

**Testimony of Mr. James H. Shelton, III Assistant Deputy Secretary for  
Innovation and Improvement, Department of Education  
Before the Subcommittee on Oversight of Government Management, the Federal  
Workforce, and the District of Columbia  
Senate Committee on Homeland Security and Governmental Affairs  
Hearing on The Federal Government's Role in Empowering Americans to Make  
Informed Financial Decisions**

**April 29, 2009**

Good Afternoon, Chairman Akaka, Ranking Member Voinovich, and distinguished members of the subcommittee. Thank you for the opportunity to appear before you today to discuss the important topic of financial literacy and what the U. S. Department of Education is doing to address this issue.

In recent years, financial literacy has gained attention as it has become more apparent that improving financial education in our nation's schools is important in ensuring that young people are equipped with the necessary skills to make sound financial decisions. In recent years, financial literacy has gained attention as it has become more apparent that improving financial education in our nation's schools is important to our country's economic future. The current financial crisis has deepened our understanding of the problem. Families have obtained mortgages they didn't understand or couldn't afford. College students and families are overwhelmed by unmanageable credit card debt. It is critical that financial literacy education begin at an early age so that our youth obtain the knowledge and skills needed to make responsible decisions in a complex marketplace.

Today, I will discuss the initiatives being conducted under the Excellence in Economic Education program and how it is working to build capacity in the schools and improve the financial literacy of our youth. Then, I will turn to our efforts to increase financial literacy through our partnership with the Financial Literacy and Education Commission. And finally, I will provide an overview of the financial responsibility counseling we provide for students who receive Federal student loans and the economic programs we offer through several higher education initiatives.

**Excellence in Economic Education (EEE) Program**

The EEE program is administered by the Office of Innovation and Improvement, which I head. The EEE program promotes efforts to increase economic and financial literacy of elementary and secondary students. The objectives of the program are to: (1) increase students' knowledge of, and achievement in, economics; (2) strengthen teachers' understanding of, and competence in economics; (3) encourage economic education research and development, disseminate effective instructional materials, and promote the replication of best practices and exemplary programs that foster economic literacy; (4) assist States in measuring the impact of education in economics; and (5) leverage and expand increased private and public support for economic education partnerships at the national, State, and local levels.

Under the statute, the Department is authorized to award one competitive grant to a national nonprofit educational organization whose primary mission is to improve the quality of student understanding of personal finance and economics. The grantee must subgrant 75 percent of its grant funds to State or local educational agencies and State or local economic, personal finance, or entrepreneurial education organizations. The subgrantees must work in partnership with other organizations that promote, among other things, personal finance education and economic development. The grantee is required to use its remaining grant funds to: (1) strengthen and expand its relationships with State and local personal finance, entrepreneurial, and economic education organizations; (2) support K-12 teacher training programs; (3) support research on effective teaching practices and the development of assessment instruments in order to document student understanding of personal finance and economics; and (4) develop and disseminate appropriate materials to foster economic literacy.

Over the five-year life of the program, the Department has awarded almost \$8.8 million in grants. In the program's first year, fiscal year (FY) 2004, we awarded a \$1.48 million grant to the Council for Economic Education (CEE) formerly known as the National Council on Economic Education. In FY 2005, through a second competition, we provided approximately \$1.47 million in the first-year of a five-year grant to the same organization. In FY 2008, we provided the CEE a third year continuation award for approximately \$1.44 million.

We have been very pleased with our partnership with the CEE and applaud its continual dedication to providing high-quality education programs designed to improve student understanding in financial literacy and economic education.

Over the past five years, CEE has implemented a variety of initiatives designed to improve financial literacy in our schools. CEE's mission is to promote economic and financial literacy for all students in grades K-12 through its network of State councils and university-based centers, by training thousands of teachers who have reached millions of students. CEE's project activities are intended to help students to develop the skills they need to become knowledgeable consumers, savers, investors, and effective participants in a global economy.

To date, CEE's activities under the EEE program include:

### Direct Activities

#### ***(a) Strengthening and expanding relationships with State and local personal finance, entrepreneurial, and economic education organizations.***

- CEE annually awards a capacity-building contract to a State Council or Center for Economic Education to provide technical and professional assistance to school districts and educators in enhancing the quality of economic education instruction in local schools.
- In February 2008, CEE held its third *National Summit on Economic and Financial Literacy*. Attended by business executives, economists, educators, and education advocates, the National Summit addressed the key issues and

challenges in providing universal economic and financial education to students in the 21<sup>st</sup> Century.

- In June, CEE will release a revised *Survey of the States: Economic and Personal Finance Education in Our Nation's Schools in 2007*. This "report card" will provide a State-by-State analysis of educational standards for K-12 economic and personal finance education. The grantee distributed the survey to local providers of economic and financial education, business leaders, and school districts throughout the country.

**(b) Supporting and promoting training of K-12 teachers in economics, including the dissemination of information on effective practices and research findings regarding the teaching of economics.**

- Each fall, CEE has conducted a teacher training conference in partnership with the Global Association of Teachers of Economics (GATE), the first professional association for K-12 teachers of economics. CEE established GATE in 2003 to help teachers become more proactive in their professional development and to help them improve the quality of economic education instruction for their students through access to teaching resources, networking and training opportunities, and best practices. GATE membership has rapidly grown since its inception to more than 10,000 members today. The annual CEE/GATE conference has provided professional development opportunities and classroom resources, including teacher training workshops, networking sessions, and sessions on the latest developments in economics, financial, and entrepreneurship education to teachers and economic educators nationwide. Each year, nearly 600 K-12 teachers from the U.S. and foreign countries have attended the conference. CEE uses EEE funds to award full scholarships to approximately 31 high school teachers to attend the conference. With its EEE grant, CEE has provided continual support to the GATE membership by publishing a quarterly newsletter and administering a website to disseminate information on the latest publications, teacher training programs, and curricular resources.
- CEE administers a Youth Entrepreneurship Program to prepare more teachers to incorporate entrepreneurial education into the curriculum. The program's two teacher-directed components, *Mini-Society* and *Making a Job*, have provided interactive activities to encourage elementary and middle school students to develop cross-disciplinary skills by creating their own business enterprises within a classroom community. Over the past two years, with its EEE grant, CEE has provided training to 674 teachers through its "train the trainer" workshops under the Entrepreneurship Program.

**(c) Supporting research on effective teaching practices and the development of assessment instruments to document student understanding of personal finance and economics.**

- CEE has developed several instruments for assessing economic, financial, and entrepreneurship knowledge. The more widely used instruments include the *Test of Economics Knowledge* (TEK) and the *Basic Economics Tests* (BET), two standardized tests used to measure student understanding and content knowledge in economics. The TEK is used to assess student learning at the middle school level, and the BET is used to assess upper-elementary students. Results reported to us by CEE indicate that students who have taken one or more economic courses score significantly higher on these tests than students without an economic course. These instruments have provided an important tool for school administrators and educators for measuring improvement in student understanding and content knowledge in economics.
- CEE participated in the analysis of the results of the first -ever National Assessment of Educational Progress (NAEP) in Economics. CEE conducted a variety of sessions at its annual meetings to disseminate the results of the NAEP Economics Assessment.
- Under the EEE program, CEE has supported the dissemination of economic education research by conducting research sessions on economic education at the annual CEE/GATE conference, as well as at other educational conferences, in order to encourage new researchers to enter the field of economic and financial education. These sessions are intended to increase awareness of new and existing research topics in economics, financial, and entrepreneurship education.

**(d) Developing and disseminating appropriate materials to foster economic literacy.**

- CEE has continued to produce and distribute its *Virtual Economics 3.0* CD-ROM, a comprehensive lesson planning and professional development resource on economics and personal finance for K-12 teachers, which includes a database of 1,200 lessons. As part of the EEE program, CEE has distributed 14,000 copies of the CD-ROM free of charge to school districts across the country. This resource and other materials and instruments discussed in this report are designed to assist teachers in teaching economics and personal finance and to supplement whatever State and local curriculum school officials choose to use.
- CEE developed *Focus: Understanding Economics in Civics and Government*, a book of 20 lessons that will be helpful in high school economics classes.
- CEE updated its *Focus: Grades K-2 Economics* curriculum to fully align the lessons' contents with the *National Voluntary Content Standards*. CEE developed the standards to help teachers and school administrators with content assessment, and State and local standards and to enhance the teaching of economics in grades K-12.

## Subgrant Activities

Through the EEE Program, CEE has awarded nearly \$5.45 million and made 495 subgrants to State and local educational agencies as well as State and local organizations that provide economic, personal finance, or entrepreneurial education programs. To ensure greater cost-effectiveness and corporate community involvement, sub-grantees are required by the EEE program statute to match their Federal funding dollar for dollar. These subgrantees are implementing activities in the following areas:

- Collaboratively establishing and conducting teacher training programs for teachers of grades K-12, including those who teach disciplines other than economics and financial literacy, on the teaching of economics, personal finance, and entrepreneurship.
- Providing resources to school districts that desire to incorporate economics and personal finance into the curricula of their schools.
- Conducting evaluations of the impact of economic and financial literacy education on students.
- Conducting economic and financial literacy education research.
- Creating and conducting school-based student activities to promote consumer, economics, and personal finance education and to encourage awareness and student academic achievement in economics.
- Encouraging replication of best practices in promoting economic and financial literacy.

Recently, the Office of Innovation and Improvement revised the system of measuring the performance of the EEE grantee to better align with the objectives of the EEE program. In collaboration with the CEE we determined the need to move from one GPRA performance measure to three measures. The first measure will examine the percentage of students participating in projects funded through the EEE program who score at the proficient level on standardized tests of economics and/or personal finance. The second measure will assess the percentage of teachers participating in projects funded by the EEE program who show a significant increase in their pre-post scores on a standardized measure of economic content knowledge. The third measure will assess the percentage of students participating in entrepreneurial projects funded by the EEE program who show a significant increase in their pre-post scores on a standardized measure. We believe that these new measures will give the Department more tools for assessing the impact of the EEE program on teacher knowledge and student learning. The Department will receive performance data for the first year of the revised performance measurement system in late 2009.

The Administration supports the EEE program. With continued funding, we will support and expand the programs for students and educators. We will also continue to support evaluation and use the outcomes measures to inform future program direction.

In addition to administering the EEE program, the Department continues to work with the Financial Literacy and Education Commission in its efforts to improve financial literacy in our country. The Department participated in a variety of Commission initiatives, including the Multicultural Roundtable meeting and the International Financial Education conference. We will also collaborate with member agencies of the Commission on a financial literacy meeting to be held in late fall to bring together representatives from State departments of education, local educational agencies, and other individuals from the public and private sectors. The purpose of the meeting is to share the available Federal resources on financial education, as well as the work of the CEE and the results from the Council's evaluation.

We are also working to increase the financial knowledge of postsecondary students. As important as financial literacy is at all levels of education, once an individual has received a Federal student loan the consequences of the lack of adequate financial knowledge become more significant both for the individual and for the Federal Government. Since 1989, institutions of postsecondary education have been required by Congress to provide entrance and exit counseling in the Federal student loan programs to better acquaint students with the commitment they have made to repay the loan and to better understand the principle and interest they will be repaying. These counseling requirements, along with optional "best practices" and other changes in the programs, have helped to reduce the default rate on Federal student loans. Defaults have declined from 22.4 percent for borrowers entering repayment in 1990 to 5.2 percent for borrowers entering repayment in 2006.

Also, Congress has expanded the types of services that can be offered through the Federal TRIO programs and GEAR UP, programs focused on first generation college attendees, to include education or counseling services designed to improve the financial literacy and economic literacy of participants.

In closing, let me once again thank the Subcommittee for inviting me to speak today. I hope that this discussion has illustrated the activities of the EEE program and our postsecondary efforts to improve financial literacy. We will continue to monitor the effectiveness of our grant to the CEE and to coordinate our work with other agencies and the Department of the Treasury on future financial literacy initiatives.