

Promoting Financial Literacy

School Boards Need CPAs

By Alexander L. Gabbin and Judith A. W. Thomas

The repeal of the Glass-Steagall Act in 1999 represented a milestone in the deregulation of the U.S. financial sector. Since then, there has been an increase in adjustable-rate loans, a shift from defined-benefit to defined-contribution retirement plans, and similar developments. These changes have contributed to a complex financial landscape that requires significant skill in financial planning and risk assessment. Americans are beginning to realize that the knowledge needed to be financially literate has increased exponentially from what high school graduates needed to know 30 years ago.

From its list of 15 recommendations, the Advisory Council highlighted four key themes: 1) financial education as a lifelong pursuit beginning in preschool years; 2) the role of employers; 3) the need for coordination among local government, schools, postsecondary institutions, financial service providers, local business leaders, and nonprofits; and 4) the role of financial education and behavioral economics research. Regarding the first point, the Advisory Council emphasized that “financial education should take its rightful place in American schools.” More specifically, it recommended integrating “important aspects of personal finance into teaching of math and English language arts Common Core State Standards for K–12 education as well as other subjects.”

Expanding Boundaries

Exhibit 1 describes how CPAs can and should promote financial literacy individually or through membership in the AICPA, individual state CPA societies, the national JumpStart Coalition, or similar organizations in the local community. In tandem with these initiatives, curriculum change is essential to solving the recalcitrance of financial illiteracy; however, *Exhibit 2* shows extensive resistance to the inclusion of financial literacy in public education. Personal finance instruction in the K–12 curriculum is not required in 52% of states, and only 8% require at least a one-semester course. This raises two important questions for the accounting profession: Do CPAs have an obligation to lead efforts for the inclusion of personal finance instruction in the pub-

Because many Americans are unable to navigate the current financial system, financial literacy should be prioritized as a lifelong pursuit, according to the final report of the President’s Advisory Council on Financial Capability (Jan. 29, 2013). The council warned that failure to do so will undermine the nation’s ability to do the following: restore upward mobility and reduce the widening income and wealth gaps; spark entrepreneurship, which drives job growth; and engage in informed civic dialogue on taxes, entitlements, government debt, and other critical issues.

A decade ago, AICPA President and CEO Barry Melancon issued a similar warning:

Financial literacy is imperative for many reasons. ... The strength of our country depends on an informed public. The greater our grasp of issues including social security, retirement, investments and debt, the better we will understand America’s financial condition and be able to improve it. (“360 Degrees of Financial Literacy,” speech at the National Press Club, Washington, D.C., May 17, 2004)



lic school curriculum? How can CPAs more effectively leverage the public trust that they enjoy and their own professional expertise in order to improve financial literacy?

Referring to CPAs' obligations, David M. Walker, a CPA and a former comptroller general of the United States, argues that all citizens—especially CPAs—should be active in the public debate about America's financial future. Walker said—

The public needs to become involved in the debate over our fiscal future and to make their views known. Ignorance and apathy are not viable options. If the public remains silent on this issue, meaningful change is unlikely. ... On an individual level, Americans will need to plan better and save more if they want to maintain their standard of living in retirement. They'll also need to understand different investment vehicles and strategies and their tax implications ... that's where CPAs can come in ... CPAs are known for having the intellect and integrity to make a real difference. ("Financial Literacy: Understanding Both Our Nation's and Our Own Financial Future," speech at the National Press Club, May 17, 2004)

On October 5, 2012, Ken Tysiac reported in the *Journal of Accountancy* that Walker also said, "I believe that CPAs have a disproportionate opportunity and an obligation to be informed and involved here ... and I think that our profession, really, ought to be leaders in this area" ("Former Comptroller General Urges Fiscally Responsible Reforms").

Beyond current volunteer efforts, CPAs are becoming more involved in decision making in the legislative arena. The November 2012 elections saw more than 50 CPAs elected to state legislatures, and 12 CPAs are now in Congress, where they can influence solutions to the nation's pressing fiscal problems ("Two CPAs to Join Record Number Already Serving in Congress; More than 50 CPAs Elected as Lawmakers in Their States," AICPA, Dec. 20, 2012). Although these are important roles, it is equally important for CPAs to take leadership positions in public education—for example, by serving on local school boards.

Forces That Shape Curriculum

Curriculum design is a vital part of the public school system. Proper design of the curriculum ensures that all students gain the knowledge and understanding of core subjects needed for success. In responding to public opinion, federal, state, and local school districts all have a major stake in shaping the curriculum.

The federal government develops laws that mandate minimum requirements, such as compelling schools to conform to national standards, often as a prerequisite for receiving federal funding. Under the

U.S. Constitution, however, "public education is a responsibility reserved to the states" (*Guide to California Government*, by the League of Women Voters of California, 2013, <http://www.guidetogov.org/ca/state/overview/school.html>).

State governments are largely responsible for creating the basic guidelines of the curriculum and developing standards for the subjects taught and the number of credits required. Although determining what constitutes a credit and developing content expectations for successful course completion is ultimately a

EXHIBIT 1

How CPAs Can Promote Financial Literacy

Advocacy in the Work Environment

- Printing financial literacy calendars (e.g., indicating tax filing deadlines) for distribution to clients
- Getting the human resources department to schedule brown-bag events on specific topics pertinent to company employees
- Identifying individuals interested in financial literacy issues and joining the JumpStart Coalition or similar organizations

Advocacy in the Local Community

- Organizing a financial literacy event for the neighborhood association, church, synagogue, or community center
- Making financial literacy presentations to local chambers of commerce and other interested clubs, groups, and business/fraternal organizations
- Raising financial literacy concerns with city council members and other political leaders

Training for Children

- Funding and supporting financial literacy education workshops, merit badge programs, and similar initiatives for youth organizations, such as Junior Achievement, Future Business Leaders of America, Boys & Girls Clubs of America, Girl Scouts, and Boy Scouts
- Working with local schools or districts to provide financial literacy classroom presentations, assembly programs, or teacher support
- Getting the library, local cable TV, and after-school programs to provide financial literacy education materials to students

Source: Adapted from "General Financial Literacy Toolkit—Community Outreach" (<http://www.aicpa.org/Volunteer/FinancialLiteracyResourceCenter/VolunteerMobilizationKits>) and "Getting Involved in Your Community" (<http://www.cajumpstart.org/get-involved/volunteering>)

EXHIBIT 2

Personal Finance (PF) Instruction: Course Requirements by State

Require a one-semester course: 4 (8%)—Missouri, Tennessee, Utah, Virginia

PF included in other courses: 20 (40%)—Arizona, Colorado, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, South Carolina, South Dakota, Texas, West Virginia

No state-level PF requirements: 26 (52%)—Alabama, Alaska, Arkansas, California, Connecticut, Delaware, Florida, Hawaii, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nebraska, New Mexico, North Dakota, Oregon, Pennsylvania, Rhode Island, Vermont, Washington, Wisconsin, Wyoming

Source: “State Financial Education Requirements,” JumpStart Coalition for Personal Financial Literacy, <http://www.jumpstart.org/state-financial-education-requirements.html>

EXHIBIT 3

School Board Membership

Selection Process by State

All jurisdictions elect members: Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maine, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Vermont, Washington, West Virginia, Wisconsin, Wyoming

Some jurisdictions may appoint members: Alabama, California, Connecticut, Delaware, Hawaii, Indiana, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia

Other Requirements

Each state mandates requirements to serve on a local school board. Individuals can secure a detailed list of requirements from the local election board or board of education. In addition to whether members within a specific jurisdiction are elected or appointed, requirements that may be specified include the following:

- When elections are held
- Residency requirement for the school district
- Minimum education
- Orientation and training requirements
- Minimum age requirement
- Registered voter requirement
- No sex offender conviction
- No felony conviction.

Source: Adapted from “Selection of Local School Boards,” National School Boards Association’s Office of General Counsel and Research, <http://www.nsba.org/sites/default/files/reports/electionchart.pdf>

function of local school systems, the state is involved in setting the guidelines for this determination.

Local school systems are charged with determining how to implement curriculum standards. They align curricula, establish a credit award system, identify assessments, set school calendars, and select textbooks. School board members, usually elected by the community, represent local citizens on school-related issues and function as the primary policy body for the school district.

The impetus for changing a curriculum can originate in different ways. Within the interface between federal, state, and local governmental bodies, any level can set changes in motion. But none of these forces that shape the K–12 curriculum have acknowledged that financial literacy is a priority.

School Boards Need CPAs

Typically, school boards consist of three to seven members who meet once a month, and whose terms range from four to six years. *Exhibit 3* presents an overview of school board membership requirements. Regardless of the state, “board members put in a lot of time in what essentially amounts to a volunteer position,” according to Derrick Meador (“School Board Member: Becoming a School Board Member,” About.com). To serve on a school board, candidates must raise funds and spend time campaigning for the position. Meador cautioned:

Being a school board member isn’t easy. ... Board members have to stay up-to-date on current educational issues, must be able to understand education jargon, and have to listen to parents and other community members who want to pitch their idea on how to improve the district.

Although costs in time and money are significant, there are three reasons why CPAs, in particular, should serve on school boards. As CPAs campaign for and serve on local school boards, the financial literacy of the local community can improve, because a richer conversation about school management issues can take place. With the expertise of CPAs included in such dis-

ussions, proper financial planning and risk assessments are more likely to influence the decision process. Furthermore, CPAs are in a better position to focus community attention on the importance of financial literacy in public education.

A second benefit is that CPAs' financial expertise is valuable from an administrative perspective. School district budgets must be approved, school expansion or closure decisions must be made, and the collective bargaining process must be managed. Similar to the CFO in a corporation, CPAs can provide day-to-day financial expertise to the policy-making and management process.

Third, governments across the country are experiencing burgeoning fiscal deficits. Competing funding requests passionately supported by different constituencies represent a constant source of anxiety. The individuals responsible for managing school district budgets must be able to evaluate budget requests that compete for shrinking funds. This is perhaps the most compelling reason why CPAs should serve on school boards: they have personal attributes that make them well suited for this challenge. (See the sidebar, *Behavioral Research*, for additional details.)

Improving Financial Literacy

In the authors' opinion, the current level of financial literacy among the public is unacceptable. If it is not corrected, the nation's future will be at risk. In today's increasingly complex financial environ-

BEHAVIORAL RESEARCH

Past research has supported the notion that, in general, CPAs' personality types are a good fit for school board duties: "Those who have achieved some success, in terms of becoming CPAs and advancing to higher levels in CPA firms, tend to have STJ [sensing-thinking-judging] preferences" (P.G. Schloemer and M.S. Schloemer, "The Personality Types and Preferences of CPA Firm Professionals: An Analysis of Changes in the Profession," *Accounting Horizons*, December 1997, pp. 24–29).

STJ preferences refer to the personality types identified by the Myers-Briggs Type Indicator. What this personality type means is that CPAs' likely response to a complicated problem in a crisis will be to handle tasks in a step-by-step fashion and place more confidence in decision making when conclusions are reached by a logical, objective process.

Furthermore, a "conscientiousness" personality measure, used as a proxy for "dependability, reliability, trustworthiness, and inclination to adhere to company norms, rules, and values," revealed that CPAs scored higher than all other occupations (Jacob J. Levy, John D. Richardson, John W. Lounsbury, Destin Stewart, Lucy W. Gibson, and Adam W. Drost, "Personality Traits and Career Satisfaction of Accounting Professionals," *Individual Differences Research*, 2011, vol. 9, no.4, pp. 238-249).

ment, however, financial illiteracy is not likely to be eliminated without changes to the K–12 school curricula. CPAs, who possess both the expertise and personality suited for school board leadership, can help make such change a reality. □

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