SENATE BILL No. 1080

Introduced by Senator Lieu

February 14, 2012

An act to add Section 51220.7 to the Education Code, relating to pupil instruction.

LEGISLATIVE COUNSEL'S DIGEST

SB 1080, as introduced, Lieu. Pupil instruction: economics: personal finance.

Existing law requires a school district, as part of its adopted course of study for grades 7 to 12, inclusive, to offer courses in specified areas of study, including, among others, social sciences, drawing upon the disciplines of anthropology, economics, geography, history, political science, psychology, and sociology.

This bill would encourage the instruction provided in economics to include instruction related to the understanding of personal finances, including, but not limited to, budgeting, savings, credit, and identity theft. The bill would require the State Department of Education to develop a personal finances curriculum in the next cycle in which the history-social science curriculum framework is adopted. The bill would also make several legislative findings and declarations.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) California does not have an official statewide policy or educational plan for the teaching of financial literacy. The growing negative economic effects of financial illiteracy have spurred the need for financial literacy education for all elementary and secondary pupils.

(b) According to a national survey conducted in the fall of 2007, nearly half of homeowners with adjustable rate mortgages admitted that they did not know how their adjustable rate mortgages will adjust or reset, and nearly 75 percent did not know how much their monthly mortgage payments would increase when the payments adjust or reset.

(c) Americans 25 to 34 years of age have the second highest rate of bankruptcy, just after Americans 35 to 44 years of age. The bankruptcy rate among Americans between 25 to 34 years of age increased between 1991 and 2001, indicating that those individuals were more likely to file bankruptcy as young adults than were baby boomers at the same age.

(d) The national annual savings rate has declined from 9 percent in the 1980s to approximately negative 0.4 percent of after-tax household income, which is a level not seen since the Great Depression.

(e) California high school seniors taking part in a national survey of financial knowledge scored an average of 44 percent, which is four percentage points lower than the national average.

(f) Many states have already recognized the importance of financial literacy. Thirty-eight states report having personal finance standards in various forms, while nine of those states currently include personal finance instruction as part of their graduation requirements.

(g) Increasing the financial literacy of all economic and ethnic groups is documented to improve attitudes, lead to improved decisionmaking, and provide for a more secure future for individuals and their families, who have been educated with regard to these issues.

(h) Financial literacy education is an essential ingredient for creating an active citizenry that is able to understand how the state's budget decisions will affect their personal lives.

(i) The teaching of financial literacy skills is vital to equip the young people of California with the tools they need to enter the workforce.

(j) Financial literacy instruction may be easily integrated as a valuable component for elementary and secondary schools, colleges and universities, libraries, community groups, and citizen town hall meetings.

(k) Many groups are dedicated to increasing the financial literacy of Americans, and a broad range of quality personal finance instructional materials and curricula have been created for this purpose, but California's pupils are not getting this vital information.

(*l*) At this crucial economic time, it is imperative that the state encourage the provision of financial literacy instruction to all pupils.

SEC. 2. Section 51220.7 is added to the Education Code, to read:

51220.7. (a) The Legislature encourages the instruction provided in economics pursuant to subdivision (b) of Section 51220 to include instruction related to the understanding of personal finances, including, but not limited to, budgeting, savings, credit, and identity theft.

(b) The department shall develop a personal finances curriculum in the next cycle in which the history-social science curriculum framework is adopted.

O