



THE GREATER  
GOOD INITIATIVE

# **Amending the Standards of Student Education for Teens (ASSET) for the State of Maine**

The Greater Good Initiative  
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## EXECUTIVE SUMMARY

### The Problem

In 2017, a study conducted by Champlain College gave the state of Maine a “B” grade for high school financial literacy standards.<sup>1</sup> In lieu of that and other available information, Maine legislators have introduced bills that have made little progress in establishing substantive requirements for financial literacy at the high school level. The need for self-sufficiency in the realm of financial planning is growing within the United States as adults increasingly bear the responsibility of planning for their own retirements. In recent decades, there has been a decline in defined-benefits plans—where employers are primarily responsible for the allocation of retirement contributions, insurance, and other benefits—and a subsequent increase in defined-contribution plans—where employees make their own investment decisions.<sup>2</sup> Meanwhile, around 57 percent of adults in America are financially illiterate, and nearly the same percentage maintains less than \$1,000 dollars in savings while nearly a third of Americans retain nothing in retirement accounts.<sup>3</sup> Even though K-12 education offers the potential to establish a comprehensive understanding of financial literacy for students, it clearly has failed to effectively do so. As financial decision-making in the United States grows increasingly complex, introducing students to the concepts of debt, wealth-management, and savings is more important now than ever.

The impacts of average curricula regarding financial literacy education in schools can be seen first hand in the state of Maine. Overall, Maine ranks 39th in the country in funds remaining

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<sup>1</sup> Pelletier, J. (2017, December 12). “2017 National Report Card on State Efforts to Improve Financial Literacy in High Schools.

<https://www.champlain.edu/centers-of-experience/center-for-financial-literacy/report-national-high-school-financial-literacy/results-summary>

<sup>2</sup> Morrissey, M. (2016). The State of American Retirement: How 401(k)s have failed most American workers.

<https://www.epi.org/publication/retirement-in-america/>

<sup>3</sup> Pickler, D. A., Spann, C., & Curtis, C. (2019, September 3). Vision 2020 Financial Literacy Report Card.

<https://www.councilforeconed.org/survey-of-the-states-2020/>

per paycheck after expenses, with a third of Maine residents reporting having \$0 in savings.<sup>4</sup> This startling figure is indicative of a dangerous savings crisis in the United States; prior to the pandemic, the Bureau of Economic Analysis reported that the savings rate held between 6 and 7 percent following the 2008 financial recession.<sup>5</sup> While there was a short-term upwards shock in the proportion of disposable income put towards savings because of the pandemic, greater financial literacy measures need to be implemented in order to make it the norm, regardless of being in a time of crisis. As of now, half of American households are not on track to accumulate enough retirement income by age 65 in order to maintain their standard of living during retirement<sup>6</sup>; however, increased financial literacy could rectify this through increasing the amount of workers who participate in a defined benefit plan or a 401(k) account.

Furthermore, it is important to note that Maine is actively trying to improve the economic well-being of its most vulnerable citizens through measures such as increasing the amount of the state-level Earned Income Tax Credit in 2019, aiming to break intergenerational poverty.<sup>7</sup> While the program is credited with lifting more children out of poverty than any other governmental program, it is imperative that these children become fiscally independent by learning to take control of their own financial destiny through responsible saving, opportunistic investing, and savvy budgeting.<sup>8</sup>

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<sup>4</sup> Huddleston, C. (2021, March 4). *States where you're most and least likely to live paycheck-to-paycheck*. GO Banking Rates. Retrieved January 14, 2022, from <https://www.gobankingrates.com/money/economy/states-most-likely-to-live-paycheck-to-paycheck/>

<sup>5</sup> Bureau of Economic Analysis. (2021, December 23). "Table 2.6. Personal Income and Its Disposition, Monthly." <https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=3&isuri=1&1921=survey&1903=76#reqid=19&step=3&isuri=1&1921=survey&1903=76>

<sup>6</sup> Elkins, K. (2019, March 13). "How much money Americans are saving for retirement—and how much you need if you want to retire by 65." CNBC. <https://www.cnbc.com/2019/03/12/most-americans-arent-saving-enough-to-retire-by-age-65.html>

<sup>7</sup> Tax Credits for Workers and Their Families. (2021). "Maine | Earned Income Tax Credit." <https://www.taxcreditsforworkersandfamilies.org/state/maine/#:~:text=Latest%20Legislative%20Action%3A%20In%20June,eligibility%20from%2025%20to%2018.>

<sup>8</sup> Prosperity Now. (2020, February 15). "How the Earned Income Tax Credit Lifts Families from Poverty." <https://prosperitynow.org/blog/how-earned-income-tax-credit-lifts-families-poverty>

The National Financial Capability Study found that around 53 percent of Maine adults do not compare credit card offers before making decisions. Furthermore, it found that on a nationally recognized five question quiz on crucial aspects of economics and personal finance encountered in everyday life (inflation, interest, mortgage payments, etc.), Maine adults on average scored 6 percentage points lower than the average American.<sup>9</sup> While Maine adults score near or at the national average in many metrics of financial literacy and aptitude, it is important to consider the low standard at which the country as a whole maintains in this aspect.

Currently, individuals often learn personal finance through first-hand experience, which consists of risky successes and numerous mistakes.<sup>10</sup> It is too costly for the average American adult to learn through real-world experience, which is why the significance of advanced personal finance instruction in the classroom cannot be overstated. Moreover, a lack of financial literacy divides communities of different socioeconomic status, as minority and low-income communities are often the most adversely affected by financial illiteracy. African Americans, Hispanics, immigrants, the least educated, the elderly, and those living in rural areas are the most at risk of being financially illiterate.<sup>11</sup> According to Nan J. Morrison, the president and CEO of the Council for Economic Education, immigrant families may struggle to give financial advice to their children because of language barriers; she notes that, “some parents don’t have the skillset to teach this or don’t speak English, so they can’t know the finance vocabulary.”<sup>12</sup>

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<sup>9</sup> Financial Industry Regulatory Authority. (2018). “Maine Survey Data at a Glance.” Investor Education Foundation. <https://www.usfinancialcapability.org/results.php?region=ME>

<sup>10</sup> Damayanti, S. M., Murtaqi, I., & Pradana, H. A. (2018). “The importance of financial literacy in a global economic era.” *The Business & Management Review*, 9(3), 435-441.

<sup>11</sup> Lusardi, Annamaria, and Olivia S. Mitchell. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature*, 52 (1): 5-44.

<sup>12</sup> Vigna, Ariane. (2021, April 19). “Durant Brings Personal Financial Literacy Bill to Educate Mass. Students on ‘Basic Finances.’” <https://www.telegram.com/story/news/local/2021/04/19/personal-financial-literacy-bill-educate-mass-students-basic-finances/7209279002/>

Maine is currently one of 25 states lacking a stand-alone requirement for personal finance education.<sup>13</sup> With economics education often viewed as a sufficient substitute for these classes, coursework related to financial literacy is often scattered throughout the elective economics curriculum. Such a dynamic ignores the distinctions between economics and personal finance. There is a consensus among state education departments across the United States that economics is the study of individual and institutional behavior in relation to goods and services, while personal finance is the study of individuals' acquisition and management of income and assets.<sup>14</sup> As strong as the state's standards for economic education may be, coursework in economics alone fails to teach students the skills essential to developing adequate financial literacy. Considering the fact that most states with even a passing grade do not have adequate financial literacy instruction, the severe lack of personal finance education paints a dire picture for the students of Maine.

Maine already has the groundwork necessary to establish meaningful standards, course requirements, and class offerings in personal finance for its students. As of the Council for Economic Education's 2020 Survey of the States, Maine has included economic education in the K-12 standards and requires its districts to implement them.<sup>15</sup> Unfortunately, despite efforts to ramp up financial education in Maine, there continues to be a lack of progress in developing educational requirements for personal finance, especially those regarding specific coursework.

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<sup>13</sup> Council for Economic Education. (2020). "Survey of the States: Economic and Personal Finance Education in Our Nation's Schools." <https://www.councilforeconed.org/survey-of-the-states-2020/>

<sup>14</sup> Pennsylvania Department of Education & Pennsylvania Department of Banking and Securities. (2016, December). "2016 Report on Economic and Personal Finance Education in Pennsylvania." <https://www.education.pa.gov/Teachers%20-%20Administrators/Curriculum/EconomicFinancialLiteracy/Pages/default.aspx>

<sup>15</sup> Council for Economic Education. (2020). "Survey of the States: Economic and Personal Finance Education in Our Nation's Schools." <https://www.councilforeconed.org/survey-of-the-states-2020/>

## The Solution

In order to proactively bolster financial literacy standards in Maine, The Greater Good Initiative proposes that the state legislature amend Title 20-A Education Statute, specifically Chapter 207-A, Section 4722, to institute at least one personal finance class taken throughout high school as a graduation requirement. Currently, Chapter 207-A, Section 4722 of Maine's Title 20-A Education Statute brushes over personal finance by incorporating it into the two-year Social Studies and History credit requirement for graduation. However, by creating a stand-alone course within the states' graduation requirements, Maine would not only increase the financial literacy rates of future high school graduating classes, but it would potentially increase the overall financial well-being of the residents of the state, promote economic equity among marginalized groups, and can be expected to positively impact the state's budget in the long-run.

A stand-alone course requirement for personal finance courses would not be fulfilled by the completion of courses like economics and civics, as such courses do not necessarily include material on topics such as money management and personal financial planning. As stated by Maine's Title 20-A Education Statute, specifically §401-A, school standards are prescribed by the State Board of Education.<sup>16</sup> As such, courses solely categorized under economic education such as Advanced Placement Macroeconomics and Advanced Placement Microeconomics are not to be listed as a sufficient replacement for this credit requirement.

The addition of a separate personal finance course requirement to the educational curriculum will be relatively simple and efficient to implement. It would include units on topics such as taxes, saving, investing, retirement planning, insurance, loans, banking, budgeting, consumer credit, debt management, etc.<sup>17</sup> Moreover, in order to design the curriculum, the Maine

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<sup>16</sup> Maine Legislature. (1989). "Title 20-A. §401-A: State Board of Education."

<sup>17</sup> Carrns, Ann. (2021, April 2). "Pandemic Helps Stir Interest in Teaching Financial Literacy." <https://www.nytimes.com/2021/04/02/your-money/financial-literacy-courses.html>

Department of Education will utilize a similar process to that used in the previous revision of the social studies educational standards in the 2017-2018 school year.<sup>18</sup> Within this process they engage stakeholders including educators, administrators and higher education faculty and staff to ensure both a well-developed course of study for students and a smooth transition for educators who will teach the subject. Once the curriculum is fully developed, the costs of certifying teachers in this area would be relatively cheap with many resources provided by non-profits. As personal finance is an area of study applicable to many students' personal lives, The Greater Good Initiative also suggests the option of a capstone project students can complete to act as a course supplement. With approval from Maine's Board of Education, school curriculums could implement a capstone project to provide students with exposure and first-hand experience on having to manage their own finances in the real world, learning from their parents or guardians and simultaneously receiving guidance from school.

While the administrative costs of instituting personal finance requirements are relatively negligible, the short-and-long term benefits are vast. For instance, incorporating sufficient personal finance education in public school coursework is a measure that can increase economic equity and support marginalized groups. African-Americans, Hispanic-Americans, low-income students, and individuals living in rural areas are disproportionately vulnerable to financial illiteracy and its disastrous consequences. These consequences include, but are not limited to: one-third of African-American and Latinos owning no financial assets and two out of three households of color not having savings balances that could sustain them for a period of three months.<sup>19</sup> Increased financial literacy among marginalized groups will have positive impacts

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<sup>18</sup> Standards Review | Department Of Education. (n.d.). Standards Review | Department of Education. <https://www.maine.gov/doe/learning/content/standardsreview>.

<sup>19</sup> Brown, C. & Robinson L. (2016). "Breaking the Cycle: From Poverty to Financial Security for All." [https://www.policylink.org/sites/default/files/BreakingTheCycle\\_0.pdf](https://www.policylink.org/sites/default/files/BreakingTheCycle_0.pdf)



through making asset ownership more equitable and increasing their likelihood of saving and setting up 401(k) balances, among other things.

The most pronounced effects of sufficient financial education may also affect long-term financial behaviors. Data randomly sampled from the 2012 National Financial Capability Study shows that taking just a single financial education course as a high schooler fostered 3 percent, 10 percent, and 4 percent increases in the likelihood to have an emergency fund, being able to calculate how much money one needed for retirement, and being able to obtain credit reports, respectively.<sup>20</sup> All of these metrics indicate that a financial education course may, overtime, contribute to an improvement in the overall financial health of the state's residents.

Additionally, with an increase in adults who understand personal financial responsibility and who have a greater awareness of the monetary system, there will likely be a decrease in reliance on state social programs. Over time, this would allow a reduction in spending for state aid programs. In turn, this would allow for a greater part of the state's budget to be allocated towards other issues as the legislature and governor see fit.

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<sup>20</sup> Financial Industry Regulatory Authority. (2018). "Maine Survey Data at a Glance." Investor Education Foundation. <https://www.usfinancialcapability.org/results.php?region=ME>

## BACKGROUND

### What is financial literacy?

Financial literacy concerns an individual's money-management abilities through principles such as saving, budgeting, and investing. Various milestones in life—including education and retirement—rely on these abilities and further understanding of principles such as debt, loans, and taxes.<sup>21</sup> The goal of financial literacy is for individuals to establish greater control over their finances and use it as a tool for greater life satisfaction.<sup>22</sup> Through a proper understanding of how to deal with credit and debit cards, student loans, insurance, and retirement planning among other vital concepts, literate individuals are able to better contribute to the country's economy and their quality of life.<sup>23</sup> Illiteracy is often associated with bankruptcy, credit debt, housing issues and an inability to support a family.

An important distinction to make between financial education and financial literacy is that the former leads to the latter. Through financial education such as formal courses, advice, or self-directed learning, individuals have the knowledge to be financially literate. Literacy can then translate into financial capability—the ability to apply that knowledge—and financial independence—living without the need for employment.<sup>24</sup> In the United States, approximately 63 percent of Americans are financially illiterate,<sup>25</sup> pointing to a lack of financial education pathways supporting individuals around the nation.

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<sup>21</sup> McGurran, Brianna. (2021, June 8). "What Is Financial Literacy and Why Is It Important?" <https://www.experian.com/blogs/ask-experian/what-is-financial-literacy-and-why-is-it-important/>

<sup>22</sup> Consumer Financial Protection Bureau. (2015, January). "Financial well-being: The goal of financial education." [https://files.consumerfinance.gov/f/201501\\_cfpb\\_report\\_financial-well-being.pdf](https://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf)

<sup>23</sup> Federal Reserve Bank of St. Louis. (2019, April 3). "What is Financial Literacy and Why Should You Care?" <https://www.stlouisfed.org/open-vault/2019/april/what-is-financial-literacy-why-care>

<sup>24</sup> The University of Wisconsin-Extension Cooperative Extension. (2013, April). "Analyzing the Financial Capability of People in Wisconsin." [https://fyi.extension.wisc.edu/financialseries/files/2013/04/April\\_2013\\_Fin\\_Cap1.pdf](https://fyi.extension.wisc.edu/financialseries/files/2013/04/April_2013_Fin_Cap1.pdf)

<sup>25</sup> National Financial Educators Council. (n.d.). "Financial Illiteracy Definition." <https://www.financialeducatorsCouncil.org/financial-illiteracy-definition/>

### What is the issue at-hand?

As adults are more and more self-sufficient for their retirement and financial plans, the importance of adequate financial education increases as well. In 2017, Champlain College conducted a study for high school financial education standards for all states. According to this study, Maine’s financial education standards received a “B”.<sup>26</sup> This is reflective of a system that has relatively average or above average standards in place, but is still behind other states in recommended curriculum requirements. Lower financial literacy standards correspond to riskier financial decisions, such as high-cost borrowing and high transaction costs.<sup>27</sup> Not only does this negatively impact the individual, but it impacts the economy because of reduced spending and insufficient savings. As a means of comparison, a lack of financial literacy will lead to a loss of \$2.8 billion in economic output for the Commonwealth of Pennsylvania.<sup>28</sup> Losses of this magnitude can be expected to widen as long as financial literacy standards remain deficient or average in states like Maine.

### What prior actions has Maine taken to strengthen its financial literacy standards, and why have they fallen short?

Maine legislators have taken action in recent years and months to improve the current standards of education in the state. Most recently, Rep. Edward Crockett (D-Portland) sponsored L.D. 68, which proposed requiring “each school administrative unit operating a secondary school [to] offer a career and fiscal management course.” According to the bill text, “the career

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<sup>26</sup> Pelletier, J. (2017, December 12). “2017 National Report Card on State Efforts to Improve Financial Literacy in High Schools. Report: National High School Financial Literacy”.  
<https://www.champlain.edu/centers-of-experience/center-for-financial-literacy/report-national-high-school-financial-literacy/results-summary>

<sup>27</sup> Lusardi, Annamaria, and Olivia S. Mitchell. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature*, 52 (1): 5-44.

<sup>28</sup> Enconsult Solutions. (2018, January 25). “Impact Insufficient Retirement Savings on the Commonwealth of Pennsylvania.” <https://patreasury.gov/pdf/Impact-Insufficient-Retirement-Savings.pdf>.

management component of the course [would] describe student career options after high school” whereas the “fiscal management component of the course [would] provide information on opening bank accounts, using checking accounts, using credit cards and mortgages, loans, stocks, bonds, dividends and retirement accounts.”<sup>29</sup> This bill successfully passed through the legislature and was signed by Governor Janet Mills. Later in 2021, Rep. Margaret O’Neil (D-Saco), Sen. Donna Bailey (D-York), Rep. Lynn Copeland (D-Saco), and Rep. Bruce White (D-Waterville) sponsored L.D. 701, which proposed “add[ing] instruction in financial literacy... to the minimum requirements for a high school diploma.”<sup>30</sup> Unfortunately, this bill failed to receive a vote in either chamber. While L.D. 68’s passage is a promising step forward towards improving financial literacy standards, it is still not enough to maintain an above-average standing in the future. L.D. 701’s scope would have better enabled Maine students to learn about financial literacy in secondary school. By requiring every high school student to take a finance course in order to graduate, every student is guaranteed a base level personal finance education.

### How have other states bolstered their financial literacy standards in the past?

Many states have taken and continue to take legislative action to increase their financial literacy standards. For example, in 2004 Utah became the first state in the country to mandate a semester-long personal finance course with standardized testing to accompany it. Further legislation in 2014 mandated that the course require certified teachers to cover new content such as scholarship and student loans.<sup>31</sup> The state is the only one to receive a rating of A+ in a financial education audit, meeting criteria such as the following: having trained teachers,

<sup>29</sup> L.D. 68, 2021 Reg. Sess. (ME, 2021).

<https://legislature.maine.gov/legis/bills/getPDF.asp?paper=HP0034&item=1&snum=130>

<sup>30</sup> L.D. 701, 2021 Reg. Sess. (ME, 2021).

<https://legislature.maine.gov/legis/bills/getPDF.asp?paper=HP0513&item=1&snum=130> rose

<sup>31</sup> Leins, Casey. (2018. April 18). “These States Give Students the Best Financial Education.”

<https://www.usnews.com/news/best-states/slideshows/these-states-give-students-the-best-personal-finance-education?slide=11>

securing state or national funding to standardize the curriculum statewide, and implementing testing to measure the program's effectiveness.<sup>32</sup>

Seven states—Virginia, Alabama, Tennessee, Missouri, Utah, North Carolina and Mississippi—require a standalone semester-long course as a graduation requirement. By designating appropriate funding, teacher training resources, and quantifiable measures, these states score among the highest in United States' financial education standards as the education is not merged as part of another economics or business course. In light of the COVID-19 pandemic, 25 states have introduced financial literacy bills, with Nebraska and Rhode Island wanting to implement similar semester-long courses. With the pandemic having worsened educational inequities that impact low-income, black, and brown students, several states are recognizing the need to increase their financial literacy standards and implement consistent avenues to achieve results statewide.<sup>33</sup>

### Does having lower overall financial literacy standards disproportionately affect specific communities?

The effects of poor financial literacy standards disproportionately harm minority communities and the economically disadvantaged. More specifically, African Americans, Hispanics, immigrants, the least-educated, the elderly, and those living in rural areas are the most vulnerable to financial illiteracy and face the most daunting of challenges economically.<sup>34</sup> Due to the fact that these groups are typically of generational lower socioeconomic status, they are not able to access assistance or interact with people that are knowledgeable about financial literacy.

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<sup>32</sup> Rose, Samantha. (2021, April 8). "Getting an 'A': Financial Literacy in Utah."

<https://www.opploans.com/oppu/articles/utah-high-school-financial-literacy/>

<sup>33</sup> Reinicke, Carmen. (2021, June 3). "25 states have introduced personal finance education legislation so far this year." <https://www.cnbc.com/2021/06/03/25-states-have-introduced-personal-finance-education-bills-this-year.html>

<sup>34</sup> Lusardi, Annamaria, and Olivia S. Mitchell. 2014. "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature*, 52 (1): 5-44.

For instance, people residing in rural areas are often less technologically advanced and may experience difficulty traveling to quality banks, receiving financial advice, or fully utilizing all financial avenues. Essentially, low standards and a lack of requirements would hurt people who would face troubles learning personal finance otherwise. This is precisely why young people and women are also among those most adversely affected by weak financial literacy standards. Furthermore, immigrant parents frequently either do not have the skillset to teach financial literacy or face language barriers that prevent them from educating their children on financial literacy.<sup>35</sup> Overall, the Council for Economic Education concluded that financial education would be especially beneficial to low-income neighborhoods.

Why should the Maine Legislature and Department of Education take action now to improve financial literacy standards?

The COVID-19 pandemic ravaged the lives of millions of families in America, not only in terms of public health but also through the lens of the economy. Americans faced unprecedented financial circumstances, and the financially illiterate population was left behind, serving as a wake-up call that highlighted the utmost importance of financial literacy. As a result, states across the country rose to the occasion and took immediate action to address the void in our education system. With 21 states already having adequate financial literacy education requirements, 25 other states introduced bills in their 2021 legislative sessions to resolve the mass financial illiteracy that stemmed from schools' lack of personal finance education.<sup>36</sup>

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<sup>35</sup> Vigna, Ariane. (2021, April 19). "Durant Brings Personal Financial Literacy Bill to Educate Mass. Students on 'Basic Finances.'" <https://www.telegram.com/story/news/local/2021/04/19/personal-financial-literacy-bill-educate-mass-students-basic-finances/7209279002/>

<sup>36</sup> Ranzetta, T. & Espinal, Y. (2021, March 29). "Financial Education Bills In State Houses: Spring Ritual or Harbinger of Real Increases in Access to This Essential Course?" <https://www.ngpf.org/blog/advocacy/financial-education-in-the-state-houses-spring-ritual-or-harbinger-to-real-increases-in-access-to-this-essential-course/>

In 2021, there was significant movement on bolstering current standards—partially achieved under L.D. 68. Seeing as Maine already has average to above-average financial literacy standards, it is clear that personal finance education is a key issue among stakeholders and legislators in the state. However, this is the most critical time to foresee potential education issues in the future. With the effects of the pandemic clearly lingering into a third straight year, school systems have been disrupted and students have faced the harshest consequences of an adequate curriculum. By focusing attention now on financial literacy standards, this gives Maine legislators the opportunity to proactively resolve a problem that will likely manifest years later if left alone. In fact, financial literacy is part of a larger education system problem that is currently unfolding in front of professionals in Maine. Terri Cooper, superintendent of Regional School Unit 21, recently told school board members that there had been significant regression in literacy and math among elementary and middle school students between 2017 and 2021. Most notably, “at those same grade levels, the report [from the NWEA] show[ed] a sharp decline in average district achievements for math in fall 2020”<sup>37</sup>—right in the middle of the pandemic. With primary school students experiencing a decline in math and reading aptitudes, it is evident that more vulnerable subjects—like personal finance—would inevitably suffer larger losses.

#### Who supports upgrading financial literacy standards and can a coalition be formed?

There are numerous people related to this issue who are advocating for financial literacy education within Maine’s public schools. Major government officials that recently supported efforts include patrons of relevant bills from the 2021 legislative session such as state Rep.

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<sup>37</sup> Sullivan, Shawn. (2022, January 6). “Math and literacy scores slip in RSU 21 during pandemic: ‘We’ve had some regression’”. <https://www.seacoastonline.com/story/news/local/2022/01/06/kennebunk-me-rsu-21-math-and-literacy-scores-slip-during-covid-19-pandemic/9087980002/>

Edward Crockett (D-Portland), Rep. Margaret O’Neil (D-Saco), Sen. Donna Bailey (D-York), Rep. Lynn Copeland (D-Saco), and Rep. Bruce White (D-Waterville). Outside of the legislature, there is broad support for future financial literacy legislation from various organizations such as the Council for Economic Education, who provides a comprehensive and national overview of the status of financial literacy education within all states every two years. The Greater Good Initiative considers financial literacy to be a bipartisan issue with support from both sides of the aisle. As other states have seen significant support across party lines and progress on their respective bills in recent years, Maine’s legislature would likely follow suit. Most notably, the passage of Rep. Crockett’s L.D. 68 from the 2021 session offers hope that another bill focused on furthering personal finance requirements in the public school curriculum would be received well from legislators in the coming session.



## POLICY PROPOSAL & ANALYSIS

In order to proactively advance financial literacy standards in public schools, The Greater Good Initiative recommends that the Maine state legislature amend Title 20-A Education Statute, specifically Chapter 207-A, Section 4722. To date, personal finance is only mentioned once in Chapter 207-A, Section 4722, as an option incorporated into the two-year Social Studies and History credit requirement for graduation. Thus, in order to guarantee that all young adults graduating from Maine's school system are financially literate, The Greater Good Initiative proposes that a stand-alone K-12 personal finance course as a high school graduation requirement is the most effective policy. Unlike financial literacy education standards in other states across the country that allow courses—like economics—that are fundamentally different in content to serve as a substitute to fulfill students' graduation requirements,<sup>38</sup> a stand-alone course dedicated to financial literacy would provide students with comprehensive information that will be beneficial to their adult lives.

As stated by Maine's Title 20-A Education Statute, specifically §401-A, school standards are prescribed by the State Board of Education.<sup>39</sup> As a result, financial literacy standards across Maine must include core concepts and topics such as taxes, saving, investing, retirement planning, insurance, loans, banking, budgeting, consumer credit, debt management, etc.<sup>40</sup> In addition, a capstone project would be a course supplement that Maine's Board of Education could implement within school curriculum to provide students with exposure and first-hand experience on having to manage their own finances in the real world.

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<sup>38</sup> Council for Economic Education. (2020, February). "Survey of the States | 2020 Economic and Personal Finance Education in Our Nation's Schools."

<https://www.councilforeconed.org/wp-content/uploads/2020/02/2020-Survey-of-the-States.pdf>

<sup>39</sup> Maine Legislature. (1989). "Title 20-A. §401-A: State Board of Education."

<sup>40</sup> Carrns, Ann. (2021, April 2). "Pandemic Helps Stir Interest in Teaching Financial Literacy." <https://www.nytimes.com/2021/04/02/your-money/financial-literacy-courses.html>

School boards across the state would execute the policy for their respective districts. To ensure proper implementation, the Maine Department of Education would work towards building a standard curriculum to guide teachers and students. In addition, the department would also administer the funding for teacher retraining and costs related to the creation of financial literacy coursework for schools without any. An addition to the mandatory curriculum may seem like a large undertaking, but personal finance is both extremely important and adjacent to many already mandatory subjects. Social studies, civics, and economics teachers should find little difficulty in attaining a certification to this course as much of it is based in their current knowledge area. It would cost about \$150 per teacher.<sup>41</sup> Additionally, development of a full course is a one-time cost and would not require any financial commitment.<sup>42</sup> Because many other states already have a much broader financial literacy curriculum implemented, Maine should be able to model a newly established requirement after such precedence. If a school finds the cost of having a daily in-person class prohibitive, online options should be made available and affordable. Oftentimes, these nominal costs are even covered by nonprofit organizations. Thus, it is considerably feasible for Maine to institute a financial literacy requirement and bolster its current standards.

While The Greater Good Initiative proposes the implementation of the stand-alone course, there may be some difficulty regarding scheduling for competitive students, for which there are alternatives. Given that students may find difficulty in scheduling another course into their high school schedule, similar to other states and counties, the personal finance curriculum can be modified into an online course, after-school period, or summer course. Such alternatives would provide students with greater flexibility in planning their high school schedules without sacrificing the necessary content provided through a personal finance course. However, it should

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<sup>41</sup> Rosenbaum, Eric. (2020, February 5). "How each US state is shaping the personal finance IQ of its students." <https://www.cnbc.com/2020/02/05/how-each-us-state-is-shaping-the-personal-finance-iq-of-students.html>

<sup>42</sup> Ibid.

be noted that classes scheduled to run outside the regular school day will require alternative expenditure on behalf of the school district, whether that entails more teachers or the adoption of an online course platform.<sup>43</sup>

Another alternative—one already implemented by several states—would be to combine the personal finance curriculum into another business or economics course. 25 states, including Wyoming, Illinois, and Ohio, require personal finance concepts to be included in an introductory economics courses, but perform far below states with dedicated, stand-alone courses like Utah and Virginia.<sup>44</sup> Trying to fit this personal finance instruction into another course often leads to a very condensed and likely insufficient version of the curriculum being taught due to time constrictions. The content areas of economics and personal finance also do not lend naturally to each other, as economics is more theory-based and personal finance is centered on decision-making.<sup>45</sup>

Furthermore, easy access to high-quality and free teaching tools, resources, and curriculum has been evolving. As a result, funding should not be an issue as substantial budget allocation is not needed. Indeed, Nan Morrison, President and Chief Executive Officer of the Council for Economic Education, explains that “legislators need to realize even a small amount for teachers and professional education here makes a big difference. It costs us less than \$150 per teacher for professional development. It’s not a big expense.”<sup>46</sup> For instance, non-profit

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<sup>43</sup> Heim, J., Strauss, V., and Meckler, L. (2021, April 21). “As the school year ends, many districts expand summer school options.” [https://www.washingtonpost.com/education/pandemic-summer-school/2021/04/21/bf71acf6-9882-11eb-a6d0-13d207aadb78\\_story.html](https://www.washingtonpost.com/education/pandemic-summer-school/2021/04/21/bf71acf6-9882-11eb-a6d0-13d207aadb78_story.html)

<sup>44</sup> Rosenbaum, Eric. (2020, February 5). “How each US state is shaping the personal finance IQ of its students.” <https://www.cnbc.com/2020/02/05/how-each-us-state-is-shaping-the-personal-finance-iq-of-students.html>

<sup>45</sup> Simpson, S. & Boyle, M. (2021, June 24). “Finance vs. Economics: What’s the difference?” <https://www.investopedia.com/articles/economics/11/difference-between-finance-and-economics.asp>

<sup>46</sup> Rosenbaum, Eric. (2020, February 5). “How each US state is shaping the personal finance IQ of its students.” <https://www.google.com/url?q=https://www.cnbc.com/2020/02/05/how-each-us-state-is-shaping-the-personal-finance-iq-of-students.html&sa=D&source=editors&ust=1628551022668655&usg=AOvVaw2-TGxTWnbOl3wQu0vA5krR>

organizations often provide substantial assistance in terms of free curriculum, training, and more. As an example, in Virginia, state budget contributions were not necessary for their full-year personal finance course graduation requirement due to support from groups like the JumpStart Coalition, Next Gen Personal Finance, Federal Reserve banks, etc. Within Maine, organizations such as EVERFI, an international technology company driving social change through avenues such as financial literacy, already facilitate educational programs in financial literacy and entrepreneurship for thousands of students across the state, through partnerships with local sponsors such as the Maine Office of the Attorney General. The company already provides K-12 training and curriculum support for hundreds of teachers at no cost, signifying the potential capacity for partnerships that the Maine Department of Education can make with special interest groups to administer this policy.

Overall, research from Montana State University indicates that students required to learn financial literacy through access to state-mandated curriculum are better able to make financial decisions in their early adult life and beyond.<sup>47</sup> Moreover, University of Wisconsin-Madison's Institute for Research on Poverty concluded that statewide education requirements for personal financial literacy education reduces the likelihood that young people borrow predatory, payday loans significantly across the board.<sup>48</sup> At the end of the day, it is important to remember that any financial support directed towards funding personal financial literacy education is an investment into a brighter future for youth in Maine.

One method for assessing the potential long-run fiscal benefits of enhanced financial literacy standards involves measuring their impacts on future retirement savings. Insufficient

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<sup>47</sup> Ibid.

<sup>48</sup> Harvey, Melody. (2019, April). "Does State-Mandated Financial Education Affect High-Cost Borrowing?" <https://www.usfinancialcapability.org/downloads/Does-State-Mandated-Financial-Education-Affect-High-Cost-Borrowing.pdf>

retirement savings can negatively impact state budgets in two ways: 1) a greater number of residents qualify for means-tested benefits, so expenditures on state assistance programs rise; 2) aggregate consumption among retirees declines, thus reducing economic activity and consequently reducing tax receipts.<sup>49</sup> More than a third of retirement-age Maine residents are 100 percent reliant on the \$18,000 annual social security payments, and in 2016, overall public-assistance spending on retirement-age Mainers reached \$164 billion. As the retirement-age population in Maine is expected to grow by 30 percent by 2032, changing demographics will lead to increased financial burden on tax-payers, largely due to an inadequate savings rate. Furthermore, if retired Maine residents had saved just an additional \$1,000 annually, the state would save an additional \$15.6 million per year by 2022, signifying the potential of small increases in financial literacy education having a large impact on Maine's economic prosperity.<sup>50</sup> Given that higher levels of financial literacy are correlated with higher rates of retirement saving,<sup>51</sup> and that the Treasury Department estimates that households would need only to save \$98 per month to eliminate those excess state assistance costs,<sup>52</sup> a properly-implemented requirement for a personal finance course in K-12 education would ease the fiscal burden of future retirement waves on younger generations. In the short-term, higher levels of financial literacy are also correlated with more efficient spending patterns, debt

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<sup>49</sup> Econsult Solutions. (2018, January 25). "The Impact of Insufficient Retirement Savings on the Commonwealth of Pennsylvania." <https://patreasury.gov/pdf/Impact-Insufficient-Retirement-Savings.pdf>

<sup>50</sup> Vitelli, Eloise. (2021, October 13). "Maine Voices: 'Work and Save' retirement plan patches holes in the safety net." *Portland Press Herald*.  
<https://www.pressherald.com/2021/10/13/maine-voices-work-and-save-retirement-plan-patches-holes-in-the-safety-net/>

<sup>51</sup> de Bassa Scheresberg, Carlo (2013) "Financial Literacy and Financial Behavior among Young Adults: Evidence and Implications," *Numeracy*: Vol. 6: Iss. 2, Article 5.  
<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.352.5252&rep=rep1&type=pdf>

<sup>52</sup> The Pew Charitable Trusts. (2021, April 16). "Keystone Saves Would Increase Retirement Security in Pennsylvania."  
<https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2021/04/keystone-saves-would-increase-retirement-security-in-pennsylvania>

management, and higher emergency savings rates.<sup>53</sup> Given rising levels of credit card<sup>54</sup> and student loan debt<sup>55</sup> among Millennials and Generation Z, educating the students on effective personal financial management will better position young Maine residents in their lives and provide relatively more stable economic outcomes across demographics.

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<sup>53</sup> de Bassa Scheresberg, Carlo (2013) "Financial Literacy and Financial Behavior among Young Adults: Evidence and Implications," Numeracy: Vol. 6: Iss. 2, Article 5.

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.352.5252&rep=rep1&type=pdf>

<sup>54</sup> Stolba, Stefan L. (2021, January 5). "Millennials Record Highest Credit Score Increase in 2020."

<https://www.experian.com/blogs/ask-experian/research/millennials-record-highest-credit-score-increase/>

<sup>55</sup> Hanson, Melanie. (2021, July 10). "Student Loan Debt by Generation."

<https://educationdata.org/student-loan-debt-by-generation>

## CONCLUSION

A severe lack of personal finance curriculum in schools has been detrimental for the economic well-being of individuals for decades with 78 percent of adults living paycheck-to-paycheck, two out of three households not having emergency savings of any kind, and three in five adults lacking a monthly budget.<sup>56</sup> It is absolutely imperative that personal finance is taught in schools to provide a real focus on being financially knowledgeable and responsible, especially for young adults. Financial literacy education lays the groundwork for establishing healthy financial behaviors and habits, providing knowledge that is immensely beneficial for people, and helps them avoid making long-lasting mistakes.

In recent times, states across the country have taken notice of the significance of this issue, subsequently placing an emphasis on administering course requirements for graduation. In fact, 37 states and the District of Columbia have introduced bills to increase the presence of financial literacy education in their respective 2021 legislative sessions.<sup>57</sup> Furthermore, states including Alabama, New York, Virginia, etc. have already passed legislation to strengthen financial literacy. True enough, Maine's current financial education system is not as below average as those of many other states. However, financial literacy is too important to settle for less than optimal, especially when the standards could be vastly improved by making financial literacy a mandatory stand-alone course.

The proposed amendment to Maine's Education Statute would ensure that all students graduating from Maine's public school system would receive personal financial literacy education critical for making sound financial decisions in the real world. Through the

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<sup>56</sup> Fox, M. (2021, April 5). "To combat financial illiteracy, education needs to start early in the classroom, advocates say." <https://www.cnbc.com/2021/04/05/state-of-personal-finance-education-in-the-us.html>

<sup>57</sup> Morton, H. (2021, April 29). "Financial Literacy 2021 Legislation." National Conference of State Legislatures. <https://www.ncsl.org/research/financial-services-and-commerce/financial-literacy-2021-legislation.aspx>

implementation of stand-alone course graduation requirements, teachers would instruct with curriculum focused on financial literacy specifically. This would mean that taking economics courses, for instance, would not be able to fulfill the graduation requirement due to the stark differences that exist between the concepts and material taught in economics as opposed to personal finance.

Formalizing Maine's financial education system is sure to yield better economic outcomes across the board for all communities, demographics, and populations graduating from Maine's public school system. Moreover, expenditures needed for state assistance programs would become less of a burden with adults living more financially responsible and secure lives due to heightened monetary awareness and knowledge. This would bolster the state's fiscal budget and allow for effective allocation in other areas. Furthermore, consumer power would increase with adults having an expanded capacity to spend due to improved debt management, more efficient consumption, etc. which would stimulate economic activity. In the long-run, tax revenues could have the ability to independently increase. Overall, policies like this proposal seeking to financially educate Maine can potentially save the state billions of dollars in expenditures and increase economic output substantially in the coming years.



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**APPENDIX I****Legislative Document No. 68 (Session of 2021)**

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**An Act To Introduce a Career and Fiscal Management Elective Course at the High School Level**

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 20-A MRSA §4730 is enacted to read:

§4730. Career and fiscal management

Each school administrative unit operating a secondary school shall offer a career and fiscal management course.

1. Career management. The career management component of the course offered under this section must describe student career options after high school, including but not limited to 4-year colleges or universities, community colleges, vocational schools, the military and the workforce; examine the advantages and disadvantages of each option; and provide information on workforce needs in the next 5 to 20 years.

2. Fiscal management. The fiscal management component of the course offered under this section must provide information on opening bank accounts, using checking accounts, using credit cards and mortgages, loans, stocks, bonds, dividends and retirement accounts.

**SUMMARY**

This bill requires school administrative units operating a secondary school to offer a career and fiscal management course to students.

**APPENDIX II****Legislative Document No. 701 (Session of 2021)**

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**An Act To Require the Education of High School Students in Certain Life Skills**

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 20-A MRSA §4722, sub-§2, ¶B, as amended by PL 2019, c. 202, §1, is further amended to read:

B. Social studies and history, including American history, government, civics ~~and financial literacy~~, personal finance ~~and social-emotional competence~~--2 years or the equivalent in standards achievement. For the purposes of this paragraph, "social-emotional competence" means a person's knowledge, skills and motivation required to master social and emotional situations;

**SUMMARY**

This bill adds instruction in financial literacy and social-emotional competence to the minimum requirements for a high school diploma.