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offer PFL education below the high school level, close to 200 total districts that have PFL requirements utilize the states model academic standards.

These standards are what AB248 aims to have incorporated into the curriculum of all 424 districts in WI. The Department of Public Instruction released the model academic standards for personal financial literacy in 2006 after a great deal of discussion and collaboration with stake holders across the state. In her introduction statement of the standards then State Superintendent Elizabeth Burmaster stated the following, "In the modern marketplace, students face more financial choices than any previous generation. These choices require a foundation in personal finance so our young people can plan and live a meaningful future-a future where they can accomplish their dreams."

The current standards include content in the following areas: Relating Income and Education, Money Management, Credit and Debt Management, Planning, Saving and Investing, Becoming a Critical Consumer, Community and Financial Responsibility, and Risk Management.

What I find most appealing in the standards is the multiple disciplines are taught throughout the K-12 education setting performance standards for what children should know by grade 4, grade 8 and grade 12. Each area has objectives to be met by grade level. Some of the concepts that future 4th grade students would know about include: career choices affecting income, meaning and purpose of taxation, budgeting, saving for future events, the concept of borrowing, loans, debt, interest, what opportunity cost means, just to name a few. The concepts become more in depth all the way through graduation.

There are other provisions of the bill that may end up being revised or eliminated for various reasons. As I stated earlier I am not tied to any other provision besides the absolute need for educating Wisconsin's future generations on personal financial literacy. The requirements for orientation materials is important but able to be revisited, the requirement to add PFL to standardized testing is most likely to be removed.

As we sit here today 57% of high school seniors in Wisconsin attend school districts that do not require personal financial literacy courses.

For those students and those coming behind them, I am happy to be here working on this very important legislation and making it something that legislators, educators, students and parents can all support. With that I would be happy to take any questions,

Scott Krug
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Testimony on Assembly Bill 248

Incorporating Financial Literacy in Public Schools' Curriculum

Chairman Thiesfeldt, thank you holding a public hearing on AB248 relating to personal financial literacy in our public schools. This bill was released for co-sponsorship during Money Smart week in Wisconsin which occurred April 18-25, 2015.

Originating with the Federal Reserve Bank of Chicago in 2002, Money Smart Week is now a national observance to help consumers better manage their personal finances.

The Department of Public Instruction offers two publications to help teach these important skills and topics in the PK-12 system: Wisconsin's Model Academic Standards for Personal Financial Literacy and a guide to Planning Curriculum in Personal Financial Literacy.

Lesson plans and other resources for educators, students, and parents are also available at Financial Literacy - TEACH IT!, a multimedia project presented by the Wisconsin Media Lab in conjunction with the DPI.

It was with these facts in my mind that I started to work on what is now AB248 in collaboration with Rep. Barnes. While we did not come to agreement I am very open to looking at ways to make this proposed legislation even better on a bipartisan basis.

This legislation is very important to the long term success of Wisconsin's students and their financial well-being into the future. I started research for this bill a couple years back and came across a 1997 study conducted by Stanford University in conjunction with the Federal Reserve. The study titled, "Education and Saving: The Long Term Effects of High School Financial Curriculum Mandates" (which will be electronically shared with committee members) came to the conclusion that mandates in personal financial literacy significantly increase exposure to financial education, and ultimately elevate the rates at which individuals save and accumulate wealth during their adult lives.

The study further states that there is a growing body of evidence that education may be a powerful tool for stimulating personal savings.

With the ever growing body of evidence in mind I started to look to what already occurs here in WI and nationwide. Currently 14 states nationwide require personal financial literacy (PFL) courses to be taught at some grade level, some require courses for graduation. Here in WI, 74% of our 424 school districts integrate PFL instruction across multiple grade levels. 60% of districts

Assembly Committee on Education
July 16, 2015

Wisconsin Department of Public Instruction
Testimony on 2015 Assembly Bill 248

I want to thank Chairman Thiesfeldt and members of the committee for the opportunity to testify today. My name is Jennifer Kammerud and I serve as a policy advisor at the Department of Public Instruction (DPI) and with me today is Sheila Briggs, Assistant State Superintendent, Division for Academic Excellence. I am here today to testify in opposition to Assembly Bill 248 (AB 248).

While AB 248 would require local school boards to incorporate the Model Academic Standards for Financial Literacy into their curriculum, the requirement that the statewide examination under Wis Stat. §118.30 (1) assess a pupil's financial literacy is of particular concern.

The bill would require the statewide examination, now given in grades 3-11, to assess a pupil on personal financial literacy in addition to English language arts (ELA), mathematics, and science. This creates several implementation concerns and could directly impact the current request for proposal (RFP) to replace the Smarter Balance examination for the 2015-16 school year and the existing ACT exams in high school.

Additionally, I would like to note the following:

- There is no way to incorporate these changes into the current RFP without starting the RFP process over, which would make it impossible for the state to have a test in place in the next school year.
- DPI is not aware of any test vendors with a product that tests ELA, mathematics, science and personal financial literacy.
- As a result, DPI would need to procure a separate statewide standardized financial literacy assessment customized to align with Wisconsin's Model Academic Standards for Personal Financial Literacy. This would be expensive to develop, test, and implement.
- This creates another state-mandated testing requirement in a time when we are having a national conversation about the number of tests students should take and the time spent on testing.

As for the current state of financial literacy in Wisconsin schools, Sheila and the staff in her Division worked with the Department of Financial Institutions (DFI) in 2013 to initiate a survey of all state school districts to determine the level at which personal finance was being taught to Wisconsin students.

The survey was conducted by St. Norbert's College Strategic Research Institute, and had an excellent response rate of 97 percent of Wisconsin's 424 school districts responding. The survey showed that in 2013:

- **74 percent** of districts included Personal Financial Literacy (PFL) content integrated within courses other than a discrete PFL course.
- **60 percent** of school districts reported offering PFL content at grade levels other than high school.
- In districts with a required course, **89 percent** aligned their PFL to Wisconsin's Model Academic Standards for Personal Financial Literacy.
- **44 percent** of Wisconsin school districts already required a course in PFL in order to graduate.

DPI also currently administers the Financial Literacy School Initiatives program in collaboration with DFI to promote teaching financial literacy in the Wisconsin classrooms. This program, which is funded by DFI, supports public and private schools and school districts in providing sustainable financial literacy programs, events, and policies. Proposals received by DPI are brought to the Governor's Council on Financial Literacy which reviews and approves recommendations. In 2015, $358,000 in grants will be awarded to 27 Wisconsin school districts to support financial literacy efforts. Fourteen of those grants are being awarded to schools districts for establishing a required course in PFL.

Finally, I should note that AB 248 would make the state's academic standards for financial literacy mandatory for all school districts and expand the scope of state-required assessment. This runs counter to what we have been hearing regarding local control, the amount of time spent on testing, and the scope of that testing.

Given the implementation issues and policy concerns, we ask you not to advance this proposal.

Thank you, Chairman Thiesfeldt and committee members, for your time today. We are happy to answer any questions you may have.

WASB
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John H. Ashley, Executive Director

TO:	**Members, Assembly Committee on Education**
FROM:	**Dan Rossmiller, Government Relations Director**
RE:	**Assembly Bill 248, relating to incorporating financial literacy in public school's curriculum and statewide standardized examinations and requiring that it be covered during orientation programs at the UW System and technical colleges**
DATE:	**July 16, 2015**

Good morning Chairman Thiesfeldt and members of the committee. Thank you for the opportunity to testify in opposition to Assembly Bill 248. Among other things, this bill directs each school board to incorporate the state's model academic standards for financial literacy into the curriculum in grades kindergarten through 12.

It is ironic that the committee is taking up this bill just five days after the Governor proclaimed in his veto message that the state budget he signed into law "increased local control by affirming the authority of school districts to choose their own academic standards."

The bill also requires the statewide standardized examinations to assess a pupil's financial literacy to the same extent that they assess a pupil's knowledge of mathematics, science, reading and writing, geography and history.

It is further ironic that the committee is taking up this bill on the very same day it is voting on a bill to allow parents to request that their children be excused from taking statewide standardized examinations amid expressed concerns that there is too much standardized testing being required of students.

School board members are sensitive to the concern that many Americans aren't fluent in the language of money and could benefit from instruction in personal finance. By that, we're not just talking about learning to balance a checkbook. We're talking about the need to understand concepts like the tie value of money, risk and reward and the importance of savings.

School board members also know that school budgets are tight and, in many districts facing frozen budgets, classes are more likely to be cut than added. My members and my association oppose the imposition of unfunded mandates on school districts and many will view this as such.

My association has a number of concerns about this bill and how it may impact school districts, including that we lack complete information about whether and to what extent districts are already incorporating financial literacy instruction into their curricula as well as what types of financial literacy programs and activities school districts currently provide their students and the degree to which school districts have already incorporated the model academic standards for financial literacy into their curriculum. We note that the fiscal estimate for the bill prepared by the DPI indicates the cost of the bill to schools is indeterminate.

We can, however, glean information from a variety of sources, including a survey conducted by the Department of Financial Institutions and St. Norbert in 2013. That survey, which included responses from 415 or Wisconsin's 424 public school districts, found that at least 44 percent of all Wisconsin public school districts require a course in personal financial literacy in order to graduate from high school, while 74 of districts include personal financial literacy content integrated within courses other than a discrete personal financial literacy.

The study also found 60 percent of school districts reported offering personal financial literacy content at grade levels other than high school. Interestingly, of districts with a required course, the study found 89 percent have aligned their personal financial literacy course to Wisconsin's Model Academic Standards for Personal Financial Literacy. That suggests 11 percent may be using standards other than the state's model academic standards. It is unclear what the cost to these districts would be if they had to align their courses to the state's standards.

More recently, the DPI has estimated that 64 percent of districts have personal financial literacy as a graduation requirement or embedded within a course required for graduation, based on the DFI survey and Financial Literacy Grant applications the Department has received.

Clearly, many districts take personal financial literacy very seriously. What we don't know is what the rest of districts are doing and how much implementing this bill would cost them.

With regard to costs, it is our understanding that should this bill be enacted Wisconsin would be in a unique position as the only state requiring a statewide standardized examination that incorporates a personal financial literacy component. This component would be aligned to the Wisconsin Model Academic Standards for Personal Financial Literacy which include content, performance and proficiency standards but only for grades 4, 8 and 12.

As the result of the budget language that requires Wisconsin to adopt its third standardized assessment in three years, Wisconsin currently has a Request for Proposals for a new statewide examination outstanding. The fiscal estate for this bill prepared by the DPI suggests it is unclear how much it would cost to customize a test to align with Wisconsin's model academic standards or whether this would delay the timely implementation of new tests designed to replace the old tests.

I would be happy to answer any questions you might have.

Voices of Debt

Over 37 million Americans are burdened by student loan debt. This debt totals over one trillion dollars and is rising.

The following quotes by students about their debt are excerpted from the video *College Borrower's Remorse* on the Squared Away Blog by the Center for Retirement Research at Boston College. http://squaredawayblog.bc.edu/squared-away/video-college-borrowers-remorse/.

Financial education early in life can help provide the knowledge needed to avoid the types of problems and financial mistakes shown in the video – problems that can have effects for years or even a lifetime.

Voices of Debt

"If I hadn't taken out student loans I wouldn't have gone to college, so I just took them because otherwise it would have been going to college part-time or starting out at a community college."

"When I took it out I think my goal in mind was just 'graduate'… use that money and graduate. I wasn't thinking about paying it back."

"I had no idea what a student loan was when I went to college. My dad just told me we were splitting it and I was like 'ok'. You just have no concept when you're younger what anything costs."

"When I was 18 and deciding 'yes, I'm going to do this', I kind of did it as a leap of faith. I was like 'you know, it's going to work out' – this is a huge amount of money, I can't even really fathom how much money this is. So yeah, I'll do it for my education and it's definitely a stress every day.

Loan Confusion

"I wasn't fully aware of how long it was going to take"

"I'm not exactly sure how much I have to pay each month"

"I just learned what my debt was"

"Honestly I don't know any of this terminology ... like credit or defaulting on your loans, it means nothing to me"

"I do know that the interest rate was something like ... I think 8 percent? 0.8% maybe? I don't know."

"Like I knew it, and yet at the same time I didn't really process it. I didn't think to myself 'Oh hey, I'm going to be in debt for the next ten years of my life, this is great!'"

"I just assumed. I was like 'well, I'm sure I don't have that much student loan'. Really every year in September and January I just signed whatever came my way, not really looking at it, just trusting that I was being taken care of."

Lack of Help

"In hindsight it would have been great to have a better resource in my hometown or my school to prepare me for what I'd be in for. Not just for what college would be like, but what after college would be like."

"I have a $500 monthly payment I have to make on all of my loans every month. So you factor in rent, utilities and everything and I usually have about $100 extra dollars every month for myself."

"I now owe, in interest every single month, about $900 in debt. So if I want to make any sort of headway between now and 2052, when I'm scheduled to pay it off, I have to pay at least $1,200 a month every month."

"I think that when I was 17 and applying to schools if someone had told me that I'd have to pay $450 a month I wouldn't think it was that much money. Now after living on my own off-campus and paying for a lot of my own bills I understand that that is a lot of money, especially given that the economy is so bad. I'm nervous about finding a job that will pay enough to pay my loans but also for me to stay alive, pay rent and have food and stuff."

Career Consequences

"I graduated undergrad with like $40,000 of debt any I studied German… Nobody needs someone who speaks German and so I had a really hard time figuring out how I was going to pay my loans."

"Oh, well, first I'm going to write a screenplay. Then I'm going to win a lot of Oscars. Then I'm going to have so much money that my debt doesn't matter anymore."

"I would like to do internships with people that I really like and jobs and businesses that I would really like to work with but I'm not sure I'm going to be able to do that."

"In my lifetime the student loans will probably be one of the largest investments that I will make outside of whether or not I ever buy a house. If I don't pay off my student loans, I'll probably never buy a house because my credit's going to suck."

Budgeting, Savings, Credit Card Debt and Financial Literacy

A destructive result of poor financial literacy is inadequate levels of savings. The amount of budgeting, spending and credit card debt, along with personal finance habits, have the largest impact on an individual's ability to save. According to the most recent Consumer Financial Literacy Survey, many US adults are still struggling with their financial health. Some key findings on budgeting, spending and financial habits include:

- In 2015, 40% of adults say they have a budget and track their spending closely.
- When it comes to retirement savings, nearly 3 in ten adults (29%) still do not save any portion of their income for retirement.
- Not even half of adults (48%) say they are very or somewhat confident they are saving enough for retirement, while 30% reveal they are not at all confident.
- Three in four adults (75%) agree – and nearly one in four (23%) strongly agree – that they could benefit from advice and answers to everyday financial questions from a professional.[1]

Perhaps even more disturbing than the poor budgeting and spending practices of many Americans is the state of credit card debt in the average US household. Based on an analysis of Federal Reserve statistics and other government data, the average household owes $7,327 on their cards while the average outstanding balance of indebted households rises to $15,706. Here are statistics, trends, studies and methodology behind the average US household debt:

U.S. household consumer debt profile

- Average credit card debt: $15,706
- Average mortgage debt: $156,333
- Average student loan debt: $32,953[2]

Credit card debt is the third largest source of household indebtedness behind mortgage and student loan debt. A troubling trend in credit debt accumulation is vacation spending:

- 46% of people said they have paid for a vacation by credit card when they didn't have enough saved (Experian Consumer Services).
- 49% of vacationers accumulated credit card debt when traveling and 68% go over budget.
- 52% of Millennials came home with credit card debt and 72% reported going over budget[3].
- 32% of 18-34 year olds, 16% of 34-54 year olds and 25% 55+ plan to vacation on credit

[1] Harris Poll, *The 2015 Consumer Financial Literacy Survey,* National Foundation for Credit Counseling (NFCC), April 2015

[2] Tim Chen, *American Household Credit Card Debt Statistics: 2015,* Nerdwallet.com, 2015

[3] Anita Balakrishnan, *Vacations tend to come with baggage: Credit card debt,* USA Today, June 29, 2015

Student Debt and Financial Literacy

Background

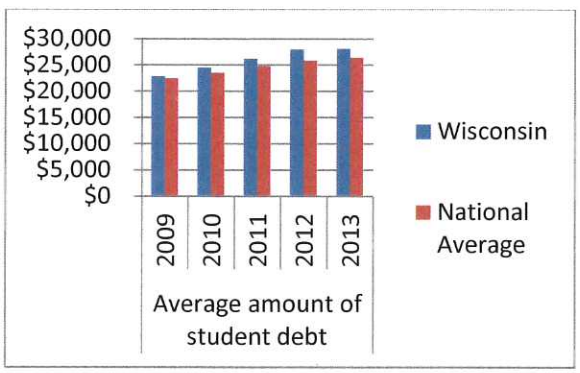
Financial literacy can be defined as the ability for an individual to make informed economic decisions and effectively decipher documents such as invoices and bank statements. According to the Organization for Economic Cooperative and Development, a small minority of US students can boast knowledge of the basics of financial literacy:

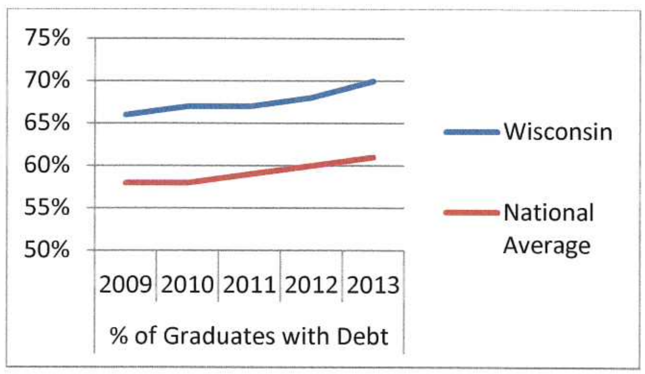
- Only 18% of students can explain the difference between needs and wants and recognize the purpose of financial documents.
- Only 10% of US students have a strong grasp on the outcomes of financial decisions and can recognize less evident aspects of finance, such as transaction costs[1]

However, there are many other crucial components of financial literacy the above definition does not touch. It fails to recognize the importance of understanding borrowing and loan terms, setting savings goals, insuring against losses, or preparing for the financial challenges future generations will face. While the movement towards financial literacy education in the US is still relatively young, it is gaining serious momentum – and for good reasons.

Student Debt

It should be no secret that the country is facing a crisis in the growing amounts of student loan debt our scholars are assuming. Between 2009 and 2013, the average amount of student debt for graduates has increased by over 22%, compared to an increase in the national average of about 17%. Not only has the dollar amount of debt increased, but the percentage of graduates with debt has been increasing as well.[2]





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[1] Programme for International Student Assessment (PISA), *Results from PISA 2012 Financial Literacy,* Organization for Economic Cooperation and Development

[2] Gretchen Wright & Kim Hayes, *Average Debt for 2013 Grads Tops $30k in 6 States, Only 1 Below $20k,* The Institute for College Access & Success, November 13, 2014

Many young Americans seem to be either naïve when agreeing to take out student loans (which results in a frivolous approach to accumulating student debt) or driven by a feeling of necessity. Boston College's Center for Retirement Research displayed this through a recently published video on student debt. Some examples of the video's particularly poignant comments include:

- "When I took it out I think my goal in mind was just 'graduate'… use that money and graduate. I wasn't thinking about paying it back."
- "I had no idea what a student loan was when I went to college. My dad just told me we were splitting it and I was like 'ok'. You just have no concept when you're younger what anything costs."
- "I'm not exactly sure how much I have to pay each month."
- "Honestly I don't know any of this terminology, like credit or defaulting on your loans, it means nothing to me."
- "I do know that the interest rate was something like, I think 8 percent? 0.8% maybe? I don't know."
- "I now owe, in interest every single month, about $900 in debt. So if I want to make any sort of headway between now and 2052, when I'm scheduled to pay it off, I have to pay at least $1,200 a month every month."
- "In my lifetime the student loans will probably be one of the largest investments that I will make outside of whether or not I ever buy a house. If I don't pay off my student loans, I'll probably never buy a house because my credit's going to suck."[3]

[3] Center for Retirement Research, *Video: College Borrower's Remorse,* Boston College, May 26, 2015