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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
55th Legislature, 1st Session, 2021

Bill Number	<u>HB163/aSEC</u>	Sponsor	<u>Madrid/Maestas</u>
Tracking Number	<u>.218444.3</u>	Committee Referrals	<u>HCEDC/HEC;SEC</u>
Short Title	<u>School Financial Management Classes</u>		
Analyst	<u>Hathaway</u>	Original Date	<u>1/30/2021</u>
		Last Updated	<u>3/14/2021</u>

BILL SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee (SEC) amendment to House Bill 163 (HB163) amends the implementation date of HB163, delaying it by one year. HB163/aSEC amends the bill to require one-half unit of financial management as part of mathematics graduation requirements for students entering the ninth grade in the 2022-2023 school year instead of the 2021-2022 school year.

Synopsis of Original Bill

House Bill 163 (HB163) amends Section 22-13-1 NMSA 1978 to allow financial management to be offered as an elective course in sixth through eighth grades and also change current high school graduation requirements to require high school students to take a one-half credit course in financial management.

HB163 requires that one-half of the required mathematics units be a financial management course for students entering the ninth grade in the 2021-2022 school year. It includes a requirement for the content of the financial management course and notes it shall meet mathematics academic content and performance standards and include a basic understanding of budgets, checking and savings accounts, credit, interest, and the costs of borrowing.

FISCAL IMPACT

HB163 does not contain an appropriation.

There may be a cost to school districts should they need to develop additional financial literacy courses. Current statute requires that financial literacy is offered as an elective in high school so it is estimated that additional costs to serve high school students would be minimal. However, additional development of courses may still be needed to accommodate a greater number of students taking financial literacy courses if they were required rather than offered as an elective. Middle schools are not currently required to offer financial literacy as an elective so courses and content standards for grades six through eight may need to be developed.

SUBSTANTIVE ISSUES

Financial Literacy in New Mexico. In current statute, financial literacy must be offered as an elective to high school students and can also count toward a mathematics credit if it meets state mathematics academic content and performance standards.

Research on Financial Literacy. The Federal Reserve Bank of St. Louis [defines](#) financial literacy as understanding how to earn, spend, save, manage, and invest money as well understanding how the economy works. The three fundamentals the Federal Reserve Bank of St. Louis notes as critical to gaining financial literacy are an understanding of: 1) budgeting and spending; 2) establishing an emergency fund; and 3) understanding interest rates.

Research shows a correlation between an individual’s level of financial knowledge and financial behaviors. Lower levels of measured financial literacy are associated with lower rates of planning for retirement, lower rates of accumulating assets, lower participation in the stock market, higher rates of using alternative financial services, and higher levels of debt. Although financial literacy levels are low across all population groups in the U.S., a [2010 study](#) found young adults have particularly low levels of financial literacy. Fewer than one-third of young adults possess a basic knowledge of interest rates, inflation, and risk diversification. Research from the Federal Reserve Bank of St. Louis shows weak household balance sheets and financial literacy have implications for overall economic growth.

In 2019, the Consumer Financial Protection Bureau released a [review of research](#) on youth financial education and noted “well-implemented state financial education mandates led to a clear improvement in financial behaviors,” citing several studies that reported these mandates improve credit scores, decrease default rates, reduce non-student debt, and shift student borrowing. The Council for Economic Education, in its [biannual report](#) on the state of financial education in kindergarten through twelfth grade nationwide, reported 21 states now require high school students to take a course in personal finance. The structure of these varies, however, with [six states](#) requiring a standalone class and the rest integrating financial education into other coursework.

ADMINISTRATIVE IMPLICATIONS

School districts may have to develop financial management courses and possibly incur the cost of providing such a course if it is not already offered.

In its analysis of HB163, the Public Education Department (PED) reports HB163 may potentially result in students taking four and one-half credits of mathematics. PED reports this may remove the option for a student to take a fourth math course, such as computer science. PED also reports it may be required to revise previous guidance and administrative code to align with the provisions of HB163 and the department would be required to identify and inform school districts and state-chartered charter schools of state standards that are the same or equal to financial management curriculum.

RELATED BILLS

Relates to SB170, which amends Section 22-13-1 NMSA 1978 to require high school students to complete one-half credit of financial literacy to graduate, beginning with ninth graders in school year 2022-2023. SB170 also increases required mathematics credits from four credits to four and

one-half credits and reduces electives for high school students beginning ninth grade in the same year, from seven and one-half credits to seven credits.

Relates to HB83, which would amend Section 22-13-1 NMSA 1978 to comprehensively change all graduation requirements for high school students entering ninth grade in school year 2022-2023 and subsequent years.

Relates to HB227 and SB210, duplicate bills, which would amend Section 22-13-1 NMSA 1978 to change high school graduation requirements so students beginning ninth grade in the 2023-2024 school year, and subsequent years, must complete four units in social science with one-half unit in ethnic studies to graduate.

SOURCES OF INFORMATION

- LESC Files

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