Exploring Measurement Issues in Assessing K-12 Financial Education

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States, school districts, and schools are increasingly offering personal finance instruction in part based on literature finding improved effects (or positive associations) in young adults' financial capability. The literature employs either 1) state policy data or 2) self-reported data from surveys, the latter of which is endogenous as it relies on memory, awareness, and experiences. Self-reported financial education receipt may be picking up effects of interest in personal finance rather than the effects of education itself (Harvey, 2018). However, recent implementation studies reveal that many schools unsuccessfully offer personal finance courses (Next Gen Personal Finance, 2020; Urban, 2020). Cude (2017) earlier documented that 20% of college freshmen from Georgia public high schools reported taking no personal finance courses, even though the state requires the course for graduation.

Hence, I compare measures of "mandated" with measures of "recalled" in testing the role of recall in high school financial education effects. I employ pooled data on financial education receipt, financial knowledge, and financial behaviors from 2012, 2015, and 2018 National Financial Capability Study and longitudinal data on K-12 educational environments from the U.S. Department of Education and Urban Institute's Education Data Portal. I examine financial literacy scores and credit card behaviors as outcomes. I concentrate on young adults ages 18-24 with at least a regular high school diploma to ensure that I capture those most likely treated and to ensure that results are not confounded with age (i.e., older adults are naturally less likely to recall childhood events). I use variation in timing and presence of state-required personal finance coursework in high schools to estimate propensities for emerging adults from mandated states to self-report receipt; to assess how recall plausibly enhances effects on financial literacy and credit card behaviors, and to discern who is more likely to have a discrepancy.

I preliminary find that while mandates are positively associated with the self-reported receipt and self-reported receipt displays higher effects from mandates (i.e., higher financial literacy scores and lower frequency of adverse credit behaviors), women and urban residents are more likely to have a discrepancy between the two data sources. This suggests that recall bias may proxy course access issues. If this holds upon further investigation, then we may worry that 1) self-reported correlations are picking up associations of being relatively advantaged, and 2) school-based financial education policies not rigorously implemented and fully executed might inadvertently exacerbate the financial gaps they aim to reduce. A completed paper will further discuss results, robustness checks, limitations, and implications for K-12 financial education policy.

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