

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: Commerce and Consumer Services Committee

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BILL: CS/SB 1188

SPONSOR: Commerce and Consumer Services Committee and Senator Rich

SUBJECT: Prosperity Campaigns

DATE: April 14, 2005

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Gordon	Cooper	CM	Fav/CS
2.	_____	_____	ED	_____
3.	_____	_____	GO	_____
4.	_____	_____	TA	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

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## I. Summary:

This committee substitute establishes a Prosperity Campaign Office (office) to be housed in Workforce Florida, Inc. The committee substitute directs the office to foster the establishment of new campaigns in designated regional workforce areas and to assist in the development of those programs. The committee substitute also requires the office to coordinate with the Internal Revenue Service (IRS) in providing programs for low-wage workers and to work closely with prosperity campaign offices in other states.

The committee substitute creates a Florida Prosperity Campaign Council to: assist in the development of new campaigns and programs; coordinate financial literacy programs within the campaigns; work with businesses and agencies to create a package of services for participants in the campaigns; and work with the Department of Education (DOE) to develop a high school financial literacy course.

This committee substitute creates the following section of the Florida Statutes: 445.057.

## II. Present Situation:

Prosperity campaigns are community-based, wealth building efforts that seek to inform those who may be eligible and who are economically disadvantaged about tax credits and other benefits they may be entitled to receive. In Florida, prosperity campaigns attempt to provide Florida citizens with a higher quality of life by making them aware of the Earned Income Tax Credit (EITC), the Food Stamp Program and Kidcare/Medicare services, as well as offering them opportunities to gain increased financial literacy and options for community involvement.

## Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC) is a refundable federal tax credit for eligible individuals and families who work and have earned income under:

- \$11,490 (\$12,490 if married filing jointly) if there is no qualifying child;
- \$30,338 (\$31,338 if married filing jointly) if there is one qualifying child;
- \$34,458 (\$35,458 if married filing jointly) if there is more than one qualifying child.<sup>1</sup>

Earned income includes all the taxable income and wages an individual derives from working including: wages, salaries and tips; union strike benefits; long-term disability benefits received prior to minimum retirement age; and net earnings from self-employment.<sup>2</sup>

According to a press release published by Tom Gallagher, Florida's CFO, the IRS estimates that as much as \$635 million dollars has gone unclaimed in Florida.<sup>3</sup> Advocates claim that if more families and individuals claimed these credits, Florida could see:

- Millions of new dollars in disposable income;
- Increased financial literacy for Florida's workforce;
- Down payment assistance for home ownership;
- Educational savings account opportunities;
- Additional investment potential; and
- An overall higher quality of life for target individuals and families.

## Regional Workforce Boards

The state's workforce system, lead by Workforce Florida, Inc., the Agency for Workforce Innovation and the 24 Regional Workforce Boards has conducted annual EITC informational campaigns for several years targeting first-time workers, the "working poor" and those exiting from public assistance through employment. Local workforce efforts are often done in collaboration with local Prosperity Campaigns, financial literacy programs and other similar efforts to demonstrate that "work pays." Regional workforce boards also inform unemployment compensation claimants of EITC via inserts included in packets sent to them. The Department of Children and Families also provides similar notices to public assistance participants and other low-wage clients.

### III. Effect of Proposed Changes:

**Section 1** establishes a Prosperity Campaign Office to be housed in Workforce Florida, Inc., to foster the establishment of new campaigns in designated regional workforce areas and assist in

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<sup>1</sup> Internal Revenue Service, *Earned Income Tax Credit (EITC) Questions and Answers*, 31 March 2005. <<http://www.irs.gov/individuals/article/0,,id=96466,00.html>>.

<sup>2</sup> *Ibid.*

<sup>3</sup> Florida Department of Financial Services, Press Release, *Many Floridians Are Missing Out on Tax Windfall*, 27 Jan. 2005.

the development of those programs; to coordinate with the Internal Revenue Service (IRS) in providing programs for low-wage workers; and to work with similar offices in other states.

Subsection (2) provides that the Office shall be headed by a Florida Prosperity Campaign Council (council) composed of 17 members including:

- Two individuals appointed by the Governor who represent a different Prosperity Campaign in the state;
- One member *each* of the Senate and the House of Representatives (appointed by the President of the Senate and the Speaker of the House of Representatives, respectively);
- The Chief Financial Officer or his or her designee;
- The Commissioner of Education or his or her designee;
- One representative each from the following organizations or entities:
  - Greater Miami Prosperity Campaign;
  - Florida Bankers Association
  - The Florida Institute of Certified Public Accountants (CPAs);
  - The Florida Credit Union League;
  - The Florida League of Cities;
  - The Florida Association of Counties;
  - The Florida Association of Realtors;
  - United Way of Florida;
  - Leadership Florida;
  - The Florida Chamber of Commerce; and
  - A non-profit or community based low-wage worker organization.

Subsection (3) sets the length of a term for each member at 2 years beginning on July 1, 2005 and requires that new appointments be made in the same manner as the original appointments.

Subsection (4) requires that the council meet quarterly or upon the call of the chairperson. In the first quarter of each year, a chairperson, vice chairperson, and secretary must be elected and each may not serve more than 2 consecutive terms in the same office.

Subsection (5) states that council members will serve without compensation. However, they are entitled to reimbursement for per diem and travel expenses pursuant to s. 112.061, F.S.

Subsection (6) outlines the council's responsibilities to include, without limitation, to:

- Assist in the development of Prosperity Campaigns throughout the state;
- Coordinate with Prosperity Campaigns to assist in the development of new programs;
- Develop implementation plans for new program using the best practices of existing and new prosperity campaigns within and outside the state.
- Coordinate financial literacy classes or programs within the campaigns;
- Work with businesses and agencies to develop a package of services for citizens participating in Prosperity Campaigns; and
- Work with DOE to develop financial literacy instruction as part of the current life management skills course outlined in s. 1003.43, F.S. The course must cover the

importance of financial management, savings, investments, credit scores, and other relevant topics. The committee substitute encourages community colleges and universities to use financial literacy information in student orientation programs.

The council is required to perform other duties as deemed necessary and directed by Workforce Florida, Inc.

Subsection (7) outlines the duties and responsibilities of each Prosperity Campaign, which include:

- Educating citizens about available economic benefits programs and the importance of wise financial decision-making;
- Connecting low-wage workers to economic benefits programs, including, but not limited to, the Earned Income Tax Credit and the Childcare Tax Credit;
- Offering free tax preparation services, economic benefits screening, and other related services; and
- Providing information to businesses to enable them to distribute economic benefits information to current and new employees.

Subsection (8) requires the Prosperity Campaign Council to report on the effectiveness of the council and its progress in establishing new prosperity campaigns to the Governor and the Legislature by June 30, 2006. The report will include information related to barriers in establishing new campaigns, how the barriers may be overcome, the parties involved, and recommendations for the future.

Subsection (9) abolishes the council on July 1, 2009 unless reviewed and saved from repeal through reenactment by the Legislature.

**Section 2** amends s. 1003.43(1)(i), F.S., which related to requirements for high school graduation. The new language adds financial literacy as a component of the one-half credit life-management course currently being offered in high schools.

**Section 3** provides that the act shall take effect on July 1, 2005.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Individuals who qualify and apply for certain tax credits such as the Child Care Tax Credit and the EITC will see an increase in their incomes.

**C. Government Sector Impact:**

AWI estimates that one full time staff position and a half-time support position would be needed to implement and support the council. Salary and benefits costs for these positions would begin at approximately \$77,500. Other costs include: costs for hosting council meeting; travel costs of council members and staff; costs for the printing, publishing and disseminating printed materials and costs associated with providing free tax preparation; economic benefit screenings; and related services to participants.

To the extent that the Prosperity Campaign Office's efforts are successful and eligible citizens access government programs or benefits, there will be a corresponding increase in costs for federal and state programs.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.



## **VIII. Summary of Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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