

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government--the bill creates a new governmental advisory body, the Financial Literacy Council, and appropriates \$50,000 to the Council.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

The elected Chief Financial Officer (CFO) is the head of the Department of Financial Services. Among the CFO's responsibilities are:

- Licensing and oversight of insurance agents and agencies;
- Investigating fraud, including identity theft and securities and insurance fraud;
- Overseeing cemeteries and funeral homes that sell pre-need contracts;
- Overseeing the state's accounting and auditing functions, including review of state contracts and safeguarding unclaimed property;
- Monitoring the investment of state funds and managing the deferred compensation program for state employees; and
- Ensuring that businesses have workers' compensation coverage in place for employees.

Within the DFS, the Financial Services Commission, composed of the Governor, Attorney General, Chief Financial Officer, and Commissioner of Agriculture, oversees the Office of Insurance Regulation and the Office of Financial Regulation.

- The Office of Insurance Regulation is responsible for regulation of all insurance companies and risk-bearing entities, including licensing, rates, policy forms, market conduct, claims, adjusters, issuance of certificates of authority, solvency, viatical settlements, and premium financing.
- The Office of Financial Regulation is responsible for overseeing state-chartered banks, credit unions, financial institutions, finance companies, and the securities industry.

Research indicates that some Floridians would benefit from improving their personal finance practices. A statewide survey of adult Floridians conducted in June 2004 by Mason-Dixon Polling & Research Inc. found:

- More than one-third have more debt than savings or investments;
- About 25% are not putting any money aside each month for retirement;
- More than 80% of Floridians have credit cards, and 35% report current debt levels over \$5,000; and
- While 96% of Floridians review their monthly credit card statements, 23% of Floridians have never reviewed their credit reports.¹
- Increasing age and income level tends to be associated with smarter personal finance practices.

In the 12 month period ending December 31, 2004, bankruptcy filings in Florida totaled 85,889. There were 1,183 business filings and 84,706 personal filings.² These numbers include filings under chapters 7, 11, 12, and 13.

A few of the organizations which currently provide information and education about financial issues to consumers and small businesses include:

¹ http://www.yourmoneyyourlife.org/downloads/Mason-Dixon_Survey.pdf. Margin of error +/- 4%.

² http://www.uscourts.gov/bkrpctystats/bankrupt_f2table_dec2004.pdf

- The Florida Council for Economic Education, which is dedicated to improving economic education and financial literacy for students of all ages and abilities throughout the state;³
- Small business development centers, which provide management assistance to current and prospective small business owners;⁴
- The Service Corps of Retired Executives, which offers free counseling to small business owners;⁵
- The Florida JumpStart Coalition, which seeks to improve the personal financial literacy of Floridians by focusing on the state's youth by promoting and teaching personal finance skills so that individuals can make informed, responsible financial decisions;⁶ and
- Consumer Credit Counseling Service members, which provide free and affordable confidential money management, financial education, budget counseling, and debt management services to consumers.⁷

Effect of Proposed Changes:

The bill creates the Financial Literacy Council (Council), as defined in s. 20.03, F.S., to study financial problems that affect consumers and small businesses and assist DFS in developing financial literacy programs. The Council shall be an adjunct to DFS and subject to s. 20.052, F.S. The bill provides that the Council's goals are:

- Equipping small businesses, young people, working adults, and seniors with the tools and resources they need to make informed financial decisions;
- Helping 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;
- Facilitating the sharing of best practices for financial management that are characteristic of highly successful small businesses; and
- Serving as an educational forum for resource planning, financial planning, and management issues for small businesses.

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 as follows:

- Six members must be persons with experience in various sectors of the financial industry, such as financial institutions as defined in law, 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; and
- 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. The chair of the council is to be elected by the council at its first meeting, which shall be called by the CFO. Each member of the Council will serve without compensation, but receive reimbursement for per diem and travel expenses pursuant to s. 112.061, F.S.

The bill requires the Council to study financial problems affecting 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 to educate consumers and small businesses about basic financial issues and establish an outreach program by providing education through meetings, seminars, or by web-based media.

³ www.fcee.org/main.aspx?id=2

⁴ www.sba.gov/sbdc/aboutus.html

⁵ www.score.org

⁶ www.fljumpstart.org

⁷ www.nfcc.org/AboutUs/nfccfactsbckgnd.pdf

The bill allows the Council to apply for and accept funds, grants, gifts, and services from the state, the federal 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 Administrative 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 appropriates \$50,000 in nonrecurring funds to the Council for the 2006-07 fiscal year, contingent on receipt of private or grant funds by the Council.

Beginning January 1, 2008, the Council is to report annually to the Governor, the Speaker of the House of Representatives, and the President of the Senate on the activities carried out by the Council.

C. SECTION DIRECTORY:

Section 1 creates an unnumbered section of law creating 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: The bill appropriates \$50,000 in nonrecurring funds to the Council for the 2006-07 fiscal year, contingent on receipt of private or grant funds by the Council.

Section 3: provides that the act will take effect July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None. The Department of Financial Services (DFS) indicates that the Council could apply for grant funds.

2. Expenditures:

The bill appropriates \$50,000 in nonrecurring funds to the Council for the 2006-07 fiscal year, contingent on receipt of private or grant funds by the Council.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision does not apply because this bill does not: require counties or municipalities to spend funds or to take an action requiring the expenditure of funds; reduce the authority that municipalities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

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

The Economic Development, Trade and Banking Committee adopted a strike-everything amendment to the bill on March 16, 2006. The amendment conformed the bill to its Senate companion bill, removed redundant language, clarified that the members of the council are eligible to receive reimbursement or per diem and travel expenses, and provided that the chair of the council is to be elected at the first meeting of the council called by the Chief Financial Officer.