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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
56th Legislature, 1st Session, 2023

Bill Number	<u>HB279</u>	Sponsor	<u>Brown/Kernan/Padilla/Jones/Diamond</u>
Tracking Number	<u>.223782.1</u>	Committee Referrals	<u>HCPAC/HEC</u>
Short Title	<u>Personal Finance Class for Graduation</u>		
Analyst	<u>Hathaway</u>	Original Date	<u>2/13/23</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Bill

House Bill 279 (HB279) amends current graduation requirements to require students to complete one-half unit of personal finance to earn a high school diploma. The bill would apply to students entering ninth grade in the 2023-2024 school year and subsequent school years. The bill reduces electives to accommodate the additional one-half unit requirement.

FISCAL IMPACT

HB279 does not contain an appropriation. HB279 may create some new costs to school districts and charter schools should they need to develop additional personal finance courses. Current statute requires financial literacy to be offered as an elective in high school so anticipated costs may be minimal. The development of additional courses, however, may still be needed to accommodate a greater number of students taking such courses if required rather than offered as an elective.

SUBSTANTIVE ISSUES

Financial Literacy in New Mexico. Current state law requires financial literacy to be offered as an elective to high school students. Financial literacy can also count towards a mathematics credit if it meets state academic content and performance standards. It is not, however, a required standalone course for students to earn a high school diploma. HB279 would amend statute to make one-half credit of financial literacy a requirement for high school graduation.

Personal Financial Literacy in Current Social Studies Standards. The Public Education Department (PED) published [revised social studies academic and content performance standards](#) in February 2022. The newly revised social studies standards for grades kindergarten through 12th grade include six major strands:

1. Civics;
2. **Economics and personal financial literacy;**

3. Geography;
4. History;
5. Ethnic, cultural, and identity studies; and
6. Inquiry

The updated standards include substantial revisions to include financial literacy as embedded content within social studies courses across all grades, from kindergarten through 12th grade. There are now 33 distinct personal financial literacy standards included in the final version of 6.29.11 NMAC, the administrative rule that contains social studies standards. All standards in the economics and personal financial literacy strand are shown in **Attachment 1**, with standards specific to personal financial literacy bolded and highlighted in yellow.

These newly updated standards will be implemented in schools beginning in the 2023-2024 school year and can be viewed at the [PED website](#) or in Section [6.29.11 NMAC](#).

Prior to the development of the new social studies standards, these standards were last updated in 2009 and covered four primary strands: 1) History; 2) Geography; 3) Civics and government; and 4) Economics. The updated standards greatly expand the former economics strand to now include personal financial literacy. As part of the new economics and personal financial literacy strand of the social studies standards, there are six anchor standards:

- Anchor Standard 5: Economic decision making
- Anchor Standard 6: Incentives and choices
- Anchor Standard 7: Economic systems and models
- Anchor Standard 8: Money and markets
- Anchor Standard 9: Global economy
- Anchor Standard 10: Personal financial literacy

These anchor standards, according to PED, highlight key disciplinary concepts and ideas within social studies and create cohesiveness within the standards to connect learning progressions from kindergarten to high school. For example, a fourth grade student is expected to understand the purpose of banks and how they work and explain what checking and savings accounts are used for. A fifth grade student is expected to create a way to keep track of money spent and saved and determine the relationship between long-term goals and opportunity cost. This standard is vertically aligned to similar standards in high school, where students are expected to compare the costs and benefits of saving, using, credit, or making certain types of financial investments and understand how to prepare a budget, repay a loan under various interest rates, among other standards at the high school level.

Personal financial literacy standards make up nearly 30 percent of the content covered in the economics and personal finance academic content and performance strand that is used in New Mexico's high school economics course.

Research on Financial Literacy. Students who take financial literacy or personal finance courses see many personal benefits throughout their life, including fewer defaults and higher credit scores. While financial literacy continues to be studied, there is existing research that shows similar benefits of personal finance no matter if a state chooses to require a standalone course or to embed

this content into broader required coursework.¹ A study that compared Georgia, which requires a standalone personal finance course requirement, and Texas, which requires personal finance embedded into economics, found similar outcomes in both states.¹ As noted above, New Mexico now embeds personal financial literacy into grades kindergarten through 12 as part of required social studies standards. In high school, students are required to take economics, which now requires content in both economics and personal financial literacy.

Further, research also notes there are opportunity costs for both students and schools related to any graduation requirement, including personal finance. All required courses offer benefits to students, be it an arts course, a math course, a career and technical education course, or any other course. The existing body of research has not been able to establish the relative merit of a personal finance mandate as compared with any other courses a student may be required to take.

Financial Literacy Nationwide. Multiple methodologies for calculating access to personal finance or financial literacy courses exist, leading to various reports on how many states require such courses. The Council for Economic Education, in [a 2022 annual report](#), reports 27 states—including New Mexico because its economics course now requires personal finance content—require a high school course to be taken. Nine of these states require this via a standalone personal finance course and 14 states require it to be integrated into another course required for graduation, as New Mexico now does with its update to social studies standards and integration of personal finance content into its high school economics course.

Next Gen Personal Finance, an advocacy organization focused on every high school student taking a one-semester course in personal finance, [reports](#) that as of 2022, eight states have statewide guarantees for a standalone personal finance course, and an additional nine states are working to implement standalone courses.

ADMINISTRATIVE IMPLICATIONS

In its analysis of HB279, the University of New Mexico (UNM) notes “college-bound students and their families should receive information that a personal finance course will not meet general education program requirements for associate’s and bachelor’s degrees at New Mexico HEIs [higher education institutions] and will not fulfill credit requirements for an academic major, even if it is offered as a dual credit course.”

The Higher Education Department (HED), in its analysis of HB279, notes that while not specifically referenced in the bill, it is possible that dual credit opportunities with higher education institutions could be impacted by the proposed changes. It is unclear if HED’s view is that these opportunities would be negatively, positively, or neutrally impacted.

OTHER SIGNIFICANT ISSUES

About Academic Content and Performance Standards. Academic content and performance standards—more commonly referred to as standards—are goals that outline what students should know and be able to do at various grade levels. Standards provide a foundation for learning, although they do not dictate how to teach specific content, or what specific materials may be used, both of which are functions of curriculum.

¹ Carly Urban, Maximilian Schmeiser, J. Michael Collins, Alexandra Brown, The effects of high school personal financial education policies on financial behavior, *Economics of Education Review*, Volume 78, 2020, <https://doi.org/10.1016/j.econedurev.2018.03.006>.

Standards are distinct from curriculum. Curriculum is what teachers teach on a day-to-day basis in the classroom. This includes instructional materials and classroom practices to achieve the learning goals and expectations set forth by standards. Under current law and policy, curriculum is a local decision. Federal policies encourage states to adopt high standards and state law requires PED to develop standards for all public schools, but curriculum decisions are made by local educators and school leaders.

RELATED BILLS

Relates to HB111, Holocaust and Genocide Studies Act, which would require instruction about the Holocaust, genocide, and human rights, and add Holocaust and genocide studies as an optional elective for fourth through eighth grade and as a required elective for high school students.

Conflicts with HB126, School Graduation Requirements, which comprehensively updates graduation requirements.

Relates to HB335, School Computer Science Classes, which requires computer science to be offered as an embedded element of courses in elementary and middle schools and as a standalone course in high schools.

Relates to SB340, Define Public Ed Ethnic Studies, which would require instruction in ethnic studies in grades kindergarten through 12th grade, including a requirement of one-half unit of ethnic studies as a social studies graduation requirement.

Conflicts with SB341, Personal Finance as School Elective, which adds personal finance as an elective in fourth through eighth grades and requires a personal finance course to be taken in high school as either a mathematics course or an elective.

SOURCES OF INFORMATION

- LESC Files
- University of New Mexico (UNM)
- Higher Education Department (HED)

JKH/tb/js/mb

Table 1: NMAC 6.29.11, Updated and Embedded Economics and Personal Financial Literacy Standards

Grade	Standard
Kindergarten	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of incentives and choices by distinguishing between a basic need (e.g. food, clothing, shelter) and a want. • The student shall demonstrate an understanding of money and markets by: <ol style="list-style-type: none"> 1. identifying examples of goods and services; and 2. explaining what scarcity is and how scarcity affects the accessibility of goods and services. • The student shall demonstrate an understanding of personal financial literacy by recognizing personal finance choices people make.
1	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of incentives and choices by examining choices that families make in purchasing general goods and identifying costs associated with those choices. • The student shall demonstrate an understanding of money and markets by examining decisions people make about spending and saving money. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. identifying examples of producers and consumers; and 2. examining how earning money through work is related to the purchase of goods and services.
2	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by: <ol style="list-style-type: none"> 1. examining how consumers react to changes in the prices of goods and how this influences economic decision-making and the use of money; and 2. exploring how communities share resources and services with other communities. • The student shall demonstrate an understanding of economic systems and models by investigating what resources are available in their community, how available resources differ in communities, and what resources are obtained from neighboring communities. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. identifying different types of jobs performed in the community; 2. assessing priorities when making financial decisions; and 3. classifying financial goals as short-term or long-term.
3	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic systems and models by investigating who receives the goods that are produced in various world communities. • The student shall demonstrate an understanding of global economy by: <ol style="list-style-type: none"> 1. exploring the concepts of surplus and scarcity in relation to resources for various world communities; 2. exploring the basic economic concepts of supply and demand; 3. explaining how supply and demand influence prices and trade; 4. describing how technological developments in transportation and communication influence trade over time; 5. identifying currency, credit, debit, and checks as the basic means of exchange in western society; and 6. comparing currency, credit, debit, and checks in the United States to other world money systems. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. examining the various ways people earn a living to meet their basic needs (e.g. food, clothing, shelter) and how this has changed over time in various world communities; and 2. creating a plan with specific steps to reach a short-term financial goal.
4	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by explaining the impact of using natural resources on the local, county, and state economy. • The student shall demonstrate an understanding of economic systems and models by: <ol style="list-style-type: none"> 1. explaining how trade and industry in New Mexico is impacted by surrounding economies (e.g. Mexico, Arizona, Colorado, Texas); and

<p>4, continued</p>	<ul style="list-style-type: none"> 2. researching and creating a list of products, goods, and services that New Mexico imports and exports. • The student shall demonstrate an understanding of money and markets by exploring the significance of various industries in New Mexico. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. establishing the purpose of banks and how they work; and 2. explaining what a checking and savings account are used for.
<p>5</p>	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by: <ol style="list-style-type: none"> 1. using examples from the western hemisphere, exploring and illustrating the role of scarcity historically and today; 2. analyzing how economic success is defined differently by various communities in the United States throughout the past and present; and 3. identifying and comparing the major natural resources and industries of two or more countries in the western hemisphere. • The student shall demonstrate an understanding of economic systems and models by examining products that are imported and exported into markets within the United States based on demand for these products, noting how this affects the United States economy. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. creating a way to keep track of money spent and saved; and 2. determining the relationship between long-term goals and opportunity cost.
<p>6</p>	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by: <ol style="list-style-type: none"> 1. describing the distribution of resources among classes in the feudal hierarchy of European and Asian societies; 2. describing how trade networks and the transfer of goods and ideas linked postclassical societies; and 3. explaining the role of trade in the development and growth of societies. • The student shall demonstrate an understanding of money and markets by explaining how the interaction between producers and consumers in the trade networks satisfied economic wants and needs. • The student shall demonstrate an understanding of global economy by analyzing the economic impact that surpluses of food and goods have on the growth of civilizations. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. analyzing how external factors might influence spending decisions for different individuals and households; and 2. giving examples of financial risks that individuals and households face.
<p>7</p>	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by: <ol style="list-style-type: none"> 1. explaining how tribal, state, and local government agencies work to sustain resources in New Mexico; 2. discussing New Mexico's economic limitations and successes; 3. demonstrating how early humans compete and cooperate to gather and use resources; 4. explaining the economic motivation of Spaniards as they enter the lands of, and interact with, the indigenous people of the Americas; 5. describing Spanish economics policies that led to colonial isolation and their impact on the people of New Mexico; and 6. summarizing the relationship between specialization and interdependence between 1821 CE and 1850 CE. • The student shall demonstrate an understanding economic systems and models by showing the correlation between the territorial and indigenous economies, including how both were impacted by United States federal policies. • The student shall demonstrate an understanding of money and markets by: <ol style="list-style-type: none"> 1. defining the relationship between specialization and interdependence between c. 1200 BCE and c. 1500 CE; 2. explaining early trade networks and their impact on cultural groups; 3. investigating the use of trade routes and systems to analyze the economic impact they had on New Mexico and those who traded with New Mexicans; and 4. describing the economy of territorial New Mexico from various perspectives.

7, continued	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of the global economy by demonstrating connections between the economies of Spain and the indigenous people of the Americas. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. summarizing how the distribution of resources impacts consumerism and individual financial decisions; and 2. differentiating between saving and investing.
8	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by: <ol style="list-style-type: none"> 1. identifying and analyzing the economic specializations of the 13 colonies; and 2. identifying and explaining the economic differences between the north and the south. • The student shall demonstrate an understanding of incentives and choices by analyzing the benefits and challenges associated with rapidly growing urban areas because of industrialization. • The student shall demonstrate an understanding of economic systems and models by illustrating significant European economic theories and their connection to the colonization of the western hemisphere. • The student shall demonstrate an understanding of money and markets by: <ol style="list-style-type: none"> 1. summarizing a significant economic warfare initiative of the Civil War through creative expression; and 2. explaining how union army strategies and other socio-economic changes at the end of the civil war led to an economic depression in the southeast United States. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. determining the relationship between long-term goals and opportunity cost; 2. identifying ways insurance may minimize personal financial risk; and 3. illustrating the power of compounding to highlight the importance of investing at a young age.
9-12	<ul style="list-style-type: none"> • The student shall demonstrate an understanding of economic decision-making by: <ol style="list-style-type: none"> 1. applying understanding of economic concepts and systems to analyze decision making and the interactions between consumers, businesses, governments, and societies; 2. gathering and evaluating sources to explain the relationship between economic decisions and environmental consequences; 3. using cost-benefit analysis and marginal analysis to evaluate an economic issue; 4. evaluating how economic principles influence choices and can produce varied outcomes for different individuals or groups; and 5. evaluating the market value of income earned through wages and other activities associated with saving and investing • The student shall demonstrate an understanding of economic systems and models by: <ol style="list-style-type: none"> 1. analyzing the production, distribution, and consumption of goods and services; 2. evaluating economic theories for their compatibility with democracy; 3. comparing the advantages and disadvantages of major economic systems found around the world; 4. critiquing inequalities that exist in economic systems; 5. using economic data to evaluate the positive and negative aspects of American capitalism in relation to other economic systems; 6. analyzing how national and global economic trends, practices, and policies impact the state and local economies in New Mexico; 7. critiquing the impact of globalization on New Mexico and its citizens; 8. evaluating the impact of environmental externalities in New Mexican communities; and 9. evaluating opportunities for economic diversification that can significantly impact state and local conditions. • The student shall demonstrate an understanding of money and markets by: <ol style="list-style-type: none"> 1. explaining how buyers and sellers interact to create markets and market structures; 2. evaluating how a variety of factors and conditions in a market determine price and the allocation of scarce goods and resources; 3. evaluating the role played by competition in the market; 4. evaluating the role of financial institutions in a market economy; 5. analyzing the role of money in the economy;

<p>9-12, continued</p>	<ol style="list-style-type: none"> 6. critiquing specific government policies and regulations initiated to improve market outcomes and the intended and unintended consequences experienced by individuals, businesses, communities, and states; 7. generating possible explanations for a government role in markets when market inefficiencies exist; 8. evaluating the causes and implications of market failures; 9. explaining how governments establish the rules and institutions in which markets operate at the local, state, tribal, national, and international levels; 10. using economic indicators and data to analyze the health of the national economy in relation to other countries; 11. evaluating how fiscal and monetary policy choices have economic consequences for different stakeholders in a variety of economic conditions; 12. evaluating foreign and domestic issues related to United States economic growth overtime; and 13. explaining the effect of advancements in technology and training on economic growth and standards of living across diverse groups and circumstances. <ul style="list-style-type: none"> • The student shall demonstrate an understanding of global economy by: <ol style="list-style-type: none"> 1. explaining how current globalization trends and policies affect economic growth, labor, markets, rights of citizens, the environment, and resource and income distribution in different nations; 2. explaining how economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations; 3. evaluating how geography, demographics, industry structure, and the rules of economic institutions influence a nation's economic development; 4. analyzing why a country might participate in global trade; 5. connecting how trade agreements between nations have short- and long-term effects; and 6. constructing an argument about how global interdependence impacts individuals, institutions, or societies based on documented evidence. • The student shall demonstrate an understanding of personal financial literacy by: <ol style="list-style-type: none"> 1. explaining how and why people make choices to improve their economic wellbeing; 2. comparing the costs and benefits of saving, using credit, or making certain types of financial investments; 3. evaluating how and why individuals choose to accept risk, reduce risk, or transfer risk to others; 4. investigating ways personal information is fraudulently obtained; 5. identifying voluntary (i.e. retirement contributions) and involuntary deductions (i.e. payroll taxes) and how they impact net income; 6. preparing a budget or spending plan that depicts varying sources of income, a planned saving strategy, taxes, and other sources of fixed and variable spending; 7. evaluating options for payment on credit cards and the consequences of each option; 8. describing how a credit score impacts the ability to borrow money and at what rate; 9. identifying various strategies students can use to finance higher education and how to access student aid through completion of the free application for federal student aid; 10. calculating the total cost of repaying a loan under various rates of interest and over different time periods; 11. explaining what a mortgage is, why most Americans require a mortgage to finance a home, and the challenges of financing mortgages on tribal land; 12. explaining how investing may build wealth and help meet financial goals (e.g. stocks, bonds, mutual funds, retirement savings options, real estate); and 13. explaining various types of insurance and the purpose of using insurance to protect financial interests.
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