FOCUS ON THE CHILDREN, HELP THE ECONOMY: THE IMPORTANCE OF INCLUDING FINANCIAL EDUCATION IN KANSAS GRADUATION REQUIREMENTS

*Ja'net L. Miles**

I. INTRODUCTION

Policymakers, financial institutions, and other interested groups continually express concern over consumers' lack of basic financial literacy.[1] Financial literacy is the ability to use knowledge and skills to effectively manage financial resources.[2] With the increasing complexity of the financial services market, students have a greater need for direction in guiding their financial decisions and improving their financial capability.[3] Without the basics, young people are vulnerable to misinformation and make costly decisions that affect their short-term and long-term financial health.[4] These poor decisions have larger ramifications that hinder the efficiency of economic markets and competition within these markets.[5] The lack of financial literacy is a major problem in America and affects people from all demographics.[6] The more educated citizens are, the more productive they can be.[7] Few people *read* their credit reports, not to mention learn how to dispute or correct errors that

* J.D. Candidate 2015, University of Kansas School of Law; M.B.A. 2012, Virginia Commonwealth University; B.S. (Business) 2006, Virginia Polytechnic Institute and State University. I would like to thank my fiancé, Willie Walker, for his enduring love and support. To my family and friends, I love you and carry you with me always. I would also like to thank Professor Lua Yuille for her invaluable comments and dialogue on early drafts of this article. Lastly, I would like to thank the Volume 24 Kansas Journal of Law and Public Policy Staff and Board for all of their hard work.

1. Sandra Braunstein & Carolyn Welch, *Financial Literacy: An Overview of Practice, Research, and Policy*, FED. RES. BULL., Nov, 2002, at 1, *available at* http://www.federalreserve.gov/pubs/bulletin/2002/1102lead.pdf.

2. U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-12-588, GAO EXAMINES FINANCIAL LITERACY PROGRAMS (2012).

3. CONSUMER FIN. PROT. BUREAU, CFPB WHITE PAPER FOCUSES ON EARLY FINANCIAL EDUCATION FOR CONSUMERS, at *4, 2013 WL 3858337 (2013).

4. *Id.*

5. Braunstein & Welch, *supra* note 1, at 1.

6. Todd Wallack, *Improving Your Financial Literacy Skills*, BOS. GLOBE (March 3, 2013), http://www.bostonglobe.com/business/2013/03/03/even-harvard-students-need-help-learning-about-finances/ojerRhSoZU2NhEpdQOIisK/story.html.

7. *19th Century Education*, CHESAPEAKE C., http://www.chesapeake.edu/library/EDU_101/eduhist_19thC.asp (last visited Oct. 8, 2013).

may be reflected on a credit report.[8] As a result, numerous people are not aware of their credit score, the number that determines, *inter alia*, how much interest a borrower pays to borrow money.[9] Additionally, the lack of financial literacy leaves consumers vulnerable to financial fraud and predatory lending practices.[10]

The Kansas Legislature must mandate financial literacy education (FLE) as a high school graduation requirement because the Kansas Department of Education has not ensured that all students are adequately prepared for their financial adult lives as required by the Kansas Constitution.[11] In addition to preparation, FLE will also help prevent another recession like that experienced during 2008-2009 (The Great Recession).[12] Primary education provides an ideal forum to equip students with the financial tools needed for success because FLE ties directly into Kansas' public education mission and purpose. The Kansas Board of Education's mission is "[t]o prepare Kansas students for lifelong success through rigorous, quality academic instruction, career training, and character development according to each student's gifts and talents."[13]

This mission is based on the establishment of the state board of education in Article Six of the Kansas Constitution.[14] Article Six, Section Two states, in relevant part, "The legislature shall provide for a state board of education which shall have general supervision of public schools, educational institutions and all the educational interests of the state. . ."[15] Financial literacy is imperative to the lifelong success goal set out in the Kansas Board of Education's mission. Without FLE, students will struggle in their adult lives because the students will operate at a financial disadvantage. Some speculate that it is impossible for FLE to bridge the gap between the knowledge, comprehension, and skills of most American adults and those needed for today's market.[16] Nonetheless, there is still an opportunity to assist young people and future generations in closing this gap.

This article will discuss the importance of financial education as a graduation requirement for high schools within the state of Kansas. Part II

8. Karen Gross, *I Buy Therefore I Am: Consequences of the Consumer Lending Revolution: Essay: Financial Literacy Education: Panacea, Palliative, or Something Worse?*, 24 ST. LOUIS U. PUB. L. REV. 307, 307 (2005).

9. *Id.*

10. *Id.*

11. KAN. CONST. art. VI, § 2(a).

12. Eli Wald, *Foreword: The Great Recession and The Legal Profession*, 78 FORDHAM L. REV. 2051, 2052 (2010).

13. KAN. ST. BD. OF EDUC. (October 11, 2013), http://www.ksde.org/Default.aspx?tabid=54.

14. KAN. CONST. art. VI, § 2(a).

15. *Id.*

16. Lauren Willis, *Against Financial-Literacy Education*, 94 IOWA L. REV. 197, 219 (2008) (stating "[f]inancial education is chasing a moving target it will never reach").

provides background on the evolution of financial literacy education in America. Part III discusses the current state of financial education in Kansas. Part IV addresses the public policy alternatives for a financial literacy education mandate. Part V focuses on the key benefits of financial literacy education— preparation and prevention. Part VI provides an overview of financial literacy education resources available. Part VII concludes that FLE as a mandated high school graduation requirement is the best recommendation for the success of Kansas citizens.

II. THE EVOLUTION OF FINANCIAL LITERACY EDUCATION IN AMERICA

A. National Level

Post-Great Recession is not the first time financial literacy has received attention in the United States. FLE activities date as far back as the 1930s.[17] In 1937, the chairman of General Motors, Alfred P. Sloan, Jr., endowed a foundation with $10,000,000 with the goal of creating "a nation of economic literates."[18] In pursuit of this goal, the foundation awarded Stephens College of Columbia, Missouri, a grant to establish the Institute for Consumer Education in 1938.[19] In the spring of 1939, the institute sponsored the first national conference on consumer education.[20] The conference focused on remedying the imbalance between businesses and consumers.[21] Leland Gordon, professor at Denison University and conference attendee, noted in 1940 that "[c]onsumer education will develop as a separate subject but it will also percolate into related subjects; in fact it must operate on all levels from kindergarten to adult education."[22] During the 1950s, financial literacy continued to gain ground with research surrounding FLE concepts dominating the home economics field.[23] In 1972, credit unions formed the National Youth Involvement Board to teach FLE concepts to young people.[24] The Jump$tart Coalition, formed in 1995, began a nationwide campaign pushing the importance of financial literacy in the United States.[25] Jump$tart has remained

17. Lauren Willis, *Evidence and Ideology in Assessing the Effectiveness of Financial Literacy Education*, 46 SAN DIEGO L. REV. 415, 417 (2009).

18. Leland Gordon, *Next Steps in Consumer Education*, 6 S. ECON. J. 403, 403 (1940).

19. *Id.*

20. *Id.*

21. *Id.*

22. *Id.* at 405.

23. *History of Financial Literacy – The First 200 Years*, FINANCIALCORPS (Jan. 27, 2014), http://financialcorps.com/history-of-financial-literacy-the-first-200-years/.

24. *History*, NAT'L YOUTH INVOLVEMENT BD., http://www.nyib.org/?page_id=1342 (last visited Feb. 14, 2014); *see also id.*

25. *About the JumpStart Coalition for Personal Financial Literacy*, JUMPSTART COALITION, *http*://www.jumpstart.org/about-us.html (last visited Feb. 14, 2014).

at the forefront of the FLE movement by conducting studies and surveys, and creating the National Standards in K-12 Personal Finance Education.[26]

The federal government did not initially place a significant emphasis on FLE as compared to the private sector. However, the federal government did recognize the importance of protecting consumers from deceptive acts and practices and, in 1938, the Federal Trade Commission Act was amended to afford this protection.[27] During the late 1990s, the importance of financial literacy emerged to the forefront of federal government regulation. This emergence occurred during another tumultuous U.S. financial crisis, the dot-com bubble burst of 1999-2001. In response, the federal government passed many acts attempting to address financial literacy during the first decade of the 2000s. The first legislation was the Excellence of Education Act of 2001, better known as the No Child Left Behind Act (NCLB).[28] While NCLB's primary focus was ensuring that public school students achieve important learning goals in safe classrooms with adequately prepared teachers,[29] NCLB has been highly criticized as worsening the level of U.S. public education.[30] NCLB also provided incentives for organizations whose primary purpose was to increase the level of understanding surrounding personal finance and economics among students.[31] In 2003, the Fair and Accurate Credit Transaction Act established the Financial Literacy and Education Commission.[32] The Commission's goal is to develop a national strategy focused on improving financial literacy and education.[33] The last major federal act, passed in 2010, was the Dodd-Frank Wall Street Reform and Consumer Protection Act—passed in response to the Great Recession of 2008.[34] In turn, Dodd-Frank created the Consumer Financial Protection Bureau (CFPB), a consumer watchdog agency.[35] The CFPB is charged with

26. *Id.*

27. MICHAEL GREENFIELD, CONSUMER TRANSACTIONS 55 (Robert C. Clark et al. eds., 6th ed. 2014).

28. Jeffrey Dinwoodie, *Ignorance is Not Bliss: Financial Illiteracy, the Mortgage Market Collapse, and the Global Economic Crisis*, 18 U. MIAMI BUS. L. REV. 181, 202 (2010) (citing No Child Left Behind Act of 2001, Pub. L. No.107-110, § 1001, 115 Stat. 1425).

29. M. L. Yell Pearson & Allyn Bacon, *The Purpose of No Child Left Behind*, EDUCATION.COM (Jul. 20, 2010), http://www.education.com/reference/article/purpose-no-child-left-behind/.

30. Emmeline Zhao, *No Child Left Behind Worsened Education, 48 Percent of Americans 'Very Familiar' With the Law Say in Gallup Poll*, HUFFPOST EDUCATION (Aug. 21, 2012), *http*://www.huffingtonpost.com/2012/08/21/no-child-left-behind-wors_n_1819877.html.

31. Dinwoodie, *supra* note 28, at 208.

32. *Id* at 202.

33. U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-07-777T, FINANCIAL LITERACY AND EDUCATION COMMISSION (2007), *available at* http://www.gao.gov/new.items/d07777t.pdf.

34. Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. §§ 5301–5641 (2010).

35. *Id.* § 5491(a).

monitoring and regulating consumer financial services, which fall directly under the FLE umbrella.

Although there are consumer protection sub-divisions located within other government agencies such as the Federal Trade Commission and the Department of Treasury, Congress thought it pertinent to have a stand-alone agency that focuses primarily on consumer transactions. The CFPB is the only agency that currently creates regulations regarding consumer financial services. Within the CFPB is the consumer education and engagement division that promotes financial education under the premise that "[a]n informed consumer is the first line of defense against abusive practices."[36] The CFPB wrote a white paper to share the CFPB's policy recommendations for advancing K-12 financial education.[37] Richard Cordray, director of the CFPB, listed five recommendations that the CFPB believes can positively transform the financial lives of present and future young Americans.[38] These recommendations are:

1. Introduce key financial education concepts early and continue to build on that foundation consistently throughout the K-12 school years. In addition, CFPB encourages states to make a stand-alone financial education course a graduation requirement for high school students.
2. Include personal financial management questions in standardized tests.
3. Provide opportunities throughout the K-12 years to practice money management through innovative, hands-on learning opportunities.
4. Create consistent opportunities throughout the K-12 years to practice money management through innovative, hands-on learning opportunities.
5. Encourage parents and guardians to discuss money management topics at home and provide them with the tools necessary to have money conversations with their children.[39]

These recommendations may provide guidance on the minimum standards to integrate into every state's FLE program. Through implementation of a similar structure nationwide, states could ensure that all students have a core set of tools shared by their counterparts in other states. State action is essential to the success of FLE because the federal government lacks constitutional authority to mandate education requirements. States must take a proactive approach to

36. *About Us*, CONSUMER FIN. PROT. BUREAU, http://www.consumerfinance.gov/the-bureau/.

37. CONSUMER FIN. PROT. BUREAU, *supra* note 3, at 1.

38. *Id.* at 3.

39. *Id.* at 3–4.

FLE implementation and not a reactive approach in times of crisis like the federal government.

B. State Level

States have taken steps toward advancing FLE but overall measures have proven ineffective for adequate student preparation. Many states have followed the federal government's lead in enacting statutes encouraging FLE implementation into primary education curriculums. For example, some state statutes provide access to resources such as ready-made curriculums for classroom instruction or provide awards for schools that reach a certain level in financial literacy competitions.[40] Since the first state survey in 1998, the Council of Economic Education (CEE) has seen steady progress towards FLE statute enactments.[41]

However, during the past two years, the trend has begun to slow down and, in some instances, move backwards.[42] This disconcerting trend may perpetuate some of the systemic issues in the financial services industry. The CEE reported that only 14 states require a course in personal finance be offered; one fewer than reported in 2009.[43] A state included in this group, Virginia, requires that the FLE course provide students with a strong foundation to operate as effective members of society.[44] Many states have taken one of three approaches to introducing FLE into their state education requirements. These approaches are (1) mandatory separate instruction to meet graduation requirements, (2) incorporation into existing subjects, and (3) elective participation in teaching FLE to students.[45]

States are hesitant to introduce FLE as a mandate due to fear of backlash from interested stakeholders in the state's education community.[46] Educators consistently raise concerns regarding (1) how to add a required course without adding additional graduation units, (2) which teachers would receive certification to teach FLE, (3) how school districts will manage to pay additional salaries for a new course, and (4) who would pay for the materials such as textbooks.[47] For example, during its process to implement FLE,

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40. *See* 24 PA. STAT. ANN. § 15-1551(a)(2) (West 2010); 105 ILL. COMP. STAT. ANN. 5/27-12.1(c) (West 2010).

41. COUNCIL FOR ECON. EDUC., *Survey of the States* 1 (Mar. 2012), http://www.councilforeconed.org/wp/wp-content/uploads/2011/11/2011-Survey-of-the-States.pdf.

42. *Id.*

43. *Id.*

44. VA. DEP'T OF EDUC., *Economics and Personal Finance Standards* (Nov. 17, 2009), http://www.doe.virginia.gov/testing/sol/standards_docs/economics_personal_finance/economics_personal_finance_sol.pdf.

45. *See, e.g.,* COUNCIL FOR ECON. EDUC., *supra* note 41, at 6 (showing Alabama – mandatory separate instruction; Kansas – incorporation; Connecticut – elective participation).

46. COUNCIL FOR ECON. EDUC., *supra* note 41, at 3.

47. *Id.* at 2.

Arkansas realized that a legislative mandate for FLE would not receive support from the Arkansas Department of Education.[48] So Economics Arkansas, a CEE affiliate, decided to take the diplomatic route and collaborate with interested parties to create a feasible structure for the implementation of FLE as a high school graduation requirement.[49] This approach proved successful and, in 2010, Arkansas became the 21st state to have FLE as a graduation requirement.[50] Other states may also find success with a collaborative approach in advancing FLE efforts.

III. CURRENT STATE OF FINANCIAL LITERACY EDUCATION IN KANSAS

Kansas does not currently require FLE for graduation; instead, the Kansas Legislature elected to follow the incorporation approach with an added incentive for teachers that teach FLE.[51] Incorporation requires school boards to integrate FLE into the curriculum of a subject already included in graduation requirements. K.S.A. 72-7535(c) compels the state board of education to develop a personal finance literacy curriculum for incorporation into mathematics or other appropriate subjects.[52] During the August 2011 Kansas State Board of Education meeting, the Kansas State Department of Education (KSDE) staff reported that the state was in compliance with the statute's financial literacy standards.[53] The standards were met through the incorporation of FLE into subjects such as math, history/government, and family/consumer sciences.[54] The KSDE conducted a study to determine the current status of FLE throughout the school districts.[55] During the period of 2003 through 2011, 60 percent of districts incorporated FLE within their K-12 curriculums.[56] Fourteen percent of districts decided to take the legislation a step further and add completion of a FLE program as a graduation requirement.[57] Of the 286 school districts, 176 districts offered consumer and personal finance education.[58] The report concluded by recommending no

48. *Id.*

49. *Id.* at 3.

50. COUNCIL FOR ECON. EDUC., *Survey of the States* 5–8 (2009), http://www.councilforeconed.org/wp/wp-content/uploads/2011/11/2009-Survey-of-the-States.pdf (Other states include Alabama, Arizona, California, Florida, Georgia, Idaho, Indiana, Louisiana, Michigan, Mississippi, New Hampshire, New Jersey, New Mexico, New York, North Carolina, South Carolina, South Dakota, Tennessee, Texas, and Virginia).

51. *See* KAN. STAT. ANN. § 72-7535 (West 2012); *see also* H.B. 2282, 2013 Sess. (Kan. 2013), *available at* http://www.kslegislature.org/li/b2013_14/measures/hb2282/.

52. KAN. STAT. ANN. § 72-7535 (West 2012).

53. T. Miller, *Highlights of the August State Board of Education Meeting*, KAN. ST. DEPARTMENT OF EDUC., http://www.ksde.org/Default.aspx?tabid=93&ctl=Details&mid=1030&ItemID=556 (last visited Oct. 16, 2013).

54. *Id.*

55. *Id.*

56. *Id.*

57. *Id.*

58. *Id.*

increase in the regulation of FLE, including making FLE a graduation requirement.[59]

The Kansas legislature's Committee on Education did not agree with the KSDE's staff's recommendation and introduced H.B. 2645 in February 2012.[60] H.B. 2645 proposed to make a personal financial literacy program a requirement for high school graduation.[61] The bill sought to amend the incorporation requirements of K.S.A. 72-7535 by requiring grades K-10 receive FLE concepts with existing subjects and requiring grades 11 and 12 receive a course of instruction concerning personal financial literacy.[62] The topic recommendations for grades 11 and 12 included savings and investing, credit and debt, and financial responsibility and money management.[63] All of these topics tie into the preparation for students as they transition into their adult lives and make financial decisions that will have significant effects. Through a poll commissioned by the Kansas Association of School Boards (KASB), only 48 percent of the Kansans polled agreed that students who graduated from Kansas public schools were prepared for basic life skills, such as managing their own money.[64] Implementing these financial education graduation requirements will not only affect local communities within Kansas, but also the national and global economy. Although Kansas has a small relative population, the technological global economy has increased the economic footprint of smaller communities. H.B. 2645 died in committee on June 1, 2012, leaving incorporation as the standard in Kansas.[65] Kansas must take steps beyond incorporation to adequately prepare students for financial success.

IV. PUBLIC POLICY CONSIDERATIONS FOR KANSAS FINANCIAL LITERACY EDUCATION ALTERNATIVES

The lack of financial literacy of consumers in Kansas is a recognizable problem that justifies government intervention. This is evident by H.B. 2645, proposed by the Kansas legislature's Committee on Education. H.B 2645

59. T. Miller, *Highlights of the August State Board of Education Meeting*, KAN. ST. DEPARTMENT OF EDUC., http://www.ksde.org/Default.aspx?tabid=93&ctl=Details&mid=1030&ItemID=556 (last visited Oct. 16, 2013).

60. H.B. 2645, 2012 Sess. (Kan. 2012), *available at* http://kslegislature.org/li_2012/b2011_12/measures/documents/hb2645_00_0000.pdf.

61. *Id.*

62. *Id.*

63. *Id.*

64. *Testimony Before the House Education Budget Committee on HB 2645 – Required Course in Personal Financial Literacy*, 2012 Sess. (Kan. 2012) (statement of Mark Tallman, Associate Executive Director for Advocacy, Kansas Association of School Boards), *available at* http://www.kslegislature.org/li_2012/b2011_12/committees/misc/ctte_h_ed_bdgt_1_20120307_04_other.pdf.

65. H.B. 2645, 2012 Sess. (Kan. 2012), *available at* http://kslegislature.org/li_2012/b2011_12/measures/documents/hb2645_00_0000.pdf.

would have required personal financial literacy courses to prepare students with the knowledge and ability vital to personal finance decisions.[66] While government action alone is not proof that an action is justified, it is indicative of issues of concern to Kansas citizens. The legislature must reconsider the proposal of a similar bill to accomplish the imperative goals set out in H.B. 2645. Many justifications exist for the Kansas legislature to intervene in this situation. These justifications encompass benefits from local social values to the global economic impact. Moreover, an analysis of the costs and distributive effects help determine if the intervention will provide an overall benefit to society. Some of the costs and distributive effects include implementation costs, interference with individual autonomy, financial literacy of students, and etc. Evaluation of the status quo provides a good point of reference to begin the analysis. After which, a comparative analysis of the status quo versus policy alternatives provides a depiction of the big picture to assist with decision-making.

The status quo does not adequately prepare students or contribute to reducing the probability of another Great Recession. As mentioned earlier, Kansas does not require that financial literacy be taught in the public school system. This hands-off approach leads to the systemic failures as experienced during the Great Recession. The economic effects of the mortgage crisis experienced during the Great Recession almost brought the American economy to a catastrophic halt.[67] Many consumers were uneducated about the different types of mortgages and lenders took advantage of this lack of education due to their interests in creating as many mortgages to sell as mortgage-backed securities.[68] Although the status quo does not infringe on the individual autonomy of the citizens, the status quo perpetuates the asymmetry of information between consumers and financial institutions. Financial institutions, such as the Kansas Credit Union Association, stepped in to fill this gap by providing on-site school presentations to students and seminars/workshops for their adult consumer customers.[69] Unfortunately, the Kansas Credit Union's efforts are not enough to ensure the FLE proficiency needed to generate a substantial positive impact on the economy.

Administrative costs are a key driver behind the apprehension to make FLE a mandate.[70] By maintaining the status quo, the Kansas legislature is not required to (1) determine where the funds will come from to train teachers in

66. *Id.*

67. Dinwoodie, *supra* note 28, at 192.

68. Sally Pittman, *ARMs, but No Legs to Stand On: "Subprime" Solutions Plague the Subprime Mortgage Crisis*, 40 TEX. TECH L. REV. 1089, 1094–95 (2008).

69. *Written Testimony in Support of House Bill 2645 before the House Education Budget Committee*, 2012 Sess. (Kan. 2012) (statement of Haley DaVee, Vice President of Governmental and Public Affairs, Kansas Credit Union Association), *available at* http://www.kslegislature.org/li_2012/b2011_12/committees/misc/ctte_h_ed_bdgt_1_20120307_06_other.pdf.

70. Tallman, *supra* note 64, at 3.

FLE, (2) provide the necessary instructional resources, or (3) fund other miscellaneous costs that will come with the implementation of a new mandate. However, it may help the legislature to instead look at a mandate as an investment into the future financial health of their citizens and state economy. This perspective highlights the benefit to the social values surrounding the success of Kansans. Furthermore, national and state organizations provide free resources to assist schools in limiting high administrative costs of a FLE program.[71] Because the majority of students in Kansas are not taught FLE in their school curriculum, students must depend on the partial information provided at home, their employers, or life experiences. Kansas' status quo approach of students obtaining FLE by chance is ineffective, so a different approach is required to obtain better results.[72]

The policy alternatives to an FLE mandate would be ineffective. Strong legislative encouragement through statutory language is a policy alternative, but strong legislative encouragement with no mandate or ramification for non-compliance fosters an environment of low participation. The economic effects felt by strong encouragement alone may result in only a minor impact because many school boards may opt-out to avoid the hassle of introducing a new program into the curriculum. This position is evidenced by the KASB's opposition to H.B. 2645.[73] The KASB expressed their concerns that the mandate was unfounded and presented an additional strain to already struggling school boards.[74] If provided with an option, the majority of school boards would vote against adoption.[75]

In light of KASB's opposition to H.B. 2645, it is substantially certain that the majority of Kansas students will not experience an infringement on their individual autonomy. These students will also be left to depend on whatever instruction they receive at home or instruction received from other life experiences, whether good or bad. One potential benefit for the strong legislative encouragement policy alternative is the expressed acknowledgment by the legislature of the importance of FLE on the primary and secondary school levels. The Kansas legislature decided to utilize this approach in proposed legislation KSA 2012 Supp. 72-7535.[76] KSA 72-7535 requires the state board of education to create a curriculum, and provide guidelines and resources for local school boards that wish to implement FLE.[77] This

71. *See supra* Part IV and accompanying text.
72. Dinwoodie, *supra* note 28, at 219.
73. Tallman, *supra* note 64, at 1.
74. *Id.*
75. *Members and Membership Services*, KAN. ASS'N OF SCH. BOARDS (2012), http://www.kasb.org/wcm/About_KASB/Membership_and_Member_Services/wcm/_AboutKASB/Membership/Membership_and_Members_Services.aspx?hkey=e49f0322-2465-48f5-a342-b8142fa240a2 (KASB reporting that they represent over 90% of school districts).
76. KAN. STAT. ANN. § 72-7535 (West 2012).
77. *Id.*

acknowledgment may send a pertinent message to Kansans who can elect representatives to create mandates for FLE instruction. However, without a firmer approach, strong legislative encouragement will not achieve the legislative intent of the statute and will render the statute moot.

Statutory incorporation is an additional policy alternative that provides meager results in achieving financial literacy for students. These existing subjects generally are mathematical or similar in nature to financial literacy as proposed by the Kansas legislature in KSA 2012 Supp. 72-7535.[78] Incorporation is beneficial because it allows students to tie multiple concepts together and gain an awareness of how various subjects interconnect.[79] This approach may be appropriate for grades K-10, but may not adequately prepare eleventh and twelfth-graders for transition into their adult lives. H.B. 2282, proposed in the 2013 session, takes incorporation a step further and creates a financial literacy incentive program for educators who incorporate FLE into their current classroom instruction.[80] Incorporation will likely provide a moderate level of impact on the financial markets because of students' limited exposure to financial concepts. However, this limited exposure may foster curiosity in students and, in turn, motivate students to develop their financial literacy through self-education. The students' individual autonomy is only slightly infringed upon with incorporation because it is woven into subjects that are already included as graduation requirements. Therefore, students do not lose the option of taking another elective course that they find more interesting.

Incorporation, as structured by the Kansas legislature, will allow the state to bear the majority of the costs for the creation and resource collection to be used in the FLE taught by school systems. The teachers must only request the materials and expend the time and effort needed to integrate the concepts into existing curriculums. While the legislature has not mandated incorporation, KSA 72-7535(e) notes that "the state board of education shall include questions relating to personal financial literacy in the statewide assessments for mathematics or social studies."[81] Including questions on statewide assessments alone will not adequately ensure the success of FLE because questions alone are not enough to solidify financial concepts. Accountability paired with testing will increase of the quality of FLE incorporation. Accountability will ensure that FLE is not considered an after-thought but instead an important module in the class curriculum. Along with the incentive provided in H.B. 2282, incorporation will expose more students to FLE as

78. H.B. 2282, 2013 Sess. (Kan. 2013), *available at* http://www.kslegislature.org/li/b2013_14/measures/hb2282/.

79. CONSUMER FIN. PROT. BUREAU, *supra* note 3, at 5.

80. H.B. 2282, 2013 Sess. (Kan. 2013), *available at* http://www.kslegislature.org/li/b2013_14/measures/hb2282/.

81. KAN. STAT. ANN. 2012 Supp. § 75-7535(e) (2012).

compared with students exposed through strong legislative encouragement. However, incorporation may not be enough to achieve the desired results of adequately equipping students with enough tools to aid in their financial futures.

Lastly, the requirement of mandatory FLE instruction for high school graduation allows school systems to provide a comprehensive course that will prepare the students beyond what the status quo, strong legislative encouragement, or incorporation would permit. A separate class focusing entirely on FLE, as proposed in H.B. 2645, will likely have a measurable impact on the local and global economy. Just as financial illiteracy caused significant negative implications for the economy, a financial literacy education class will positively impact the economy.[82]

However, individual autonomy will be directly affected with a mandatory graduation requirement. Thus, the number of required classes must change or a student will have a reduced number of freely elective credits to utilize throughout their high school education. This will especially impact cultural classes offered by schools to help ensure that students are well rounded upon graduation.[83] Moreover, timely graduations as a result of failing FLE courses may become a concern if classes are not offered until the final year of high school.[84] Administrators must ensure that the courses are offered in a timely manner to combat the probability of a student not graduating on time.

The administrative costs associated with the mandatory FLE instruction approach can initially appear to be the most expensive. Not only will a mandate involve curriculum adjustments, it will also require teachers trained to successfully teach financial concepts. However, the Wichita school system implemented FLE as a mandatory graduation requirement without incurring any additional costs to the district.[85] The Wichita school district followed the one-credit math substitution approach recommended by the Kansas Commissioner of Education.[86] This approach allows implementation of FLE into the graduation requirements without increasing the number of required credits. The district conducted a successful testing phase of six months in a

82. Dinwoodie, *supra* note 28, at 189.

83. *Education Budget Resources: Hearing on H.B. 2645 Before H. Educ. Budget Comm.*, 2012 Sess. (Kan. 2012) (Statement by Mark Desetti made Wednesday March 7, 2012), *available at* http://www.kslegislature.org/li_2012/b2011_12/committees/misc/ctte_h_ed_bdgt_1_20120307_05_other.pdf

84. Telephone Interview with Angela Howdeshell, Vice President for Programs & Admin., Kan. Council for Econ. Educ. (Nov. 21, 2013).

85. *Testimony in Support of H.B. 2645: To Teach Each Kansas Student How to Manage Their Money,* 2012 Sess. (Kan. 2012) (Statement by Dr. Walt Chappell made Wednesday March 7, 2012), *available at* http://www.kslegislature.org/li_2012/b2011_12/committees/misc/ctte_h_ed_bdgt_1_20120307_02_other.pdf

86. E-mail from Dr. Walt Chappell, President, Educ. Mgmt. Consultants, to Ja'net Miles (Nov. 18, 2013, 12:38 CST) (on file with author).

couple of classrooms followed by a full roll out across the district.[87] The lack of administrative costs related to the Wichita implementation was largely because of the free national and state-wide FLE programs offered through agencies such as the Kansas Council for Economic Education.[88] While the Wichita approach may not be applicable to every jurisdiction, every school board should consider implementing FLE as a graduation requirement because the benefits to social values to will outweigh the initial costs. Students will graduate as financially literate and confident consumers who can add to the productivity of the Kansas and global economy.[89] Mandatory requirement presents the best approach to ensure that students are adequately prepared for financial success.

V. PREPARATION AND PREVENTION

A. Preparation

Students are not adequately prepared for their financial adult lives upon graduation from high school. While many American students graduate from high school educated in trigonometry and chemistry, most do not have an understanding of basic financial concepts such as credit scores and the long-term consequences of defaults.[90] In 2008, Jump$tart administered a survey to 6,856 high school students in 40 states.[91] The students received an average failing grade by only correctly answering 48.3 percent of the questions covering basic principles of personal finance.[92] This was surprising because the 2006 study of high school students on the same survey received a slightly higher average failing grade of 52.4 percent.[93] Even in light of these astounding figures, opponents of FLE do not believe that there is enough empirical evidence to support the position that FLE is needed in the school system because the effectiveness of FLE has not been proven.[94] However, this reason alone should not cease the efforts in favor of FLE implementation. All new endeavors experience a learning curve where processes are refined

87. Telephone Interview with Angela Howdeshell, Vice President for Programs & Admin., Kan. Council for Econ. Educ. (Nov. 21, 2013).

88. E-mail from Dr. Walt Chappell, President, Educ. Mgmt. Consultants, to Ja'net Miles (Nov. 18, 2013, 12:38 CST) (on file with author).

89. *See* Hadley Malcolm, *Financial Literacy Has Lasting Impact*, USA TODAY, Apr. 8, 2014, *available at* http://www.usatoday.com/story/money/personalfinance/2014/04/08/financial-literacy-college-students/7296185/ (Study finds that college freshman who took a required high school financial literacy course more likely to be financially responsible than counterparts).

90. Pittman, *supra* note 63, at 1120.

91. *Financial Literacy Still Declining Among High School Seniors, Jump$tart Coalition's 2008 Survey Shows*, JUMP$TART COALITION, http://jumpstart.org/survey.html (follow "2008 Survey Press Release" hyperlink near middle of page).

92. *Id.*

93. *Id.*

94. Willis, *supra* note 16, at 202.

through experience. Similarly, the societal benefit of financial preparation outweighs the initial drawbacks that will occur during the beginning stages of FLE implementation.

President Obama began his presidency at the height of the nation experiencing the ramifications of the Great Recession. In his creation of the President's Advisory Council on Financial Capability, President Obama stated that "financial capability empowers individuals to make informed choices, avoid pitfalls, *know where to go for help*, and take other actions to improve their present and long-term financial well-being."[95] Empowerment is a by-product of adequate preparation. A key part of the President's quote speaks on the ability of an informed consumer to know where to go for help. In addition to possessing knowledge to make decisions on their own, consumers will also know when a professional opinion is required for a financial decision. The goal of financial literacy is not to make every student as proficient as a financial professional, but instead to ensure that students understand the core concepts.

These core concepts can assist students in avoiding costly mistakes that could negatively alter their financial trajectory.[96] Aside from costly mistakes are unexpected life events, such as job loss and medical illness, which can cause financial setbacks.[97] Again, arming students with FLE will empower them to know where to go for help; whether that is through budget restructuring or bankruptcy. FLE opponents argue that a focus on empowerment of consumers through FLE diverts the attention of financial institutions and policymakers.[98] However, consumer education is an essential element for combating and preventing predatory lending.[99] Focusing on FLE does not divert attention away from the government and financial institutions; rather, it adds an element to the equation of reducing the probability of systemic market failures. An informed consumer will, more often than not, make smarter financial decisions.[100]

FLE in school increases the number of children exposed to critical financial tools. Some parents believe FLE is unnecessary in school because they teach their children financial concepts at home.[101] Unfortunately, the

95. President's Advisory Council on Financial Capability, 2010 DAILY COMP. PRES. DOC. (Jan. 29, 2010), *available at* http://www.whitehouse.gov/sites/default/files/2010financial.eo_.rel_.pdf. (emphasis added).

96. Dinwoodie, *supra* note 28, at 218.

97. Willis, *supra* note 16, at 201 n.8.

98. *Id.* at 280.

99. Braunstein & Welch, *supra* note 1, at 3.

100. Gross, *supra* note 8, at 311–12.

101. *Minutes of the House Education Budget Committee: Hearing on H.B. 2645 and S.B. 261 Before the H. Educ. Budget Comm.*, 2012 Sess. (Kan. 2012 (statement), *available at* http://www.kslegislature.org/li_2012/b2011_12/committees/resources/ctte_h_ed_bdgt_1_20120307_min.pdf.

majority of parents are unable, uninterested, or unwilling to teach their children because the parents are financially illiterate.[102] Students learning financial concepts at home is not enough to say that FLE is unwarranted as a requirement in the school curriculum. Would the fact that many students learn to read at home be enough to warrant the exclusion of reading from the school curriculum? Of course not. Students spend most of their time at school, so it makes sense to offer FLE in this forum.[103] However, it is important to provide parents with materials to facilitate a FLE dialog with their children to help reinforce the concepts learned at school.[104] This will also indirectly teach parents financial concepts to assist them achieve financial security for their family.

B. Prevention

FLE is a key component to preventing another recession like the Great Recession. Due to lack of financial literacy, many Americans lacked the intuition to question whether they could afford the loans offered to them.[105] Even after explanation of their mortgage structures, the terms and mechanics were not fully understood by borrowers.[106] For example, through subprime[107] lending, many consumers obtained approval for mortgages that they would not have been allowed to qualify for under traditional lending standards. Subprime lending is high risk, but profitable, which encouraged lenders to make these loans.[108] Additionally, securitization of the subprime market further encouraged lenders to increase the number of subprime loans.[109] Predatory mortgage lending reached an all-time high leading up to the housing bubble bursts that left the market flooded with unstable securities.[110] Many consumers took on subprime adjustable rate mortgages (ARMs) that created dangerous conditions,[111] which played a major role in the financial collapse.[112]

ARMs are loans that initially have a lower interest rate and monthly payment that is later readjusted to a higher rate.[113] These loans were

102. Dinwoodie, *supra* note 28, at 188.

103. CONSUMER FIN. PROT. BUREAU, *supra* note 3, at 5.

104. *Id.* at 10.

105. Dinwoodie, *supra* note 28, at 195.

106. *Id.* at 198.

107. *See ComE-IN Background Definitions*, FED. DEPOSIT INS. CO. (Jul. 7, 2007), http://www.fdic.gov/about/comein/background.html (Defining subprime as "refer[ing] credit characteristics of individual borrowers. Subprime borrowers typically have weakened credit histories that include payment delinquencies, and possibly more severe problem such as charge-offs, judgments, and bankruptcies.").

108. Pittman, *supra* note 68, at 1096.

109. *Id.*

110. *Id.* at 1092.

111. *Id.* at 1095–96.

112. Dinwoodie, *supra* note 28, at 191.

113. Pittman, *supra* note 68, at 1090.

traditionally taken on by consumers that expected to pay the loan off early and to take advantage of the low initial interest rate before the rate adjustment.[114] Many consumers took on these loans only looking at the initial affordable payment assuming that the value in their homes would continue to rise and that they would be able to refinance their ARMs.[115] Unfortunately, this was not the case because the housing bubble burst, causing home prices to rapidly decline. As a result, many homeowners could not afford the balloon payment[116] and lost their homes in foreclosure. Consequently, numerous mortgage-backed securities began to plummet in value causing tremendous losses in portfolios around the world.[117]

Having FLE may have assisted borrowers in understanding the long-term consequences of the loans or, at the very least, possess the instincts to ask the right questions regarding information that was unclear. Financially literate consumers are better equipped to compare financial instruments to determine which one is better suited for their current circumstances. FLE can, therefore, be used as a preventive measure for another financial meltdown under these circumstances.[118]

VI. FINANCIAL LITERACY EDUCATION RESOURCES

It is impossible to create a one size fits all FLE curriculum due to outside factors such as demographics and geographic characteristics. Many organizations have created programs that can provide school systems with ideas of how a FLE program is structured. School systems can then customize their program to meet the needs of the students in their jurisdiction. Schools may decide to pull pieces from multiple programs or decide to change the order of components that they believe will work best with their curriculum structure. Many of these programs are offered at no charge to school systems.

Visa's Practical Money Skills for Life Program is a national FLE program. This program targets consumers of all ages at different life stages. Under the educators' section, Visa provides lesson plans for students in Pre-Kindergarten through college.[119] These lesson plans also include lessons for students with special needs that have been approved by the Council for Exceptional Students.[120] Each lesson plan includes a teacher's guide, student activities, and presentations. Some of the topics covered include making money, the art of

114. *Id.* at 1095–96.

115. Dinwoodie, *supra* note 28, at 194.

116. KAN. STAT. ANN. § 16a-3-308 (West 2009).

117. Dinwoodie, *supra* note 28, at 192.

118. *Id.* at 218.

119. *For Educators*, PRACTICAL MONEY SKILLS FOR LIFE, http://practicalmoneyskills.com/foreducators/ (last visited Nov. 24, 2013).

120. *Lessons: Special Needs*, PRACTICAL MONEY SKILLS FOR LIFE, https://practicalmoneyskills.com/foreducators/lesson_plans/special.php (last visited Nov. 24, 2013).

budgeting, and why credit matters.[121] Just as children learn a lot through play, the same can be said of teens and adults through experiential learning.[122] In addition to lesson plans, the program offers educational interactive games that are classroom or computer-based to reinforce concepts taught in lessons.[123] Every game is structured to provide age-appropriate challenges, ensuring that the concepts are effectively communicated. For instance, Peter Pig's Money Counter allows students ages 4-7 to practice sorting and counting coins.[124] Financial Football is targeted to an older crowd with its face-paced environment where teams compete by answering financial questions to score touchdowns.[125]

Kansas Council for Economic Education (KCEE) is an in-state program that has served the state of Kansas for over 50 years.[126] KCEE's mission and vision, as expressed by Jim Graham, President of KCEE, is to "[e]quip teachers to educate Kansas' students in grades K-12 in economics and personal finance. Our vision is that, through economic and financial literacy, Kansas's students will become more knowledgeable consumers, wiser savers and investors, more responsible citizens, and better employees."[127] The KCEE partners with six state universities including the University of Kansas and Wichita State University.[128] The KCEE offers various programs and resources free of charge by means of state and private funding.[129]

In the summer of 2013, the KCEE hosted the Financial Fitness Extravaganza.[130] High school teachers representing 55 cities and 43 counties came from all over the state of Kansas.[131] This three-day event was free to participants who attended trainings, workshops, and other events that included

121. *Lesson Plans*, PRACTICAL MONEY SKILLS FOR LIFE, https://practicalmoneyskills.com/foreducators/lesson_plans/ (last visited Nov. 24, 2013).

122. *Games*, PRACTICAL MONEY SKILLS FOR LIFE, https://practicalmoneyskills.com/games/ (last visited Nov. 24, 2013).

123. *Id.*

124. *Id.*

125. *Id.*

126. *About*, KAN. COUNCIL FOR ECON.EDUC., http://kansas.councilforeconed.org/about/ (last visited Nov. 24, 2013) (stating that KCEE started helping Kansas teachers in Grades k-12 teach economics and personal finance in 1959).

127. Jim Graham, *Description of the Kansas Council on Economic Education* 1, http://webs.wichita.edu/depttools/depttoolsmemberfiles/OFDSS/documents/FinLitConference2011/Description%20of%20the%20Kansas%20Council%20for%20Economic%20Education%20-%20Seminar%20-%20Jim%20Graham.pdf (last visited Aug. 30, 2014).

128. *Id.*

129. *Id.* at 3.

130. *Financial Fitness Extravaganza*, KAN. COUNCIL FOR ECON. EDUC., http://www.kcee.wichita.edu/ffi.htm (last visited Nov. 24, 2013).

131. E-mail from Angela Howdeshell, Vice President for Programs and Admin., Kan. Council for Econ. Educ., to 8215, University of Kansas School of Law Student (Nov. 21, 2013, 13:58 CST) (on file with author) (Attachment: FFEEvaluations&Graphs.pdf 1).

expert FLE speakers from Kansas and Missouri.[132] In addition to the Extravaganza, the KCEE has conducted teacher trainings and webinars through its Financial Fitness Institute since 2001.[133] The KCEE's classroom resources include curriculums and activities for students in grades K-12. The Financial Foundations program for grades K-8 includes a downloadable teacher's guide and a bingo game to assist teachers with lesson reinforcement.[134] The Gen Revolution online game is targeted to grades 6-12 and allows students to learn important personal finance concepts while competing against their classmates.[135] Moreover, the KCEE offers other programs that are universal to meet the FLE needs of all Kansas school districts.[136] The vast amount of free or affordable resources available can assist in reducing the amount of financial strain that may be caused by a FLE graduation mandate.

VII. RECOMMENDATION AND CONCLUSION

The Kansas legislature's overly cautious approach to the implementation of financial literacy as a requirement for high school graduation is understandable. There has not been enough empirical evidence to show that teaching students financial concepts actually increases the likelihood that they will make better financial decisions throughout their lives. FLE is not a complete panacea for financial illiteracy, but the need for FLE is certain.[137] Furthermore, the nation is tremendously better with FLE than without it.[138] Just as a high correlation exists between early print literacy development and school achievement,[139] a similarly high correlation will also likely exist between early financial literacy development and consumer financial health. Not enough time has passed to provide the actual impact of financial literacy as compared to the hundred years plus of literacy data available. The Kansas legislature should join states like Arkansas who are role models on investing in the financial literacy of its citizens.

The Kansas mandate should look similar to H.B. 2645 which required incorporation of FLE concepts into appropriate subjects for grades K-10 and a separate course focusing on financial literacy for grades 11 and 12, making the

132. Telephone Interview with Angela Howdeshell, Vice President for Programs & Admin., Kan. Council for Econ. Educ. (Nov. 21, 2013).

133. *Id.*

134. *Financial Foundations for Kids (K-8th)*, KAN. COUNCIL FOR ECON. EDUC., http://kansas.councilforeconed.org/resources/financial-foundations-for-kids-courseware/ (last visited Nov. 24, 2013).

135. *Online Personal Finance Game*, KAN. COUNCIL FOR ECON. EDUC., http://www.genirevolution.org/ (last visited Nov. 24, 2013).

136. *See infra* Appendix I (containing a table listing organizations, programs offered, and the cost associated with the programs).

137. Gross, *supra* note 8, at 307.

138. *Id.*

139. Dorothy Strickland & Shannon Riley-Ayers, *Early Literacy: Policy and Practice in the Preschool Years*, READING ROCKETS (Apr. 2006), http://www.readingrockets.org/article/11375/.

required courses for grades 11 and 12 mandatory to meet graduation requirements. To ensure that students are being taught in grades K-10, the state should require the FLE to be tested on the annual standardized tests. The specific type of program utilized will have to be chosen after further research and will likely vary throughout the state based on each jurisdiction's demographics.

The Kansas legislature must pass a bill that requires FLE as a graduation requirement because currently students are not being adequately prepared for their financial adult lives. The Kansas Office of the Securities Commissioner, Aaron Jack, best summed up the importance of FLE in his testimony in support of H.B. 2645. The Commissioner stated, "For Kansans to compete in a global marketplace, we need our young people equipped when they graduate high school with the foundation necessary to create and sustain multi-generational wealth."[140] By ensuring the adequate preparation of current young and future generations, the Kansas legislature will do its part to reduce the probability of another recession like the Great Recession of 2008.

140. *Testimony in Support of H. B. 2645*, 2012 Sess. (Kan. 2012) (statement by Aaron Jack, Comm'r Office of the Sec. made Wednesday Mar. 7, 2012*), available at* http://www.kslegislature.org/li_2012/b2011_12/committees/misc/ctte_h_ed_bdgt_1_20120307_08_other.pdf.

APPENDIX I

Organization	Website	Program Description	Cost
National Endowment for Financial Education	www.nefe.org http://www.hsfpp.org/get-materials/order-info-kit.aspx	High School Financial Planning Program: Curriculum that conveys financial concepts such as budgeting, saving, and using debt wisely through goal setting.	Free
Jump$tart Coalition	jumpstart.org	Clearinghouse: Comprehensive collection of the nation's financial education resources suitable for Pre-K – college. Based on national standards for personal finance education	Free
MyMoney. Gov	Mymoney.gov	Offers access to federal educational resources from over 20 federal agencies	Free
Kansas Council of Economic Education	http://kansas.councilforeconed.org/	Teacher training Curriculums Activity resources	Free
Visa	Practicalmoneyskills. com	Practical Money Skills for Life Program: Lesson plans, games, and other financial education resources. Financial football	Free
Doorways to Dreams Fund	www.d2dfund.org	Games to specifically target to low and moderate-income consumers.	Free
Ever Fi	www.everfi.com/ everfi	Interactive videos, animations, and social networking to teach FLE	Free

See CFPB White Paper Focuses On Early Financial Education For Consumers, CONSUMER FIN. PROT. BUREAU, Apr. 30, 2013, at *8, *available at* 2013 WL 3858337 (2013); Kevin Channell, Ryan McCormick & Jamie Parot, *Financial Literacy Education*, THE UNIV. OF VT. 6 (Mar. 2008), http://www.uvm.edu/~vlrs/Education/financialliteracy.pdf.