

## EVIDENCE-BASED ALTERNATIVES TO STATE FINANCIAL EDUCATION MANDATES

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*A synopsis of a policy convening discussion held on February 2, 2021*

### FOREWORD

In early-2021, the National Endowment for Financial Education® (NEFE®) and the Council for Economic Education (CEE) convened a series of virtual policy discussions to explore issues surrounding the state of financial education.

Stakeholders across the country gathered to discuss challenging aspects of the financial education field, with the goals of:

- › Encouraging intentional approaches to financial education policy and practice that focus on evidence-based strategies, are informed by the right stakeholders and drive toward meaningful impact.
- › Developing research questions that, if answered, could inform and advance the field.
- › Facilitating spaces for individuals to network across agency and organizational sectors, making financial education conversations more connected.

Each convening consisted of presentations from industry leaders, large-form discussions and small group brainstorming sessions. This summary captures the major discussion points and themes we heard during this event.

NEFE and CEE acknowledge that we don't have a complete view of the challenges discussed in any of the convenings because of the limits of participant perspectives. These conversations are simply a start.

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***“Here’s a relevant disruptor with guardrails that supports family involvement and authentic learning, two key contributors to financial literacy levels—introduce a “family-managed virtual bank” with a debit card alongside IDAs and in partnership with community and parent-teacher organization.”***

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***“How might the source of programming impact its perceived efficacy? How can partnering address these perceptions?”***

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## **EVIDENCE-BASED ALTERNATIVES TO STATE FINANCIAL EDUCATION MANDATES: EVENT OVERVIEW**

In general, the stance of the financial education community is that properly considered, well-informed state education mandates are seen as an effective and clear way of reaching students. However, high-quality mandates are difficult to create, and even more challenging to implement in a way that benefits all students across diverse communities. In addition, there are some states where mandates are not a legislative, constitutional or political option. This convening discussion focused on alternative policies and practices to statewide legislated requirements for financial education in K-12 settings.

School curricula is not the only tool available to achieve satisfactory financial well-being. Models of effective statewide financial education initiatives may be driven by actors outside of, or in partnership with, a state’s education department, state treasurer’s office, state commission, business association or nonprofit foundation. Guiding questions for this convening included:

- › Which alternatives to financial education mandates work and are scalable for different communities?
- › What are the desired outcomes or results for these alternative approaches?
- › How can outcomes be measured?

Heather Daly of the Federal Reserve Bank of New York moderated the convening and discussed ramifications of not receiving financial education, including direct issues (e.g. credit card debt) and secondary issues (e.g. health and emotional repercussions). She also discussed benefits of a financial education, including better preparation to face real-world issues, feelings of empowerment, the ability to help others and less financial stress when establishing households.

**High-quality mandates are difficult to create, and even more challenging to implement in a way that benefits all students across diverse communities.**

## WHAT WE HEARD

### Mandates are only one path to statewide financial literacy.

Legislated requirements can be the quickest method for instituting changes in education. However, developing a mandate presents challenges:

- › The policy of local control empowers elected or appointed community representatives to make autonomous decisions regarding the governance and management of their communities' schools, even in the face of state recommendations.
- › Education mandates often are unfunded, leaving it up to communities and school districts to identify potential resources.
- › Legislated requirements for education often require assessments in the form of testing mechanisms or other measurements. These can be difficult to develop due to inequities in school districts.
- › Political turnover can lead to shifting priorities, resources and support that can impact the intended implementation of mandates.

Proactive states and communities realize that there are other regional approaches to financial education that can complement or take the place of a mandate. Convening participants compiled a list of key questions that should be considered when exploring these types of mandate alternatives:

- › How does a state identify an alternative approach to mandated financial education?
- › Who is best positioned to implement an alternative strategy? Who else should be involved?
- › What are the goals of a potential alternative mandate and how should the goals be assessed?
- › How should a state measure impact?
- › What existing data streams can be tapped, what new data is needed and how can that data (e.g. longitudinal, multistate, etc.) be collected efficiently?
- › How can buy-in from key stakeholders be generated?
- › What criteria should be used to determine if a financial institution is an appropriate and trustworthy partner?

**Mandates, though not a perfect solution on their own, are an important step toward ensuring that students are equipped to navigate the complexity of future financial decisions and processes. Advocates should continue to aspire to legislative solutions with an understanding that, due to their complexity, mandates should not be viewed as the only viable or impactful mechanism.**

Participants shared specific experiences of collaboration between outside organizations and school officials which could be considered and replicated in other communities in need of a solution:

- Some school districts have applied a mandate framework to alternative financial education approaches by focusing on the outcomes students must achieve. This can be accomplished through collaborations among local school boards who work closely with teacher organizations and civic groups to initiate local education policies rather than react to state-generated proposals.
- Some school districts have introduced a systemic approach to financial education by working across an individual's lifetime, rather than working across a community. This strategy necessitates several touchpoints through trusted relationships and organizations (e.g., schools, churches, community programs) and needs to be rooted in locally-focused conversations.

### **There can be great potential in community-based tools and support systems.**

Convening participants offered several examples of how organizations can facilitate financial education outside of school curriculum. Every community has a list of assets at their disposal (e.g. libraries, hospitals, civic organizations, etc.) as well as statewide organizations that can help support initiatives linked to financial education. For example, cities and states can incentivize college savings account initiatives by partnering with state treasurer's offices, higher education organizations, financial institutions, health care systems and foundations. Many summer job programs initiated by cities or by workforce development boards couple financial education with receiving a first paycheck. Participants also referenced after school programs supported by school clubs (e.g., Future Investors Club and Distributive Education Clubs of America), nonprofits (e.g., Junior Achievement, Council for Economic Education, state Jump\$tart Coalitions) and community organizations (e.g., Invest in Girls and public libraries).

However, while schools do not need to take the lead, it is beneficial where they are part of the solution.

Convening participants pointed out that government still could play an active role to support financial education efforts apart from legislation. For example, it could:

- Develop a clearinghouse of vetted and approved financial education resources for communities to utilize.
- Support ways for financial education to start at an earlier age, similar to foreign language studies.
- Provide adequate educator support, such as training/credentialing for teachers, training for guidance counselor, etc.
- Create supplements to connect families with trusted sources of information in the language they best understand.
- Organize conversations with – and learn from – other sectors that have successfully integrated into a modern classroom (e.g., health, computer literacy, STEM) and identify scalable and promising practices.

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***“Childrens Savings Accounts is an issue people do come together on; it's bipartisan.”***

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Participants also suggested that there are overarching requirements needed for alternative methods to be successful:

- › A financial education component within college savings programs.
- › A mechanism for tracking outcomes and setting guidelines with key performance indicators (but not relying on one-size-fits-all solutions).
- › Appropriate framing of what financial literacy “means” (based on the community).
- › Engagement strategies utilized through community influencers to help explain what success can look like.
- › Development of multiple touch points that allow for greater interventions, the use of multiple networks and rooting conversations at a community level.

Conversations throughout the convening highlighted the importance of transparent communication when a proposed solution works and also when it fails. Additionally, participants referred to the importance of parental involvement, the need for the involvement of community groups, and the importance of mediation through familiar community relationships and in existing trusted relationships.

## ADDENDUM

### NEXT STEPS AND RECOMMENDATIONS

#### For Practitioners

- › Participate in trainings to help improve knowledge and expand capabilities on how to incorporate financial education into existing curricula.
- › Offer insight to help make an evidence-based case about which products would be best received by students.
- › Provide a feedback loop to those creating financial education products to improve quality.

#### For State Policymakers and Stakeholders

- › Where applicable, establish mandates for financial education that make sense for the community that include resources and accountability for optimal implementation. The goal is for all schools to offer financial education and for all students to have access to it.
- › Provide financial incentives to schools for implementing programs.
- › Incorporate financial education into after-school and summer programming.
- › Include personal financial content on standardized tests.
- › Invest in technology so that financial education is not relegated only to school settings.
- › Identify how to scale programs to meet the needs for most young people in a state.
- › Develop formal education credentials, similar to other academic content credentialing for those teaching personal finance education.
- › Allow agencies to provide credentials to teach financial education, such as training through financial institutions or national organizations.
- › Develop state grants or tax credits to create funding at the state level for district or school financial education efforts.

## Questions for Researchers

We heard diverse perspectives on what next steps for the financial education field should look like, but these questions surfaced as the next thing the community of practice should answer to move the field forward. These questions are relevant to the topics from all five events:

- › Where is financial education the right tool to improve financial well-being and where could choices and behaviors be the driver for influencing financial well-being?
- › What is the cost of *not* offering financial education?
- › Is there research from other education disciplines that could help inform the effectiveness of financial education?
- › Is there research from other disciplines outside of education we could use to make the case for financial education?
- › What is the business case for financial education? Can we quantify the economic return? What is the public benefit?

## APPENDIX A: REFERENCED PROGRAMS UTILIZED BY CONVENING STAKEHOLDERS

### February 2, 2021 Convening—Evidence-based Alternatives to State Education Mandates Convening

- › 4H Smart Cents – New Jersey
- › JumpStart Coalition – Maine
- › HarborOne Bank Credit for Life Reality Fairs – Massachusetts
- › School Clubs such as Family, Career and Community Leaders of America
- › Invest in Girls after school program

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***“How can we reach young people through social media or other methods of communication? How can we get information to parents?”***

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## APPENDIX B— EVENT PARTICIPANT ORGANIZATIONS AND STATES REPRESENTED

Organization	State
Alfond Scholarship Foundation	Maine
Brookings Institute	Washington D.C.
Comptroller's Office of Maryland	Maryland
Connecticut Association for Human Services	Connecticut
Consumer Financial Protection Bureau	Washington D.C.
Council for Economic Education	Massachusetts
Council for Economic Education	New York
Delaware Financial Education Alliance	Delaware
East Greenwich Public Schools / Rhode Island JumpStart Coalition	Rhode Island
Federal Reserve Bank of New York	New York
Federal Reserve Bank of Philadelphia	Pennsylvania
Federal Reserve Board	Washington D.C.
Federal Student Aid	Washington D.C.
Fair Isaac Corporation	*Other
Fidelity Investments	Rhode Island
Finance Authority of Maine	Maine
Finance411	New Jersey
Financial Education Associates	Massachusetts
Grantmakers Council of Rhode Island	Rhode Island
International Coach Federation	Maryland
Junior Achievement USA	Colorado
Jump\$tart Coalition	Washington D.C.
Massachusetts Council for Economic Education	Massachusetts

Massachusetts Department of Education	Massachusetts
Massachusetts State Treasurer's Office	Massachusetts
Maine Department of Education	Maine
Maryland Council on Economic Education	Maryland
Maryland State Treasurer's Office	Maryland
Massachusetts Business Educators Association	Massachusetts
Massachusetts State Treasurer's Office	Massachusetts
Money Talk	Florida
MyPath	California
National Association of State Treasurers	Washington D.C.
NEFE	Colorado
Next Gen Personal Finance	California
New York State Office of the Comptroller	New York
Office of the Rhode Island General Treasurer	Rhode Island
The Woodside Foundation	Maryland
U.S. Senator Jack Reed	Rhode Island
University of Chicago Financial Education Initiative	Illinois
University of Connecticut Extension	Connecticut
United Way of Northwest Vermont	Vermont
University of Denver	Colorado
University of Michigan	Michigan
Virginia Commonwealth University	Virginia
WISE	New York
Westchester Publishing Services	New York



## APPENDIX C—HELPFUL DEFINITIONS AND RESOURCES

### February 2, 2021 Convening—Evidence-based Alternatives to State Education Mandates Convening

#### Helpful definitions

**Children’s Savings Accounts (CSAs):** a savings account opened for the benefit of a very young child – at birth or by kindergarten age– into which a third party, such as a city, a nonprofit, a foundation, a parent, or others can deposit funds that are to be disbursed for post-secondary education expense. (Asset Funders Network)

**Community:** a geographic area with a population size between 1,200 and 8,000 people, covering a contiguous area with boundaries that generally follow visible and identifiable features. A community can also be described as a town, village or neighborhood depending on its size and characteristic. (Census Bureau)

**Financial Capability:** the individual’s ability to act in their own self-defined best interested. This includes having the knowledge and skill to decide or act and the ability to exercise choice or take action. (National Endowment for Financial Education)

**Financial Education:** a systematic approach to cultivating financial knowledge and financial decision-making skills. It implies the use of appropriate pedagogy, learning objectives and assessment techniques, as well as being of adequate duration to allow the learner to incorporate new knowledge into their existing schema. (National Endowment for Financial Education)

**Financial Information:** a variety of tools, resources and activities that inform the individual about a topic or decision. (National Endowment for Financial Education)

**Financial Literacy:** the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. (President’s Advisory Council on Financial Literacy)

**Financial Well-being:** self-defined by the individual and typically includes factors such as satisfaction with ability to manage current situation, ability to exercise choice and feel in control, and future prospects. (National Endowment for Financial Education)

**State Mandate:** any state initiated constitutional, statutory, or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues, excluding any order issued by a state court and any legislation necessary to comply with a federal mandate. (CT.gov)

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***“Mandates can bring people together, creating a ‘village’ of providers.” “Policy gets things a little more uniform; people take it seriously.”***

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## Helpful resources

**Boosting the Power of Youth Paychecks: Integrating Financial Capability into Youth Employment Programs** (Vernon Loke, Laura Choi, Laura Larin, Margaret Libby)

**Cultivating CSAs: The Growth and Spread of Children's Savings Accounts in New England** (Institute on Assets and Social Policy)

**Effects of Child Development Accounts on Early Social-Emotional Development: An Experimental Test** (Jin Huang, PhD; Michael Sherraden, PhD; Youngmi Kim, PhD; Margaret Clancy, MSW)

**Increasing Youth Financial Capability: An Evaluation of the MyPath Savings Initiative** (Vernon Loke, Laura Choi, Margaret Libby)

**Many States Require FAFSA Filing Before High School Graduation, but Timing Can Be Everything** (Brookings Institution)

**Opportunity Investment Accounts: A Proposal for an Integrated Asset Building Mechanism for Youth in Foster Care** (William Elliott, PhD; Gina Chowa, PhD)

**A Review of Large-Scale Youth Financial Literacy Education Policies and Programs** (Brookings Institution)

**The Youth Financial Education Fair Toolkit** (Office of Massachusetts State Treasurer, Financial Education Fair Advisory Committee)

## About NEFE

NEFE is a nonprofit, nonpartisan, independent leader that provides guidance, research, resources and thought-leadership for the national community of financial well-being advocates. We envision a nation where everyone has the knowledge, confidence and opportunity to live their best financial lives. Learn more at [www.nefe.org](http://www.nefe.org).