

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 431 CS Financial Literacy Council
SPONSOR(S): Traviesa and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 1120

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Economic Development, Trade & Banking Committee</u>	<u>15 Y, 0 N, w/CS</u>	<u>Sheheane</u>	<u>Carlson</u>
2) <u>Governmental Operations Committee</u>	<u></u>	<u></u>	<u></u>
3) <u>Finance & Tax Committee</u>	<u></u>	<u></u>	<u></u>
4) <u>State Administration Appropriations Committee</u>	<u></u>	<u></u>	<u></u>
5) <u>Commerce Council</u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

The bill creates the Financial Literacy Council within the Insurance Code to provide financial information to businesses, young people, working adults, and seniors.

The bill provides for membership, council meetings, and reports and authorizes the council to seek financial resources from the state, the federal government, and other sources.

The bill requires an annual report beginning on January 1, 2007.

This bill becomes effective on July 1, 2005.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government- The bill creates the Financial Literacy Council to facilitate financial information to consumers and small businesses in Florida. The members of the council will be appointed by the Chief Financial Officer (CFO).

Empower Families- The creation of the Financial Literacy Council may empower families by assisting them with making sound financial decisions.

B. EFFECT OF PROPOSED CHANGES:

Current Situation

The Department of Financial Services (Department) is tasked with serving consumers who need help or information related to financial services, including banking, securities and insurance. The Division of Consumer Services within the Department receives hundreds of thousands of calls every year relating to financial issues and insurance issues. Some are victims of investment scams, others are victims of unauthorized entities, and some just need advice on insurance companies, agents, and other financial matters.

In creating the Financial Literacy Council, the CFO's primary goals are:

- To set up a central point of information for individuals, families, employers, students, and small businesses.
- To obtain available federal funds to promote financial literacy and investor education in the state.

According to the Department, available federal grants are not awarded to regulators, but are awarded to organizations that have been created specifically for the purpose of educating the public. It is the Department's goal to bring the available federal funds to the state.

Proposed Changes

The bill creates the Financial Literacy Council to: provide a single state resource for consumers and small businesses to contact for assistance regarding basic financial information. The council's goals are to: equip small businesses, young people, working adults, and seniors with the tools and resources they need to make informed financial decisions; help residents of the state learn more about personal financial issues, including, but not limited to, applying for loans, managing debt, making sound investment choices, and saving for retirement; facilitate the sharing of best practices for financial management that are characteristic of highly successful small businesses; and serve as an educational forum for resource planning, financial planning, and management issues for small businesses.

Membership

The bill provides that the council will be made up of the state Chief Financial Officer, or his or her designee, and not more than 9 other members to be appointed by the CFO. Six members must be persons with experience in various areas of the financial industry, including banking, finance, insurance, real estate, and securities. At least one member must be a person who is not employed by and is not a representative of the financial industry. At least one member must be chosen from a list of

three persons submitted to the CFO by a senior advocacy group. At least one member must be chosen from a list of the persons submitted to the CFO by the Florida Council on Economic Education.

The appointed members are to represent urban and rural interests and the ethnic and cultural diversity of the state's population.

Members of the council will serve at the pleasure of the CFO. The board is to designate one member as chair and shall meet at the call of the chair or the CFO. Five of the initial members appointed to the council shall be appointed for terms of three years. All other members will be appointed for terms of four years. Members will serve until a successor is appointed. A vacancy will be filled for the remainder of the unexpired term. The Department of Financial Services will provide administrative support for the council.

Each member of the council will receive reimbursement per diem and travel expenses pursuant to s. 112.061, F.S., relating to per diem and travel expenses of public officers, employees, and authorized persons.

Meetings and Procedures

The business of the council will be represented to the council in the form of an agenda. The agenda will be set by the CFO and is to include items of business requested by the council members. A majority of the members will constitute a quorum and action by a majority of a quorum will be official.

The council will make a report of each meeting to the CFO which will show the names of the members present and shall include a record of the council's discussions, recommendations, and actions taken. The CFO will keep the records of the proceedings of each meeting on file and is to make the records available to any interested person or group.

Powers and Duties

The council is charged with the duty of studying financial problems that affect consumers, particularly young persons, seniors, working adults, and small businesses due to a lack of knowledge of basic financial issues. The council is to develop written materials that will be available to educate consumers and small businesses about basic financial issues and establish an outreach program by providing education at meetings of affected persons, by seminars, or web based media provided through the council.

Resources

The bill allows the council to apply for and accept funds, grants, gifts, and services from the state, the United States government or any of its agencies, or any other public or private source for the purpose of offsetting any clerical and administrative costs associated with the council's duties. The bill directs all funds received by the council to be deposited into the Insurance Regulatory Trust Fund and provides that the funds are appropriated for use by the council in carrying out its duties and to defray expense incurred for administrative duties.

The bill directs the council to use the talents, expertise, and resources within the state, particularly those of the public school, community college, and the university system.

The bill allows the council to coordinate with any state agency, any political subdivision or school district of the state in furtherance of its mission.

Reports

Beginning January 1, 2007, the council is to report annually on January 1, to the Governor, the Speaker of the House, and the President of the Senate on the activities carried out by the council.

C. SECTION DIRECTORY:

Section 1: Creates the Financial Literacy Council; providing for the purpose of the council; providing the composition of the council; providing the procedures for meetings, record keeping, and compensation of members of the council; providing powers and duties of the council; establishing provisions for resources for the council; and providing requirements for reports of the council.

Section 2: Provides that the act will take effect July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

Each council member is entitled to reimbursement for per diem and travel expenses (estimated cost, \$250 X 15 members X Quarterly Meetings = \$15,000), however a funding source is not identified in this bill.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill is intended to provide financial advice to a large segment of the population and therefore help people and small businesses become more financially sound.

D. FISCAL COMMENTS:

The Department reports that any fiscal impact associated with staff support for the council will be met within existing appropriations.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or

municipalities. This bill does not reduce the authority that municipalities have to raise revenues.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

No exercise of rule-making authority is required to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

In the meeting on March 10, 2005, the Economic Development, Trade and Banking Committee adopted a strike-all amendment to the bill. The amendment:

- Removes unnecessary language for clarity;
- Reduces the number of members on the council from 14 to 9 for purposes of obtaining a quorum;
- Clarifies criteria for council membership;
- Clarifies that council membership will represent rural and urban interests and the cultural and ethnic diversity of the state's population;
- Designates the CFO as chair of the council;
- Provides staggered board terms for the council;
- Provides for all sums received by the council to be deposited into the Insurance Regulatory Trust Fund; and
- Allows use of web based media in educational outreach.