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H.393

Introduced by Representatives Jerman of Essex, Christie of Hartford, Evans  
of Essex, Head of South Burlington, Juskiewicz of Cambridge,  
Komline of Dorset, Potter of Clarendon, Russell of  
Rutland City, and Scheuermann of Stowe

Referred to Committee on

Date:

Subject: Commerce and trade; finance; financial literacy

Statement of purpose of bill as introduced: This bill proposes to create a  
financial literacy commission.

An act relating to creating a financial literacy commission

It is hereby enacted by the General Assembly of the State of Vermont:

Sec. 1. FINDINGS

The General Assembly finds:

(1) Many Vermonters are not learning the basics of personal finance in  
school or in life and their lack of knowledge and skill can have severe and  
negative consequences to themselves and Vermont's economy. Financial  
illiteracy affects everyone—men and women, young and old, and crosses all  
racial and socio-economic boundaries.

1           (2) Financial literacy is an essential 21st century life skill that young  
2           people need to succeed, yet recent studies and surveys show that our youth  
3           have not mastered these topics. For example, a 2013 report by Vermont Works  
4           for Women indicated that young women believe that a lack of personal finance  
5           training was a major deficiency in their education. Without improved financial  
6           literacy, the next generation of Vermont leaders, job creators, entrepreneurs,  
7           and taxpayers will lack skills they need to survive and to thrive in this  
8           increasingly complex financial world.

9           (3) The following are some facts about the lack of financial literacy in  
10          Vermont’s k–12 schools:

11           (A) Vermont received a “D” grade in a national report card on State  
12          efforts to improve financial literacy in high schools, but more than one-half of  
13          the states received a grade of A, B, or C;

14           (B) in an Organisation for Economic Co-operation and Development  
15          (OECD) Programme for International Student Assessment (PISA) international  
16          financial literacy test of 15-year-olds, the United States ranked 9th out of  
17          13 countries participating in the exam—statistically tied with the Russian  
18          Federation and behind China, Estonia, Czech Republic, Poland, and Latvia;

19           (C) only 10 percent of high schools in Vermont (7 out of 65) have a  
20          financial literacy graduation requirement;

1           (D) a 2011 survey shows that as many as 30 percent of Vermont high  
2           schools may not even offer a personal finance elective course for their students  
3           to take; and

4           (E) the same survey indicates that Vermont high school  
5           administrators estimate that more than two-thirds of the students graduate  
6           without achieving competence in financial literacy topics.

7           (4) Most students are not financially literate when they enter college and  
8           we know that many students leave college for “financial reasons.” Too few  
9           Vermont college students have received personal finance education in k–12  
10          school or at home. In fact, a Schwab survey indicated that parents are nearly  
11          as uncomfortable talking to their children about money as they are discussing  
12          sex. Except in some targeted programs and occasional courses, most college  
13          students in Vermont are not offered much in the way of financial literacy  
14          education. Personal finance education often consists of brief mandatory  
15          entrance and exit counseling for students with federal loans, along with  
16          reminders to Vermont students to repay their loans. Today’s college graduates  
17          need to be financially sophisticated because they face greater challenges than  
18          previous generations experienced. As a result of the recent recession, many  
19          are worse off than their parents were at the same age, with more debt and  
20          stagnant or lower incomes. They have higher unemployment rates than older  
21          citizens, more live at home with their parents, while fewer own a home, have

1 children or are married. A lack of financial skills is clearly a factor in the  
2 failure of many in this generation to launch, and is having a substantial impact  
3 on our overall economy.

4 (5) A more financially sophisticated collegiate student body can be  
5 expected to yield a corresponding increase in retention and persistence rates,  
6 fewer student loans, and lower student loan default rates and greater alumni  
7 giving.

8 (6) Several studies show that financially sophisticated college students  
9 have better outcomes. For example, three University of Arizona longitudinal  
10 studies that followed students through college and into the workforce clearly  
11 demonstrated that achieving financial self-sufficiency, a key developmental  
12 challenge of young adulthood, appears to be driven by financial behaviors  
13 practiced during emerging adulthood. The study indicated that college  
14 students who exhibited responsible early financial practices experienced  
15 smoother transitions to adulthood than students who had poor behaviors. The  
16 studies also found that those students who were most successful with this  
17 transition to adulthood had more financial education through personal finance  
18 or economics classes.

19 (7) Some troubling facts about college students lack of financial literacy  
20 include:

1           (A) 63 percent of Vermont four-year college students that graduated  
2           in 2012 had student loan debt that averaged \$28,299.00;

3           (B) nationally, nearly 11 percent of all student loan borrowers were  
4           delinquent in their payments by more than 90 days as of June 2014; and

5           (C) only 27 percent of parents in Vermont have set aside funds for  
6           their child's college education.

7           (8) Many of Vermont's adults struggle financially. The recent recession  
8           demonstrated that our citizens have trouble making complex financial  
9           decisions that are critical to their well-being. Nearly half of Vermont adults  
10           have subprime credit ratings, and thus pay more interest on auto and home  
11           loans and credit card debt; nearly two-thirds have not planned for retirement;  
12           and less than one-half of Vermont adults participate in an employment-based  
13           retirement plan.

14           (9) Personal economic stress results in lost productivity, increased  
15           absenteeism, employee turnover, and increased medical, legal, and insurance  
16           costs. Employers in Vermont and our overall economy will benefit from a  
17           decrease in personal economic stress that can result from more adult financial  
18           education.

19           (10) Some troubling facts about Vermont adults' lack of financial  
20           literacy:

1           (A) in a 2014 survey, 41 percent of U.S. adults gave themselves a  
2 grade of C, D, or F on their personal finance knowledge;

3           (B) nationally, 34 percent of adults indicated that they have no  
4 retirement savings;

5           (C) Vermonters have an average credit card debt of \$9,667.00;

6           (D) 62 percent of Vermont adults do not have a rainy-day fund, a  
7 liquid emergency fund that would cover three months of life's necessities;

8           (E) nearly 20 percent of adult Vermonters are unbanked or  
9 underbanked; and

10          (F) 22 percent of Vermont adults used one or more nonbank  
11 borrowing method in the past five years, including an auto title loan, payday  
12 loan, advance on tax refund, pawn shop, and rent-to-own.

13          (11) Vermonters need the skills and tools to take control of their  
14 financial lives. Studies have shown that financial literacy is linked to positive  
15 outcomes like wealth accumulation, stock market participation, retirement  
16 planning, and avoidance of high cost alternative financial products.

17          (12) When they graduate, Vermont high school students should, at a  
18 minimum, understand how credit works, how to budget, and how to save and  
19 invest. College graduates should understand those concepts in addition to the  
20 connection between income and careers, and how student loans work.

1 Vermont adults need to understand the critical importance of rainy-day and  
2 retirement funds, and the amounts they will need in those funds.

3 (13) All Vermonters should have access to content and training that will  
4 help them increase their personal finance knowledge. Vermont students and  
5 adults need a clear path to building their personal finance knowledge and  
6 skills. Vermont needs to increase its focus on helping Vermonters become  
7 wiser consumers, savers, and investors. Financial literacy education is a  
8 helping hand that gives individuals knowledge and skills that can lift them out  
9 of a financial problem, or prevent difficulties from occurring.

10 (14) A more financially sophisticated and capable citizenry will help  
11 improve Vermont's economy and overall prosperity.

12 (15) In 2014, a Vermont Financial Literacy Task Force convened by the  
13 Center for Financial Literacy at Champlain College, recommended as one of  
14 its thirteen action items that a Vermont Financial Literacy Commission be  
15 created to help improve the financial literacy and capability of all Vermonters.

16 Sec. 2. 9 V.S.A. chapter 151 is added to read:

17 CHAPTER 151. VERMONT FINANCIAL LITERACY COMMISSION

18 § 6001. DEFINITIONS

19 In this chapter:

20 (1) "Financial Capability" means:

1           (A) financial literacy and access to appropriate financial  
2 products; and

3           (B)(i) the ability to act, including knowledge, skills, confidence, and  
4 motivation; and

5           (ii) the opportunity to act, through access to beneficial financial  
6 products and institutions.

7           (2) “Financial Literacy” means the ability to use knowledge and skills to  
8 manage financial resources effectively for a lifetime of financial well-being.

9           § 6002. VERMONT FINANCIAL LITERACY COMMISSION

10          (a) There is created a Vermont Financial Literacy Commission to  
11 measurably improve the financial literacy and financial capability of  
12 Vermont’s citizens.

13          (b) The Commission shall be composed of the following members:

14           (1) the Vermont State Treasurer or designee;

15           (2) the Secretary of Education or designee;

16           (3) one representative of the Executive Branch, appointed by the  
17 Governor, who is an employee of an agency or department that conducts  
18 financial literacy education outreach efforts in Vermont, including the  
19 Department of Children and Families, Agency of Commerce and Community  
20 Development, Department of Financial Regulation, Department of Labor,

1 Department of Libraries, or the Commission on Women, but not including the  
2 Agency of Education;

3 (4) a member of the Vermont House of Representatives appointed by the  
4 Speaker of the House and a member of the Vermont Senate appointed by the  
5 President Pro Tempore of the Senate;

6 (5) a k–12 public school financial literacy educator appointed by the  
7 Vermont-NEA;

8 (6) one representative of k–12 public school administration, currently  
9 serving as a school board member, superintendent, or principal, appointed by  
10 the Governor based on nominees submitted by the Vermont School Board  
11 Association, the Vermont Superintendents Association, and the Vermont  
12 Principals Association;

13 (7) three representatives focused on collegiate financial literacy issues:

14 (A) the President of the Vermont Student Assistance Corporation or  
15 designee;

16 (B) one representative appointed by the Governor from either  
17 Vermont State Colleges or the University of Vermont; and

18 (C) one representative appointed by the Governor from an  
19 independent college in Vermont;

20 (8) two representatives from nonprofit entities engaged in providing  
21 financial literacy education to Vermont adults appointed by the Governor; and

1           (9) two representatives from the Vermont's financial services business  
2           community that actively promote financial literacy education to Vermont  
3           adults, appointed by the Governor.

4           (b) The Treasurer or designee and another member of the Commission,  
5           appointed by the Governor, who is not an employee of the State of Vermont,  
6           shall serve as co-chairs of the Commission.

7           (c)(1) Each member shall serve for a three-year term, provided that the  
8           Treasurer shall have the authority to designate whether an initial term for each  
9           appointee shall be for a one, two, or three-year initial term in order to ensure  
10           that no more than one-third of the terms expire in any given year.

11           (2) A vacancy shall be filled by the appointing authority as provided in  
12           subsection (a) of this section for the remainder of the term.

13           (e) The Commission may request from any branch, division, department,  
14           board, commission, or other agency of the State or any entity that receives  
15           State funds, such information as will enable the Commission to perform its  
16           duties as required in this chapter.

17           (f) The Commission shall function as a private-public partnership with the  
18           ability to raise and disburse funds.

1     § 6003. POWERS AND DUTIES

2             The Vermont Financial Literacy Commission established by section 6002 of  
3     this title shall have the following powers and duties necessary and appropriate  
4     to achieve the purposes of this chapter:

5             (1) collaborate with relevant State agencies and departments, private  
6     enterprise, and nonprofit organizations;

7             (2) incentivize Vermont's k-16 educational system, businesses,  
8     community organizations, and governmental agencies to implement financial  
9     literacy and capability programs;

10            (3) advise the administration, governmental agencies and departments,  
11    and the General Assembly on the current status of our citizens' financial  
12    literacy and capability;

13            (4) create and maintain a current inventory of all financial literacy and  
14    capability initiatives available in the State, and in particular identify trusted  
15    options that will benefit our citizens;

16            (5) identify ways to equip Vermonters with the training, information,  
17    skills, and tools they need to make sound financial decisions throughout their  
18    lives and ways to help individuals with low income get access to needed  
19    financial products and services;

20            (6) identify ways to help Vermonters with low income save and build  
21    assets;

1           (7) identify ways to help increase the percentage of Vermont employees  
2           saving for retirement;

3           (8) recommend actions that can be taken by the public and private sector  
4           to achieve the goal of increasing the financial literacy and capability of all  
5           Vermonters;

6           (9) promote and raise the awareness in our State about the importance of  
7           financial literacy and capability;

8           (10) identify key indicators to be tracked regarding financial literacy and  
9           capability in Vermont;

10           (11) analyze data to monitor the progress in achieving an increase in the  
11           financial literacy and capability of Vermont's citizens;

12           (12) pursue and accept funding from diverse sources outside State  
13           government to launch, sustain, expand, and enhance financial literacy and  
14           capability efforts in the State;

15           (13) disburse funds raised through fund development activities in  
16           accordance with the priorities set forth by this chapter and by the Commission;

17           (14) consider and implement research and policy initiatives that provide  
18           effective and meaningful results; and

19           (15) issue a report on the Commission's progress and recommendations  
20           for increasing the financial literacy and capability of our citizens to the

1 Governor and the legislative committees of jurisdiction during the first month  
2 of each legislative biennium.

3 Sec. 3. EFFECTIVE DATE

4 This act shall take effect upon passage.