

Trends in America



Issue Brief

The Council of State Governments

November 2007

FINANCIAL LITERACY: THE STATES' ROLE

American families are increasingly confronted with severe economic hardships, oftentimes struggling with personal finance issues. As a testament to that, the savings rate for Americans has been steadily declining since 1985, culminating in 2005 with a negative savings rate of 0.5 percent, according to the U.S. Commerce Department's Bureau of Economic Analysis. The downward trend also represents the first time since the Great Depression that Americans spent more money than they earned.

More recently, fallout in the housing market—based on rising monthly payments families incur when their subprime mortgages are reset—is causing financial problems for homeowners as well. It is no longer rare for families to have little or no equity in their homes. In fact,

according to First American CoreLogic, a housing and mortgage data research firm, nearly 7 percent of the 32 million U.S. households studied through the end of 2006 owed more than their homes were worth. Additionally, 4 percent had home equity of 5 percent or less.

In addition, college tuition rates continue to rise at historic levels. According to the College Board, the average tuition and fees at public four-year colleges has increased 35 percent since the 2001-02 academic year. This represents the largest increase for any five-year period over the last 30 years in which the College Board has collected data. The cost of one year at a typical four-year public university is nearly \$13,000; at a private college, the cost is approximately \$30,000, the College Board reports.



The States Respond

Over the past two decades, states have implemented financial education programs to provide families struggling with financial issues with the knowledge and skills necessary to successfully manage their personal finances. States offer various programs to ensure that residents are informed consumers, prudent savers and investors, and productive members of the work force. According to the National Association of State Treasurers, more than 40 state treasurers have promoted financial literacy during this time. In turn, the states hope residents are more likely to provide secure opportunities for future generations.

With programs that span from birth to retirement, state treasurers are implementing concepts such as school banking projects designed to teach students basic

monetary concepts; conferences that help adults gain control of their personal finances; and Internet-based programs that provide valuable information about a broad range of personal finance topics.

Financial Education in Schools

School-based financial education programs are often split between economics and personal finance. Economics courses are typically taught as part of the social studies curriculum and are included in the educational standards of all states. However, the National Council on Economic Education (NCEE) reports that only 22 states require students be tested on knowledge of economics.

In *Report Card—Survey of the States: Economic, Personal Finance, and Entrepreneurship Education in Our Nation's Schools*

in 2007, the NCEE notes that interest in personal finance education is growing, and the topic is included in the educational standards of 40 states. Additionally, the number of states offering such classes has doubled over the past decade, though only seven states require students to take a personal finance course for graduation, and only nine states test student knowledge in personal finance.

National Council on Economic Education argues that while progress continues in economics and personal finance education in schools, more work needs to be done to ensure that economics and personal finance courses are included in the K-12 curriculum and that these courses are required for graduation from high school.

Treasurers in several states have developed programs to answer that call.



In 1992, former Illinois State Treasurer Patrick Quinn implemented the Bank-At-School program to teach students the importance of saving and money management. Participating schools are matched with a local bank, savings and loan or credit union. At least once each month on Bank Day, students can open new accounts, make deposits and watch their savings grow. The Bank-At-School program was developed primarily for students in third through sixth grades, but can be adapted for other students.

Other state treasurers have worked through a collaborative partnership with public and private sector organizations to implement financial education programs. Louisiana State Treasurer John Kennedy partnered with Jump\$tart and the National Endowment for Financial Education to mandate personal finance education for all Louisiana high school students. Under the plan, the Endowment and the Louisiana State University Agriculture Extension Service join to train teachers and provide materials to schools. The state's high school graduates are given a basic understanding of personal finance, from how to make sound spending decisions to investing and saving for retirement.

In Ohio, Treasurer Richard Cordray teamed with the Cleveland Browns football

organization to introduce a financial education game plan for Ohio high schools. High schools throughout Ohio receive Financial Football, an interactive money management video game with an NFL theme as a way to train students in personal finance. Financial Football is the centerpiece of a national education drive led by Visa, the NFL and the league's sports marketing company, PLAYERS INC. The game tests students' personal finance knowledge by pairing the structure and rules of the NFL with financial education questions of varying difficulty. Cordray partnered with Visa and the NFL to ensure that every high school and public library in the state received copies of the game on CD.

Financial Literacy Online

State treasurers across the country and the Bond Market Foundation have partnered to create the Gateway Initiative for State Treasurers. The initiative links the foundation's public education efforts with participating state treasurers by creating an online Gateway from each state treasurer's Web site to a suite of resource Web sites including www.tomorrowmoney.org. The goal is to target specific audiences to assist them with personal finance issues and questions. Targeted audiences include young people, women in charge

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of their family's finances, Spanish-speaking users and people who have recently experienced a sudden unwanted change in life circumstance (such as the death of a spouse or loss of a job) that impacts their financial well-being. In addition, the Web-based program is often tailored to reinforce the knowledge and provide skill-building opportunities that are presented during the other state financial education workshops implemented by the treasurer.

Other State Initiatives

In Kentucky, Treasurer Jonathan Miller recently launched "Stars, Stripes and Cents," a program designed to provide military families free financial counseling and education. The program, which pairs financial advisers with military families, is administered by the Bluegrass Military Affairs Coalition. Miller secured the support of more than 25 financial mentors across Kentucky. All active and retired military, Reservists and veterans are eligible for the program.

In 2003, the North American Securities Administrators Association, the U.S. Securities and Exchange Commission, National Association of Securities Dealers and the New York Stock Exchange announced the settlement of enforcement actions involving conflicts of interest between the research and investment banking operations

of the nation's 10 top investment firms. Of that settlement, \$30 million was dedicated to the Investor Education Fund to fund statewide, local and community investor education programs. The money goes to state securities regulators and the fund is overseen by the Investor Protection Trust. To date, the Trust has funded projects in 26 states and continues seeking new partners through its competitive grant process.

State Activities in Depth Connecticut

Since taking office in 1999, Connecticut State Treasurer Denise L. Nappier has established more than 25 financial education initiatives including budgeting and asset building, credit and predatory lending, and small business development. She has expanded economic opportunities for Connecticut residents by using the State Treasury as a catalyst—specifically, forging partnerships with state agencies, community organizations and the private sector to develop groundbreaking initiatives promoting financial education.

Nappier's earliest efforts focused on asset-building strategies, which resulted in the creation of Connecticut's Individual Development Account Task Force. The task force's recommendations led to passage of legislation establishing the Connecticut Individual Development Account Initiative. The program expanded federal IDA income criteria and allowable uses, offers matched savings accounts for a first-time home purchase, education or business capitalization in exchange for a commitment to save and participate in financial education.

The state's labor department administers the initiative, which has raised nearly \$4 million in the seven years it has operated. That \$4 million includes state appropriations, federal matching dollars and private sector contributions.

In early 2008, Nappier will unveil the Pro Bono Financial Planning Network, a statewide federation of certified financial planners, credit counselors and budget-

ing mentors who will offer free financial planning services to low- and moderate-income families by telephone, the Internet and in person. Nappier will also launch the first "green" division of the nationally-renowned Stock Market Game®—aimed at illustrating how personal finance decisions can impact global issues such as climate change and human rights—at a conference for high school students.

Delaware

Promoting financial literacy in Delaware is a core element of State Treasurer Jack Markell's mission. Markell's initiatives were so successful that some were developed as a free-standing nonprofit organization rather than a function of his office. In 2001, the nonprofit Delaware Financial Literacy Institute was established with a mission of providing and managing financial literacy initiatives. The Institute's signature program, The Delaware Money School, offers more than 500 classes per year to help equip individuals—especially those of low to moderate income—with the tools needed to get their financial lives in order. The free community-based educational offerings are taught by professionals from the nonprofit and corporate sectors.

Markell also implemented a conference aimed at addressing women's unique financial needs. The daylong conference, "From Purses to Portfolios: Delaware Women Take Charge of Their Money," is offered every two years in an effort to provide women the information they need to take control of their finances. The conference curriculum is included in an ongoing certificate program, "Take Care Delaware Women." The program has proved so successful that the scope has expanded to include Delaware men.

West Virginia

In 1998, while touring West Virginia promoting his new college savings program, State Treasurer John Perdue became acutely aware of the need for improved financial management skills. So, during the second year of his first term in office,

State treasurers' offices now operate both school-based and adult financial education programs, covering kindergarten through retirement. These programs rest on four main pillars:

1. identifying, securing and testing the best available free financial education resource materials;
2. training educators to use these resources to instruct others and expose the public to free resources;
3. developing and offering presentations/programs for adults and schools; and
4. building and working through partnerships with businesses, nonprofits, government agencies and others to increase the reach of financial education programs.



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Perdue committed himself and his agency to changing the state of financial education in West Virginia.

The office has worked with the state's 55 school districts to increase financial education at every grade level. Perdue led the effort to enact legislation requiring development of state educational standards for financial literacy which resulted in the addition of a significant personal finance component to a class required for high school graduation. Perdue's Bank at School program has touched hundreds of elementary schools and scores of bank partners around the state. His teacher training program provides structured continuing education classes, which teach

hundreds of instructors the practical skills required to introduce children to personal finance.

Perdue's adult programs include Money Conferences or smaller public seminars, and he promotes financial education as an integral part of his office's college savings and retirement savings programs. He led the organization of the West Virginia Financial Education Foundation, which has raised thousands of dollars to support financial literacy efforts in the state.

Conclusion

For more than two decades, state officials have taken the lead in providing financial education for the residents of their state.

This leadership has resulted in numerous programs targeting the personal finance needs of each state's unique population. By focusing on the needs of their residents, these state leaders are working to make sure their constituents are informed consumers, prudent savers and investors, and productive members of society.

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Trends in America

The most dominant characteristic of the 21st century is not just change, but the rate of change. Understanding change is the first step toward identifying and implementing effective responses. Trends in America Issue Briefs are designed to help state leaders promote positive change through forward-looking policies and strategic investments.