

The State Board of Education (SBOE) proposes new §113.76, concerning personal financial literacy and economics. The proposed new rule would add Texas Essential Knowledge and Skills (TEKS) for a new social studies course to comply with the requirements of Senate Bill (SB) 1063, 87th Texas Legislature, Regular Session, 2021.

**BACKGROUND INFORMATION AND JUSTIFICATION:** The 83rd Texas Legislature passed House Bill (HB) 2662, amending Texas Education Code (TEC), §28.0021, to require school districts and open-enrollment charter schools offering a high school program to provide a one-half credit elective course in personal financial literacy. In 2016, the SBOE adopted the proposed new personal financial literacy course. The course, 19 TAC §113.49, Personal Financial Literacy (One-Half Credit), Adopted 2016, was implemented beginning with the 2016-2017 school year.

In 2021, the 87th Texas Legislature passed SB 1063, amending TEC, §28.025, to add a one-half credit course in personal financial literacy and economics as an option to meet the one-half credit graduation requirement for economics under the Foundation High School Program. SB 1063 required that the SBOE adopt TEKS for the personal financial literacy and economics course and that the required curriculum for the course allocate two-thirds of the instructional time to personal financial literacy and one-third of instructional time to economics.

A personal financial literacy and economics TEKS review work group convened twice in January 2022 and once in February 2022 to draft recommendations for the proposed new course. The work group's charge included developing recommendations for revisions to §113.49, Personal Financial Literacy (One-Half Credit), Adopted 2016; §113.31, Economics with Emphasis on the Free Enterprise System and Its Benefits, High School (One-Half Credit), Adopted 2018, and §113.61, Economics Advanced Studies (One-Half Credit), which will be presented to the SBOE for discussion at a future meeting.

The SBOE approved the proposed new section for first reading and filing authorization at its April 8, 2022 meeting.

**FISCAL IMPACT:** Monica Martinez, associate commissioner for standards and programs, has determined that for the first five years the proposal is in effect (2022-2026), there are no fiscal implications to the state. However, there will be implications for Texas Education Agency (TEA) if the state develops professional development to help teachers and administrators understand the revised TEKS. Any professional development that is created would be based on whether TEA received an appropriation for professional development in the next biennium.

There may be fiscal implications for school districts and charter schools to implement the proposed revisions to the TEKS, which may include the need for professional development and revisions to district-developed databases, curriculum, and scope and sequence documents. Since curriculum and instruction decisions are made at the local district level, it is difficult to estimate the fiscal impact on any given district.

**LOCAL EMPLOYMENT IMPACT:** The proposal has no effect on local economy; therefore, no local employment impact statement is required under Texas Government Code, §2001.022.

**SMALL BUSINESS, MICROBUSINESS, AND RURAL COMMUNITY IMPACT:** The proposal has no direct adverse economic impact for small businesses, microbusinesses, or rural communities; therefore, no regulatory flexibility analysis specified in Texas Government Code, §2006.002, is required.

**COST INCREASE TO REGULATED PERSONS:** The proposal does not impose a cost on regulated persons, another state agency, a special district, or a local government and, therefore, is not subject to Texas Government Code, §2001.0045.

**TAKINGS IMPACT ASSESSMENT:** The proposal does not impose a burden on private real property and, therefore, does not constitute a taking under Texas Government Code, §2007.043.

**GOVERNMENT GROWTH IMPACT:** TEA staff prepared a Government Growth Impact Statement assessment for this proposed rulemaking. During the first five years the proposed rulemaking would be in effect, it would create a new regulation by proposing new social studies TEKS required to be taught by school districts and charter schools offering the course.

The proposed rulemaking would not create or eliminate a government program; would not require the creation of new employee positions or elimination of existing employee positions; would not require an increase or decrease in future legislative appropriations to the agency; would not require an increase or decrease in fees paid to the agency; would not expand, limit, or repeal an existing regulation; would not increase or decrease the number of individuals subject to its applicability; and would not positively or adversely affect the state's economy.

**PUBLIC BENEFIT AND COST TO PERSONS:** Ms. Martinez has determined that for each year of the first five years the proposal is in effect, the public benefit anticipated as a result of enforcing the proposal would be the addition of TEKS for a new social studies course to comply with the requirements of SB 1063, 87th Texas Legislature, Regular Session, 2021, that would allow students to fulfill their economics graduation requirement by successful completion of the course. There is no anticipated economic cost to persons who are required to comply with the proposal.

**DATA AND REPORTING IMPACT:** The proposal would have no data and reporting impact.

**PRINCIPAL AND CLASSROOM TEACHER PAPERWORK REQUIREMENTS:** TEA has determined that the proposal would not require a written report or other paperwork to be completed by a principal or classroom teacher.

**PUBLIC COMMENTS:** The public comment period on the proposal begins May 6, 2022, and ends at 5:00 p.m. on June 10, 2022. A form for submitting public comments is available on the TEA website at [https://tea.texas.gov/About\\_TEA/Laws\\_and\\_Rules/SBOE\\_Rules\\_\(TAC\)/Proposed\\_State\\_Board\\_of\\_Education\\_Rules/](https://tea.texas.gov/About_TEA/Laws_and_Rules/SBOE_Rules_(TAC)/Proposed_State_Board_of_Education_Rules/). The SBOE will take registered oral and written comments on the proposal at the appropriate committee meeting in June 2022 in accordance with the SBOE board operating policies and procedures. A request for a public hearing on the proposal submitted under the Administrative Procedure Act must be received by the commissioner of education not more than 14 calendar days after notice of the proposal has been published in the *Texas Register* on May 6, 2022.

**STATUTORY AUTHORITY.** The new section is proposed under Texas Education Code (TEC), §7.102(c)(4), which requires the State Board of Education (SBOE) to establish curriculum and graduation requirements; TEC, §28.002(a), which identifies the subjects of the required curriculum; TEC, §28.002(c), which requires the SBOE to identify by rule the essential knowledge and skills of each subject in the required curriculum that all students should be able to demonstrate and that will be used in evaluating instructional materials and addressed on the state assessment instruments; TEC, 28.025(b-1), as amended by Senate Bill (SB) 1063, 87th Texas Legislature, Regular Session, 2021, which requires the SBOE to determine by rule specific courses for graduation under the foundation high school program; TEC, 28.025(b-22), as added by SB 1063, 87th Texas Legislature, Regular Session, 2021, which requires that in adopting TEKS for a personal financial literacy and economics course, the SBOE must ensure that the required curriculum allocates two-thirds of instruction time to instruction in personal financial literacy and one-third of instruction time to instruction in economics.

**CROSS REFERENCE TO STATUTE.** The new section implements Texas Education Code, §§7.102(c)(4); 28.002(a) and (c); and 28.025(b-1) and (b-22), as amended and added by Senate Bill 1063, 87th Texas Legislature, Regular Session, 2021.

<rule>

**§113.76. Personal Financial Literacy and Economics (One-Half Credit).**

- (a) Implementation. The provisions of this section shall be implemented by school districts beginning with the 2022-2023 school year.
- (b) General requirements. This course is recommended for students in Grades 11 and 12. Students shall be awarded one-half credit for successful completion of this course.
- (c) Introduction.
  - (1) The Personal Financial Literacy and Economics Course emphasizes the economic way of thinking, which serves as a framework for the personal financial decision-making opportunities introduced

in the course. Students will demonstrate the ability to anticipate and address financial challenges as these challenges occur over their lifetime. In addition, students are introduced to common economic and personal financial planning terms and concepts. As a result of learning objective concepts and integrating subjective information, students gain the ability to lead productive and financially self-sufficient lives.

- (2) Personal Financial Literacy and Economics builds on and extends the economic content and concepts studied in Kindergarten-Grade 12 social studies in Texas. The course provides a foundation in both microeconomics and macroeconomics. Students will survey the impact of demand, supply, various industry structures, and government policies on the market for goods, services, and wages for workers. Macroeconomic study involves economic systems with an emphasis on free enterprise market systems, goals of full employment, price stability, and growth while examining problems such as unemployment and inflation and the policies enacted to address them. The course also builds on and extends the personal finance content and concepts studied in Kindergarten-Grade 8 in mathematics in Texas. It is an integrative course that applies the same economic way of thinking developed to making choices about how to allocate scarce resources in an economy to how to make them at the personal level. The course requires that students demonstrate critical thinking by exploring how to invest in themselves with education and skill development, earn income, and budget for spending, saving, investing, and protecting. Students will examine their individual responsibility for managing their personal finances and understand the impact on standard of living and long-term financial well-being. Further, students will connect how their financial decision making impacts the greater economy.
- (3) This course was created in response to Texas Education Code (TEC), §28.025(b-22), satisfies the high school requirement, and meets the two-thirds of instructional time in personal financial literacy and one-third of instructional time in economics. In addition, the course addresses new financial challenges of modern economy.
- (4) State and federal laws mandate a variety of celebrations and observances, including Celebrate Freedom Week.
  - (A) Each social studies class shall include, during Celebrate Freedom Week as provided under TEC, §29.907, or during another full school week as determined by the board of trustees of a school district, appropriate instruction concerning the intent, meaning, and importance of the Declaration of Independence and the U.S. Constitution, including the Bill of Rights, in their historical contexts. The study of the Declaration of Independence must include the study of the relationship of the ideas expressed in that document to subsequent American history, including the relationship of its ideas to the rich diversity of our people as a nation of immigrants, the American Revolution, the formulation of the U.S. Constitution, and the abolitionist movement, which led to the Emancipation Proclamation and the women's suffrage movement.
  - (B) Each school district shall require that, during Celebrate Freedom Week or other week of instruction prescribed under subparagraph (A) of this paragraph, students in Grades 3-12 study and recite the following text: "We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness--That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed."
- (5) Students identify and discuss how the actions of U.S. citizens and the local, state, and federal governments have either met or failed to meet the ideals espoused in the founding documents.
- (6) Students understand that a constitutional republic is a representative form of government whose representatives derive their authority from the consent of the governed, serve for an established tenure, and are sworn to uphold the constitution.
- (7) Statements that contain the word "including " reference content that must be mastered, while those containing the phrase "such as " are intended as possible illustrative examples.

(d) Knowledge and skills.

- (1) Economics. The student understands the fundamental concepts of economics. The student is expected to:
  - (A) analyze how the concepts of scarcity, choice, and opportunity costs apply to decision making;
  - (B) interpret a production-possibilities curve and apply the concepts of scarcity, choice, and opportunity costs;
  - (C) explain how the production-possibilities curve represents cost-benefit decision making;
  - (D) use the circular flow model to identify how households, firms, and governments interact in both resource markets and product markets;
  - (E) evaluate how prices and quantities are determined through supply and demand;
  - (F) interpret a supply-and-demand graph, including equilibrium point, surpluses, and shortages;
  - (G) analyze how non-price determinants of supply and demand affect equilibrium price and equilibrium quantity; and
  - (H) explain how supply and demand exist in both resource and product markets.
- (2) Economics. The student understands that macroeconomic issues and policies have an impact on personal finance. The student is expected to:
  - (A) identify types of progressive and regressive taxes at the local, state, and national levels and explain the economic importance of each;
  - (B) examine and evaluate the reasons for federal income taxation, Social Security taxation, Medicaid taxation, and Medicare taxation, including earnings limitations as applicable;
  - (C) explain how all economic systems are mixed and exist on a spectrum between pure market and pure command systems;
  - (D) explain the benefits of the U.S. free enterprise system, including private property and incentives;
  - (E) discuss the importance of full employment, price stability, and economic growth in achieving the macroeconomic goals of the United States;
  - (F) explain the impact of fiscal policies enacted by government decisions on interest rates, inflation, and unemployment; and
  - (G) explain the impact of monetary policies enacted by the Federal Reserve System on interest rates, inflation, and unemployment.
- (3) Personal financial literacy--investing in education and skills. The student recognizes the costs and benefits of various types of postsecondary education and training throughout the student's lifetime. The student is expected to:
  - (A) analyze the relationship between education and training and earnings throughout the student's lifetime;
  - (B) investigate and evaluate the costs and benefits of various postsecondary education and training institutions;
  - (C) describe the process for completing grant and scholarship applications, including the Free Application for Federal Student Aid (FAFSA®) provided by the U.S. Department of Education or the Texas Application for State Financial Aid (TASFA);
  - (D) analyze and compare various student grant and loan options, including private and federal loans;

- (E) interpret data from a student aid report; and
  - (F) research and align interests and skills with potential careers and postsecondary education to assure a life strategy that will produce employment the student enjoys with a desired standard of living.
- (4) Personal financial literacy--earning. The student recognizes that a variety of factors influence income. The student is expected to:
- (A) identify sources of income, including wages and salaries, profits, interest, rent, dividends, and capital gains;
  - (B) compare common employee benefits such as health insurance, sick leave, retirement plans, and other tax-favored health and dependent care plans;
  - (C) differentiate among and calculate gross, net, and taxable income; and
  - (D) identify factors such as educational attainment and market demand for careers that can influence the labor market and affect income.
- (5) Personal financial literacy--entrepreneurship. The student discusses the opportunities available for entrepreneurship. The student is expected to:
- (A) describe the role of the entrepreneur in creating businesses;
  - (B) explain how an entrepreneur earns income, including through profits from the creation or ownership of businesses;
  - (C) compare total compensation and additional benefits and obligations as a self-employed or independent contractor with total compensation as an employee;
  - (D) discuss the resources available for entrepreneurship and the federal, state, and local agencies available to assist with or provide grants for the creation of a small business;
  - (E) analyze the risks and rewards of entrepreneurship, including those associated with starting a new business, owning a small business, and purchasing a franchise; and
  - (F) explain the characteristics of business organization such as sole proprietorships, partnerships, and corporations.
- (6) Personal financial literacy--spending. The student understands how to set personal spending goals. The student is expected to:
- (A) develop financial goals for the short, medium, and long term that are specific, measurable, attainable, realistic, and time based;
  - (B) analyze the opportunity costs of spending and saving in recognizing short-, medium-, and long-term goals;
  - (C) identify and prioritize types of purchases and charitable giving;
  - (D) evaluate various forms of financial exchange such as cash, checks, credit cards, debit cards, mobile payment applications, and electronic transfers;
  - (E) discuss the importance of tracking income and expenses to reconcile financial records;
  - (F) evaluate the impact of unplanned spending;
  - (G) analyze costs and benefits of owning versus renting housing; and
  - (H) analyze costs and benefits of owning versus leasing a vehicle.
- (7) Personal financial literacy--credit and debt. The student understands the costs and benefits of borrowing. The student is expected to:
- (A) compare and contrast sources of credit such as banks, merchants, peer-to-peer, payday loans, and title loans;

- (B) identify the characteristics and dangers of predatory lending practices;
  - (C) compare and contrast types of credit, including revolving and installment credit, and collateralized loans versus unsecured credit;
  - (D) discuss how character, capacity, and collateral can adversely or positively impact an individual's credit rating and the ability to obtain credit;
  - (E) explain how to access and interpret a sample credit report and score;
  - (F) describe the importance of monitoring credit reports regularly and addressing errors;
  - (G) discuss how factors such as medical expenses, job loss, divorce, or a failed business could lead to bankruptcy; and
  - (H) determine and discuss if and when to use credit by considering the truth in lending disclosures.
- (8) Personal financial literacy--saving and investing. The student understands the importance of saving and investing in creating wealth and building assets. The student is expected to:
- (A) determine the exponential growth benefits of starting early to invest with continuous contributions;
  - (B) determine the number of years it will take for savings to double in value by using the rule of 72;
  - (C) evaluate the costs and benefits of various savings options such as bank savings accounts, certificates of deposit, and money market mutual funds;
  - (D) evaluate risk and return of various investment options, including stocks, bonds, mutual funds, and exchange-traded funds (ETFs);
  - (E) evaluate the relative benefits of pre-tax and post-tax investing;
  - (F) develop a short-term saving strategy to achieve a goal such as establishing and maintaining an emergency fund;
  - (G) develop an intermediate-term saving and investing strategy to achieve a goal such as accumulating a down payment on a home or vehicle; and
  - (H) develop a long-term investing strategy to achieve a goal such as a financially secure retirement.
- (9) Personal financial literacy--protecting and insuring. The student recognizes financial risks faced by individuals and families and identifies strategies for handling these risks to avoid potential loss of assets and earning potential. The student is expected to:
- (A) apply risk management strategies, including avoiding, reducing, retaining, and transferring risk;
  - (B) define insurance terminology, including premiums, deductibles, co-pays, and policy limits;
  - (C) explain the costs and benefits of different types and sources of health insurance;
  - (D) explain the costs and benefits of disability and long-term care insurance;
  - (E) explain the costs and benefits of life insurance, including term insurance and whole life insurance;
  - (F) explain the costs and benefits of property insurance, including homeowner's and renter's insurance;
  - (G) explain the costs and benefits of automobile insurance and factors that impact the price of insurance, including the type of vehicle, age and sex of driver, driving record, deductible, and geographic location;

- (H) identify ways to reduce risk of identity theft and protect personal information;
  - (I) describe and identify examples of common schemes and scams such as Ponzi schemes and pyramid, phishing, check cashing, and home renovation scams;
  - (J) explain how consumer protection agencies protect consumers against fraud; and
  - (K) explain the importance of estate planning, including guardianship of minor children, wills, beneficiary designation, power of attorney, living will, and medical directives.
- (10) Personal financial literacy skills. The student understands how to set personal financial goals. The student is expected to:
- (A) use problem-solving and decision-making processes to identify a problem, gather information, list and consider options, consider advantages and disadvantages, choose and implement a solution, and evaluate the effectiveness of the solution;
  - (B) develop a budget that addresses short-, medium-, and long-term financial goals; and
  - (C) explain why earning income, spending, credit, debt, saving and investing, and protecting and insuring are important parts of a comprehensive financial plan and develop a plan that incorporates these components.