversification, the investor's risk tolerance, how the assets are selected and allocated, product costs, fees, tax implications and the time value of money.
18. Government agencies are charged with regulating providers of financial services to help protect investors.
19. Credit is a contractual agreement in which a borrower receives something of value now and agrees to repay to lender at some later date.
20. Debt is an obligation owed by one party to a second party.
21. Effectively balancing credit and debt helps one achieve some short and long-term goals.
22. Financial documents and contractual obligations inform the consumer and define the terms and conditions of establishing credit and incurring debt.
23. Many options exist for paying for post-secondary education opportunities.
24. A risk management plan can protect consumers from the potential loss of personal and/or business assets or income.
25. Safeguards exist that help protect one's identity.
26. Diversification of assets is one way to manage risk.
27. A comprehensive insurance plan (health, life, disability, auto, homeowners, renters, liability, etc.) serves as a safeguard against potential loss.

List 2: Economics Standards

1. Economists analyze multiple sources of data to predict trends, make inferences and arrive at conclusions.
2. Reading financial reports (bank statements, stock market reports, mutual fund statements) enables individuals to make and analyze decisions about personal finances.
3. People cannot have all the goods and services they want and, as a result, must choose some things and give up others.
4. Different economic systems (traditional, market, command, and mixed) utilize different methods to allocate limited resources.
5. Markets exist when consumers and producers interact. When supply or demand changes, market prices adjust. Those adjustments send signals and provide incentives to consumers and producers to change their own decisions.
6. Competition among sellers lowers costs and prices, and encourages producers to produce more of what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

7. A nation's overall level of economic well-being is determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy. Economic well-being can be assessed by analyzing economic indicators gathered by the government.
8. Economic policy decisions made by governments result in both intended and unintended consequences.
9. When regions and nations use comparative advantage to produce at the lowest cost and then trade with others, production, consumption and interdependence increase.
10. Government actions, such as tariffs, quotas, subsidies, trade agreements and membership in multinational economic organizations, significantly impact international trade.
11. Income is determined by many factors including individual skills and abilities, work ethic and market conditions.
12. Employee earning statements include information about gross wages, benefits, taxes and other deductions.
13. Financial decision-making involves considering alternatives by examining costs and benefits.
14. A personal financial plan includes financial goals and a budget, including spending on goods and services, savings and investments, insurance and philanthropy.
15. Different payment methods have advantages and disadvantages.
16. Saving and investing help to build wealth.
17. Savings can serve as a buffer against economic hardship.
18. Different costs and benefits are associated with saving and investing alternatives.
19. Banks, brokerages and insurance companies provide access to investments such as certificates of deposit, stocks, bonds and mutual funds.
20. There are costs and benefits associated with various sources of credit available from different types of financial institutions.
21. Credit and debt can be managed to maintain credit worthiness.
22. Consumer protection laws provide financial safeguards.
23. Property and liability insurance protect against risks associated with use of property.
24. Health, disability and life insurance protect against risks associated with increased expenses and loss of income.
25. Steps can be taken to safeguard one's personal financial information and reduce the risk of loss.

Standards Analysis:

Based on the content provided for "Financial Literacy Standards" and "Economics Standards," we can draw several comparisons and contrasts:

Similarities:
1. **Decision-making and analysis:** Both standards emphasize the importance of sound decision-making strategies. Financial Literacy emphasizes the life-long decision-making strategies (Point 2), and Economics highlights financial decision-making by considering costs and benefits (Point 13).

- Economics is a class about choices. Teaching students to consider scarcity, tradeoffs, opportunity cost, thinking at the margin, weighing costs and benefits and economizing is teaching students to be better decision makers, which is also what we want students to do after taking financial literacy class, make better decisions. Teaching about the economic way of thinking helps accomplish students becoming better decision makers.

2. **Income sources and variance:** Both standards address the various sources of income (Financial Literacy Point 4 vs. Economics Point 11) and details related to pay such as benefits, taxes, and deductions (Financial Literacy Point 5 vs. Economics Point 12).

3. **Credit and debt:** Both standards emphasize understanding and managing credit and debt (Financial Literacy Points 19-22 vs. Economics Points 20-21).

4. **Consumer protection:** Both lists emphasize the importance of consumer protection and the laws that support it (Financial Literacy Points 12 & 14 vs. Economics Point 22).

5. **Insurance:** Insurance as a tool for risk management and protection against potential loss is highlighted in both standards (Financial Literacy Points 24 & 27 vs. Economics Points 23-24).

6. **Safeguarding personal financial information:** Both lists emphasize the importance of protecting one's financial and personal information (Financial Literacy Point 25 vs. Economics Point 25).

7. **Investment:** Both standards touch upon the importance of understanding investments, their implications, and the institutions involved (Financial Literacy Points 16-18 vs. Economics Points 16-19).

Differences:

1. **Economic Systems and Policy:** The Economics standards discuss broader economic concepts, including different economic systems (Point 4), the behavior of markets and competition (Points 5-6), and the impact of government economic policies (Points 7-10), which aren't addressed in the Financial Literacy standards.

- The behavior of markets and competition is part of SB 17's focus on Free Market Capitalism.
- It is important for consumers, workers and entrepreneurs to understand how government intervention in the economy produces inefficiencies in the marketplace. It is also helps students understand positive and negative externalities and common government responses to market failures (subsidies, taxes, regulations, public goods). Teaching students to think like an economist gives them a way to judge government intervention in the economy by examining those decisions based on a cost benefit analysis (do the benefits of government intervention outweigh the costs?).

2. **Consumer Behavior:** Financial Literacy standards focus more on the behavior of individuals as consumers and their strategies in making informed purchasing decisions (Points 11-15).

- So does the proposed Free Market Capitalism standards in SB17. By helping students understand how free markets set prices, what underlying conditions can influence supply and demand and how that affects price and quantity in markets helps consumers, workers and entrepreneurs to make better decisions as they can anticipate coming changes to related markets.

3. **Reading Financial Reports:** The Economics standards emphasize the importance of reading and interpreting financial reports (Point 2), which is not explicitly mentioned in the Financial Literacy standards.

- Students need to know how to read a bank statement, utility bill, credit card statement, how to read information provided about investments (stocks, bonds, mutual funds, etc), etc. As an economics teacher who teaches students about personal investing using the Stock Market Game, a part of that instruction is teaching students about what the information they see on websites like Yahoo Finance is (using technical analysis to look at graphs of share price, using a fundamental analysis to dig into revenue, profit, earnings per share, cash flow, shareholder equity, etc.) The goal again is to teach students how to make better decisions when choosing where to invest their money for long term goals, like retirement.

4. **Scope:** The Financial Literacy standards seem more focused on individual finance and personal financial planning, while the Economics standards give a more macro view, discussing concepts related to entire economies, international trade, and government policies.

- The macro concepts in economics are important for workers, consumers and entrepreneurs to understand. As stated earlier, students need to understand the consequences of government intervention into the economy (taxes, subsides, regulations, public goods), how decisions by the Federal Reserve affect consumers and businesses, how trade policies affect consumers, workers and businesses, how comparative advantage encourages specialization and helps workers and businesses choose what to produce (the items with the lowest opportunity cost, the items that are the most efficient to produce, which helps the economy operate more efficiently).

In conclusion, while there is overlap between the two lists, the Financial Literacy standards are more oriented towards personal financial management and decision-making, whereas the Economics standards provide a broader view of economic concepts, systems, and policies at the macro level.

Unique points from "Financial Literacy Standards" (List 1) that aren't found in "Economics Standards" (List 2):

1. **Financial Responsibility:** Emphasizes the importance of managing money for current and future needs, which includes creating a personal budget.
    - As an economics teacher, I also include personal finance into the class. Economics is a class about choices and I structure the class as such. In teaching students about economic decision making (considering scarcity, tradeoffs, opportunity cost, weighing costs and benefits, economizing), I have students complete a budget project as the decision making in creating a monthly budget mirrors the economic view of choice. Budgeting involves scarcity, tradeoffs, opportunity cost, weighing costs and benefits and economizing. The budget project also teaches students about the importance of saving as a buffer against unforeseen events / emergencies, teaches them to write checks, keep a check register, build a weekly grocery list, and practice zero based budgeting (account for all of your money, including savings).

2. **Earning Potential:** Discusses the various factors, including skills, training, work ethic, and global competition, that influence one's ability to earn.
    - In my class, I teach about the labor market. Students examine how human capital is tied to productivity, which is tied to one’s wages. Students examine different factors that affect wages. Students explore an occupation of their choice and see what they need to do to become one (education, training, experience, good traits to have to be successful as that occupation, etc), how much the occupation pays (the range of salaries / wages) and how easy it is to get a job (students explore where the most jobs are geographically and what is the prediction for the future number of jobs created). This helps students discover what they need to do moving forward to be successful in said occupation. They also explore related occupations.

3. **Financial Institutions & Experts:** Highlights the role of institutions in addressing financial needs and the value of expert guidance on financial matters.
    - I teach about the importance of finical intermediaries that connect households who save with businesses that want to borrow for economic investment. This leads to also teaching about the various banking services banks offer, loans, interest rates, credit and how the Federal Reserve influences interest rates.
    - We further examine inflation and how the Federal Reserve’s decisions on interest rates influence consumers and businesses and how that impacts the stock market and personal investment decisions, especially concerning the real rate of return.

4. **Tax Matters:** Stresses the responsibility of tax payments, and the potential savings through understanding tax credits and deductions.

- Students examine W-4's, W-2's and complete a 1040 tax return for and individual (including taking the standard deduction), as well as explore one's gross versus taxable income and what credits and deductions exist.

5. **Informed Consumer Behavior:** Advocates for consumers to make decisions within their budget and to be knowledgeable about financial services, lending terms, and reading financial statements.

- Economic decision-making stresses that when consumers, workers and entrepreneurs have more information, they make better decisions. Markets work best when buyers and sellers have the same information. One lesson that I teach to emphasis this has students realize how making incorrect assumptions impacts the decision they make. It emphasizes that students must ask an array of questions and do some research before making major financial decisions.
- As mentioned earlier I teach about budgeting as well as banking, loans and interest rates.

6. **Consumer Protection:** Emphasizes the role of advocates, organizations, and laws in protecting consumers, especially from fraud.

- As a part of teaching students about externalities, we examine consumer protection laws, truth in lending, truth in advertising, laws concerning warranties, laws requiring public disclosure, etc.
- As part of teaching students investing via the Stock Market Game, we explore quarterly earnings reports and their impact on investment decisions.

7. **Purchasing Decisions:** Speaks to the importance of considering both direct and indirect costs in planned purchasing.

- I teach a lesson on credit cards and part of that lesson is considering the costs and benefits of using credit.

8. **Investing:** Delves into key principles for increasing net worth, diverse investment strategies, and the role of government in regulating financial service providers.

- My classes participate in the Stock Market Game. Through this and lessons on Building Wealth, Market Efficiency and Timing, we discuss varies strategies for investing. We explore technical versus fundamental analysis (researching potential investments), dividends, dividend reinvestment, earnings reports, risk tolerance and investment strategies, mutual funds, ETFs, index funds, bonds, IPOs, stock splits, industries, sectors and cyclical vs non-cyclical industries. We also discuss the role of the SEC as related to the Stock Market.

9. **Credit & Debt:** Defines credit and debt, highlights the balance of the two for financial goals, and notes the significance of understanding financial documents and obligations.

- I teach lessons around credit, including what it is and why it's important, how to read a credit report, what a credit score means and how personal choices influence one's credit score.
- I teach a lesson on Credit Cards, including what they are, costs / benefits of using them, comparing cards to choose the best one for you and calculating and comparing credit card payments to show that paying more reduces the interest you pay.
- The budget project illustrates debt and how one must budget to prevent dipping into one's savings and how to rebuild it if one must use emergency savings funds.

10. **Education Financing:** Mentions the various options available for financing post-secondary education.

- I teach a lesson exploring these options.

11. **Risk Management:** Discusses plans to protect consumers from potential asset or income loss.
    - This is taught in the budget project and when teaching students about investing. Students learn all investments carry risk and students need to decide what their long / short term goals and how much risk they can tolerate.

12. **Identity & Asset Protection:** Highlights the need for safeguards against identity theft and the role of asset diversification in risk management.
    - This is part of the lesson I teach on building wealth as well as the lessons on credit and credit cards.

13. **Insurance:** Stresses the value of a comprehensive insurance plan covering various potential losses.
    - I teach this in my economics class. Students examine types and costs of insurance and how it protects from financial loss. The lesson also has students compare what insured versus uninsured individuals would pay in an unforeseen event.

This summary captures the distinctive aspects of the Financial Literacy Standards compared to the Economics Standards as well as how as a social studies teacher teaching an economics and financial literacy course, I teach the financial literacy standards.