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

Bill Number	<u>SB170</u>	Sponsor	<u>Hemphill</u>
Tracking Number	<u>.219109.1</u>	Committee Referrals	<u>SEC/SHPAC</u>
Short Title	<u>Financial Literacy School Credit</u>		
Analyst	<u>Hathaway</u>	Original Date	<u>2/5/2021</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

Senate Bill 170 (SB170) 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 increases required mathematics credits for this group of students 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.

FISCAL IMPACT

SB170 does not include an appropriation.

There may, however, 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 additional costs to schools and school districts would be minimal. However, additional development of courses may be needed to accommodate a greater number of students taking financial literacy courses if they were required rather than offered as an elective.

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 as 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 literacy courses and possibly incur the cost of expanding these courses to additional students.

The Public Education Department (PED) may have to develop course content and academic performance standards for financial literacy courses if they do not already have these in place.

Analysis from PED for SB170 had not been received at time of bill analysis.

RELATED BILLS

Relates to HB163, which would amend Section 22-13-1 NMSA 1978 to allow financial management to count as an elective in sixth through eighth grades and amend graduation requirements to require one-half unit of financial management as a mathematics requirement prior to graduation.

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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