FINRA Investor Education FOUNDATION

Insights: Financial Capability

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MONTANA STATE UNIVERSITY

State-Mandated Financial Education: A National Database of Graduation Requirements, 1970–2014

Introduction

With support from the FINRA Investor Education Foundation, researchers from Montana State University and the Federal Reserve Board created a new database of state-mandated high school personal finance and economics education requirements, spanning the years 1970 through 2014, for all 50 states. The database provides unprecedented detail about state financial education standards, including whether personal finance and economics are delivered as a standalone course or embedded in another course (for example, mathematics or social studies), whether the content is included in a course required for graduation, and the number of required course credits. The database also includes available information about whether the state requires the personal finance or economics content to be included on standardized tests required for graduation. The data are available for download in STATA, SAS, and .csv formats at: *www.montana.edu/urban/financial-edu-database.html*.[1]

Data-Collection Process

To collect an accurate database of state high school financial and economic education mandates, we spent 18 months contacting education department staff in each state—often leading to extensive follow-up with public information officers, representatives from the departments' graduation standards division, and others. After locating the source of the information, we requested documentation about each state's high school graduation requirements going back to 1970. High school graduation requirements were requested because this information is kept in comparable public records across states.[2] The graduation requirements revealed the extent to which finance and economics courses were

1. Collecting accurate historical data on testing standards and practices proved to be challenging due to insufficient documentation and the lack of available records in many states. Thus, we are considerably more confident in the accuracy of the testing data for the last decade, a period for which consistently reliable records have been preserved.
2. We begin our data collection with 1970 because many states acknowledged they did not have well-kept records prior to 1970. In telephone conversations, it was not uncommon for the person representing the state records to claim that there were no requirements prior to that point. However, we are unable to determine if there were actually no requirements prior to that date or simply no records. Thus, we start with 1970.

required, and also allowed us to identify the year the first cohort of students was affected by any changes in course requirements. The details about which student cohorts are first affected by changes in course requirements set our data apart from previous datasets on personal finance and economics education that simply record the year a mandate was passed. We found that mandates requiring a course for graduation often take time to become effective and have occasionally been overturned before the mandate was actually implemented in the classroom.

We also asked our contacts: 1) In a year in which there was not a state-mandated financial education course or an economics course required for graduation, was there a requirement that schools offer one or both of these courses as an elective? 2) Were standards implemented such that financial education or economics content was required to be incorporated into another subject, such as history? In most cases, these questions led to a longer conversation on the state mandates. In others—where the state had never required, recommended, or implemented content standards for economics or personal finance—the conversation ended quickly.

Finally, to confirm the passage of the mandate, we searched state laws and codes of education to document the specific statute associated with the new curriculum requirement.

Trends in Personal Finance and Economics Education Mandates

States have implemented a wide range of personal finance and economics education mandates over the past several decades. The weakest of these mandates calls for the creation of an optional course that is implemented, or not, on a district-by-district basis. A somewhat more rigorous mandate requires that specific personal finance or economics education content be taught within another course. For example, some states require personal finance content to be taught within economics, while other states require economics content to be taught within social studies. In courses such as social studies and mathematics, mandated personal finance content may be just a small percentage of the course. In other cases, sample curricula provided for the new content may claim a larger fraction of the course.

A more rigorous mandate requires all schools within a state to teach personal finance, economics, or both as a standalone course and requires a certain number of credits in these subjects for high school graduation. More recently, states have mandated a required course that covers both personal finance and economics content. In many cases, the states provide sample curricula and prescribe the amount of instructional time spent on each topic.

States often pair a standalone course requirement or content requirement with a required, standardized assessment of the personal finance or economics content. For example, if personal finance or economics content is incorporated into another class (for example social studies), some of this material could end up on the standardized test for that course.

Another way states have incorporated personal finance or economics education into high school curricula is by offering these courses as one of the options that fulfill a requirement in a career track high school degree. Some states have put forth different tracks for completing high school that students can select depending on whether or not they plan to attend college. In some cases, economics and personal finance courses can fulfill requirements in one or both of these tracks. Most states carve out this option for students who are not college-bound. Others require students to focus their electives around a field that interests them. For example, students interested in business can take electives in economics, personal finance, and computers, and students interested in art can take electives in photography and history.

Prior to the year 2000, Illinois was the only state we identified that had implemented a standalone personal finance course. However, three states (Michigan, New Hampshire, and New York) incorporated personal finance material into an economics or career skills course before 2000. Six states, Alabama, California, Florida, New Hampshire, New York, and Tennessee, implemented standalone economics courses required for high school graduation in the 1980s. Georgia and New Mexico already required economics prior to 1980, leaving eight states in total requiring standalone economics courses for graduation prior to 1990.[3]

In 2014, the most common course for economics content to be incorporated into—when it was not offered as a standalone class—was social studies. The most common course for personal finance content to be incorporated into was economics, followed by math and social studies.

In the 1970s, one state required a standalone course in economics (Georgia), one state required economics but incorporated it into another course (New Mexico), and one state required a standalone course in personal finance (Illinois). In the 1980s five more states required a standalone economics course, and one state added a personal finance and economics mandate to be implemented at each school district's discretion (Rhode Island). In the 1990s, economics courses became more prevalent, with eight states requiring a standalone course. However, personal finance courses remained rare, with one state requiring a standalone course and three states incorporating a personal finance requirement into another course. From 2000 to 2010, the number of states with graduation requirements including a standalone course in economics grew to 20, the number of states with graduation requirements including economics material incorporated into another course grew to nine, and the number of states passing a mandate that allowed districts to choose grew to 12. Personal finance course requirements became slightly more common, with three states requiring standalone courses, three states allowing districts to choose how to implement the mandate, and 13 states incorporating a graduation requirement that required personal finance within another course. The upward trend in requiring economics and personal finance courses continued through 2014, with six states requiring a standalone course in personal finance for graduation and 16 states requiring the inclusion of personal finance material in another course required for graduation. At the same time, 23 states required an economics course for graduation, and nine states incorporated economics material into another required course.

States have implemented widely varying financial education mandates:

1) In 2014, Arkansas students in a "career focus" track had to fill six elective credits from a small number of courses that included both a personal finance course and an economics course.[4] Beginning in 1995, personal finance has been an option for the high school "career pathway" in Delaware.[5] This means something different in Delaware than most other states in that all students take three credits in a discipline in which they plan to focus their future academics or careers.

2) In West Virginia, each county is left to choose whether or not it will incorporate personal finance requirements in high school curricula. The most common choice among the counties is a four-credit career option that requires students in a specific "career cluster," which is similar to a choice of major, to take both economics and personal finance. In some counties, personal finance is taught within a required course in "Business Computer Applications" or "Computer Literacy," but economics is not required. These provisions began in 2005.

3) New Jersey has required 2.5 credits in a finance/economics class since 2009, which is the greatest number of course credits required by any state.

4) Some states mandate the type of personal finance or economics content schools are required to teach, but each district is then allowed to choose how to implement the requirements, whether as a standalone course or within another subject. There is no requirement on the amount of time to be spent on the subjects in these states.

5) From 1989 to 1999, Alabama had an optional 0.5-credit consumer economics course covering personal finance topics. This provision was then discontinued. The state requires a 0.5-credit standalone economics course for graduation, which it has since 1989.

3. Unfortunately, we cannot say more about the rigor of the mandates, including teacher training, since this information is not readily available in consistent formats across states.

4. The career path track is for students who do not plan to attend college, and thus prepares them for direct entry into the labor force in a variety of fields.

5. In Delaware, "career pathway" is not designed exclusively for students who do not plan to attend college.

Past, Current, and Future Research

For two reasons, existing research and sources in state education agencies often disagree on which states have passed some degree of financial education mandates. First, as we illustrated above, state-mandated financial education comes in a variety of models. Some states simply require that educators distribute information regarding personal finance at some point in high school. Other states require that all students take a course for graduation. In some cases, researchers will treat both of these as a financial education mandate, while other researchers will only label the required course as a financial education mandate, resulting in discrepancies across studies. Second, the implementation of the mandate can happen at a lag, if it ends up being implemented at all. Researchers only focusing on the year the mandate was passed and not on the first graduating class actually affected by the mandate will inaccurately document the timing of the effect. More importantly, they may include mandates that were passed but never actually implemented before being repealed.

The data collected as part of this project are already being used in academic research into the effectiveness of high school financial education. Urban et al. (2015) use the detailed database on personal finance and economic education to identify states that implemented rigorous financial education mandates and to examine the effect of this rigorous education on early life credit outcomes.[6] By using the dataset, Urban et al. (2015) are able to substantially improve on previous literature that may have misidentified the actual implementation date of financial education and that lumped rigorous mandates, such as those requiring multiple courses for graduation, with states that simply suggested that school districts offer an optional course.

With the construction of this dataset, we encourage researchers to use these graduation requirements in place of databases merely containing mandate years by state. Researchers can use this new dataset to control for financial education requirements, determine how education affects later in life financial behavior, and explain how early financial education complements other educational attainment.

Conclusion

By providing a comprehensive database of state financial education mandates, we hope to spur further research into the effect of these mandates on later-life financial outcomes. Moreover, these data will allow researchers to redo previous analyses of financial education mandates with greater confidence that they are accurately examining state policies and generating reliable estimates of their effectiveness. Given the widespread interest in personal finance and economics education in schools, the research produced using these data will be influential in forming future policy decisions around financial education mandates.

The discrepancies between the data we have collected and the data used by many previous studies of the effectiveness of financial education emphasize the importance of states maintaining quality data on their education requirements. States must house reliable and accessible data on the graduation requirements for students to allow researchers to accurately examine the effects of changes in education policy. States providing sample curricula for economics or personal finance classes to schools may want to keep these in their records. With sample curricula, researchers will be better able to determine what personal finance or economics instruction the students received, allowing researchers to determine which components of a course contribute to students' subsequent financial success. This research team plans to continue updating the graduation requirements each year in order to keep a comprehensive record of requirements across states and will happily share these data with other researchers.

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6. Carly Urban, et al. *State Financial Education Mandates: It's All in the Implementation*. January 2015.

About this Publication

This research was supported in part by a grant from the FINRA Investor Education Foundation to Montana State University. The results, interpretations, and conclusions do not necessarily represent the views of the FINRA Investor Education Foundation or any of its affiliated companies. Nor do they necessarily represent the views of the Federal Reserve Board, the Federal Reserve System, or their staffs.

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Drs. Urban and Schmeiser, with Dr. J. Michael Collins from the University of Wisconsin-Madison and **Alexandra Brown** from the Federal Reserve Board, combined data from their new database of state-mandated financial education requirements with data from the Federal Reserve Bank of New York's Equifax Consumer Credit Panel to examine the effects of state mandates on financial education for high school students. The team documented notable improvements in credit outcomes for young adults who were exposed to rigorous programs. An issue brief entitled *State Financial Education Mandates: It's All in the Implementation* summarizes the study findings.

FINRA Investor Education Foundation

The FINRA Investor Education Foundation, established in 2004 by the Financial Industry Regulatory Authority (FINRA), supports innovative research and educational projects that give underserved Americans the knowledge, skills, and tools necessary for financial success throughout life. For details about grant programs and other FINRA Foundation initiatives, visit *www.finrafoundation.org*.

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