

LESC bill analyses are available on the New Mexico Legislature website (www.nmlegis.gov). Bill analyses are prepared by LESC staff for standing education committees of the New Mexico Legislature. LESC does not assume any responsibility for the accuracy of these reports if they are used for other purposes.

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

Bill Number	<u>HB302/aHCEDC</u>	Sponsor	<u>Brown/Armstrong, G.</u>
Tracking Number	<u>.218271.2</u>	Committee Referrals	<u>HCEDC/HEC</u>
Short Title	<u>Financial Literacy for Graduation</u>		
Analyst	<u>Hathaway</u>	Original Date	<u>2/20/2021</u>
		Last Updated	<u>3/3/2021</u>

BILL SUMMARY

Synopsis of House Commerce and Economic Development Committee Amendment

The House Commerce and Economic Development Committee (HCEDC) amendment to HB302 adds clarifying language to address a drafting concern and clearly mirror language in existing statute regarding mathematics graduation requirements. The amendment does not change the impact of the proposed legislation but does clarify that one-half unit of financial literacy would be required as part of mathematics graduation requirements.

Synopsis of Bill

House Bill 302 (HB302) amends graduation requirements in Section 22-13-1 NMSA 1978 to require high school students to complete one-half unit of financial literacy as part of required mathematics units. HB302 would make students take one-half unit of financial literacy as a requirement for students beginning ninth grade in school year 2022-2023 and continue the requirement for subsequent school years.

HB302 increases required mathematics units for students beginning ninth grade in school year 2022-2023, and subsequent years, from four units to four and one-half units. HB302 reduces elective units for high school students beginning ninth grade in the same year, and subsequent years, from seven and one-half units to seven units.

HB302 also includes requirements for the financial literacy course. The financial literacy course offered shall include a basic understanding of budgets, checking and savings accounts, credit, interest, and the costs of borrowing [money].

FISCAL IMPACT

HB302 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 financial literacy to be offered as an elective in high

school so anticipated additional costs may be minimal. The development of additional financial literacy courses, however, may still be needed to accommodate a greater number of students taking such courses if 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. It is not, however, required. HB302 would amend existing statute to make one half-credit of financial literacy part of graduation requirements.

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. It appears HB302's mandate about course content mostly meets these fundamentals although the required content does not include content about emergency funds.

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. HB302 would require a standalone one-half unit course rather than 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. Because financial literacy is currently required to be offered as an elective and may count for

mathematics units if it meets state mathematics academic content and performance standards, however, the need to develop such standards may be unlikely.

Analysis from PED for HB302 had not been received at time of bill analysis to evaluate additional administrative implications.

RELATED BILLS

Relates to SB170, Financial Literacy School Credit, which would require one-half unit of financial literacy for graduation.

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/aHSEIC, 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. The HSEIC amendment to HB83 adds financial literacy as an option for one-half of a social science unit.

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

JKH/mb