

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.)

Prepared By: Commerce and Consumer Services Committee

BILL: CS/SB 1224

INTRODUCER: Commerce and Consumer Services Committee and Senator Rich

SUBJECT: Prosperity Campaigns

DATE: March 8, 2006

REVISED: _____

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

I. Summary:

This Committee Substitute (CS) establishes the Florida Prosperity Campaign Council (council) to be administratively housed in Workforce Florida, Inc. (WFI). The CS directs the office to develop, enhance, and assist in the coordination of Prosperity Campaigns throughout the state which will inform Florida citizens, particularly low-wage workers, about economic benefits programs and financial literacy generally. The council must work with federal, state, and local governments, nonprofit entities, and the private sector to provide information to Florida citizens about economic benefits programs and financial literacy. The council is also directed to work with DOE to develop financial literacy instruction to be part of the required life management skills course needed for high school graduation.

This CS creates the following section of the Florida Statutes, 445.057, and amends s. 1003.43, F.S.

II. Present Situation:

Prosperity Campaigns

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, the 12 existing 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. The campaigns also offer them opportunities to gain increased financial literacy and options for community involvement.

Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC), created in 1975, provides a refundable federal tax credit for certain low-income working individuals. The qualifying income level for 2005 was less than \$37,263.¹

In order to be eligible for the credit, the earned income and adjusted gross income (AGI) of an applicant must each be less than:

- \$35,263 (\$37,263 married filing jointly) with two or more qualifying children;
- \$31,030 (\$33,030 married filing jointly) with one qualifying child;
- \$11,750 (\$13,750 married filing jointly) with no qualifying children.²

The maximum credit allowable in 2005 is as follows:

- \$4,400 with two or more qualifying children;
- \$2,662 with one qualifying child;
- \$399 with no qualifying children.

Applicants are also limited to an investment income of \$2,700 or less for the year.³

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.⁴

According to a January 2006 WFI press release, the IRS estimated that as much as \$635 million dollars has gone unclaimed by the more than 350,000 eligible working families and individuals in Florida.⁵ Advocates maintain that if more families and individuals claim 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.

¹ Internal Revenue Service, *Earned Income Tax Credit (EITC) Questions and Answers*, 17 February 2006. <<http://www.irs.gov/individuals/article/0,,id=96466,00.html>>.

² *Ibid.*

³ *Ibid.*

⁴ *Ibid.*

⁵ Workforce Florida Inc., Press Release, *Working Families Encouraged to Take Advantage of Tax Credits*, 17 Jan. 2006.

According to the aforementioned WFI press release, the Center on Budget and Policy Priorities found that 1.4 million Florida workers received the EITC in 2003 and, by doing so, brought an additional \$2.7 billion into the state economy.⁶

Regional Workforce Boards

According to the Agency for Workforce Innovation (AWI), for the last three years, WFI, AWI, the Department of Children and Families (DCF) and the state's 24 Regional Workforce Boards (RWBs) have partnered to disseminate information about EITC campaigns in the state. These campaigns seek to help eligible working Floridians access the EITC. Each year, local RWBs collaborate with a variety of organizations including corporate, faith-based, non-profit educational, financial, public service entities, government agencies and local Prosperity Campaigns to incorporate EITC education in outreach activities at the local level.

AWI also indicates that it informs unemployment compensation claimants of EITC through inserts placed into regular mailings, a method also used by DCF. Currently, AWI, regional workforce boards and DCF utilize existing state staff to support its EITC information campaigns. No state workforce resources or staff are currently being used to coordinate efforts with the IRS, to staff a Prosperity Campaign council or to develop financial literacy courses, as SB 1224 would require.

III. Effect of Proposed Changes:

Section 1, subsection (1) creates a Prosperity Campaign Council to be administratively housed within WFI. The CS directs the office to develop, enhance, and assist in the coordination of Prosperity Campaigns through the state which will inform Florida citizens, particularly low-wage workers, about economic benefits programs and financial literacy generally.

Subsection (2) provides that the Florida Prosperity Campaign Council (council) shall be composed of 20 members including:

- Four individuals appointed by the Governor who represent different Prosperity Campaigns 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 of the state or his or her designee;
- The Commissioner of Education of the state or his or her designee;
- One representative each from the following organizations:
 - Greater Miami Prosperity Campaign;
 - The 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;

⁶ *Ibid.*

- United Way of Florida;
- Leadership Florida;
- The Florida Chamber of Commerce;
- A nonprofit or community-based, low-wage worker organization; and
- The Florida Jump\$tart Coalition for Personal Financial Literacy.

Subsection (3) provides that members of the council must be appointed to serve 2-year terms beginning July 1, 2006. This subsection also provides that a vacancy on the council will be filled for the balance of the unexpired term in the same manner as the original appointment.

Subsection (4) provides that the council must meet quarterly or upon the call of the chair. Elections for the chair, vice chair and secretary will take place annually at the meeting in the first quarter. While each officer must serve until a successor is elected, no officer will serve more than 2 consecutive years in the same office.

Subsection (5) provides that council members must serve without compensation, but are entitled to reimbursement for per diem and travel expenses under s. 112.061, F.S.

Subsection (6) states that the council's responsibilities include:

- Assisting in the development and enhancement of Prosperity Campaigns and related programs throughout the state, using best practices developed by Prosperity Campaigns in Florida and nationally;
- Working with federal, state, and local governments, nonprofit entities, and the private sector to provide information to Florida citizens about economic benefits programs and financial literacy;
- Working with the Department of Education to develop financial literacy instruction to be part of the life management skills course pursuant to s. 1003.43; and
- Taking other action as necessary to meet its statutory mission as described in subsection 1 of the CS.

Subsection (7) requires the council to submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives annually beginning June 30, 2007. The report should detail the council's performance of the responsibilities outlined in subsection (6); assess the effectiveness of the campaigns; and evaluate obstacles to the effectiveness of the campaigns. The report should also make recommendations for legislative action.

Subsection (8) provides that this section of the CS will expire on July 1, 2010, unless reviewed and saved from repeal by the Legislature.

Section 2 of the CS amends s. 1003.43, F.S., related to general requirements for high school graduation. This section adds instruction in financial literacy to the list of topics to be covered in the one-half credit life management skills course that high schoolers must take to graduate. The financial literacy instruction must focus on the importance of financial management, savings, investments, credit scores, and other related topics.

Section 3 of the CS provides an effective date of July 1, 2006.

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:

If Floridians who receive information about EITC through the Prosperity Campaigns apply for the credit and spend the money they receive within the state, there will be a corresponding impact on Florida tax collections.

B. Private Sector Impact:

If Floridians who receive information about EITC through the Prosperity Campaigns apply for the credit and spend the money they receive within the state, Florida will see increased income levels for its citizens and an infusion of capital into its economy.

C. Government Sector Impact:

AWI estimates recurring state level costs of \$162,000 distributed as follows:

- 1.5 FTEs in salary and benefits: \$87,000;
- Quarterly meetings: \$50,000;
- Printing/copying/publication/consultants/postage/supplies: \$15,000; and
- Travel/meetings outside of the quarterly meetings: \$10,000.

AWI also estimates recurring local level costs of \$120,000 for staff and materials at the 24 RWBs.

The overall fiscal impact to AWI is an estimated **\$282,000**.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

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

VIII. Summary of Amendments:

None.

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