

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 531 CS

Prosperity Campaigns

SPONSOR(S): Jennings

TIED BILLS:

IDEN./SIM. BILLS: SB 1224

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Economic Development, Trade & Banking Committee</u>	<u>15 Y, 0 N, w/CS</u>	<u>Olmedillo</u>	<u>Carlson</u>
2) <u>Transportation & Economic Development Appropriations Committee</u>	<u>18 Y, 0 N, w/CS</u>	<u>McAuliffe</u>	<u>Gordon</u>
3) <u>Community Colleges & Workforce Committee</u>	<u></u>	<u>Thomas</u>	<u>Ashworth</u>
4) <u>Commerce Council</u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

HB 531 CS creates a Prosperity Campaign Council (Council) to be housed in Workforce Florida, Inc., to develop, enhance and assist in the coordination of Prosperity Campaigns throughout the state with the goal of providing economic benefit services and related information to Florida citizens.

The Florida Prosperity Campaign Council, is composed of 20 members and assigned the following responsibilities:

- Assist in the development and enhancement of Prosperity Campaigns and related programs throughout the state;
- Work with all levels of government, non-profit entities and the private sector to provide economic benefit services and related information to Florida citizens;
- Work with the Department of Education in developing financial literacy instruction to be part of the life management skills course;
- Take other action as necessary to perform its function; and
- Provide a report to the Governor regarding the effectiveness of the Council.

The bill specifies the composition and size of the Council, the term of the appointments, the frequency of meetings, and its organizational structure.

Additionally, HB 531 CS requires financial literacy instruction to be included in the required high school life management skills course.

The provisions of this bill relating to the Prosperity Campaign Council will be repealed on July 1, 2010, unless reviewed and saved from repeal by the Legislature.

The bill provides an appropriation of \$162,000 from the General Revenue Fund to fund the Prosperity Campaign Council.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide limited Government - The bill creates the Prosperity Campaign Council, composed of 20 members and housed within Workforce Florida, Inc., to establish and coordinate Prosperity Campaigns throughout Florida.

Empower families – The bill encourages the Prosperity Campaign to connect low-wage workers to the Earned Income Tax Credit (EITC) and the Childcare Tax Credit; offer free tax preparation services, economic benefits screening and other related services. As a result, more low-wage workers will be informed and will likely apply for this credit, which will increase their income even when the amount of the EITC exceeds the amount of taxes workers owe.

Promote Personal Responsibility – The bill encourages Prosperity Campaigns to educate citizens about available economic benefit programs and the importance of wise financial decision-making. Consequently, the bill may reduce government dependency.

B. EFFECT OF PROPOSED CHANGES:

EARNED INCOME TAX CREDIT (EITC)

Present Situation

Created in 1975, the Earned Income Tax Credit (EITC), sometimes called Earned Income Credit (EIC), is a refundable federal income tax credit for low-income working individuals and families. According to the Tax Policy Center (Tax Notes, March 14, 2005) the EITC, administered through the federal income tax system, is the largest cash assistance program for low-income families. The EITC program is designed to encourage work by subsidizing people's wages. The EITC provides up to \$4,400 a year for working families with two or more children. In 2002, the EITC lifted approximately 4.9 million people out of poverty.¹

In a January 17, 2006 news article, Workforce Florida, Inc. stated that “[b]ased on the information from the IRS it is projected that as much as \$635 million goes unclaimed by the estimated 350,000+ families/individuals in Florida who are not taking advantage of the EITC.”

According to the Agency for Workforce Innovation: the state's workforce system, led by Workforce Florida, Inc., the Agency for Workforce Innovation and the 24 Regional Workforce Boards has emphasized and conducted annual Earned Income Tax Credit (EITC) informational campaigns for several years. These informational campaigns target first-time workers, the “working poor” and those exiting from public assistance through employment. Additionally, the Department of Children and Families also provides similar notices to public assistance participants and other low-wage workers.

Local workforce efforts are often conducted in collaboration with local Prosperity Campaigns, financial literacy programs and other similar efforts to demonstrate that “work pays”. Currently, Prosperity Campaigns exist in 12 counties throughout Florida.

Effect of Proposed Changes

Prosperity Campaign Council

The HB 531 CS creates the “Prosperity Campaign Council” (Council), to be housed in Workforce Florida, Inc. The Council is directed to develop, enhance and assist in the coordination of Prosperity Campaigns throughout the state with the goal of providing economic benefit services and related information to Florida citizens.

¹ Tax Policy Center, *Disparities in Knowledge of the EITC*, March 14, 2005.

The composition of the Council is as follows:

- One member of the Senate appointed by the President of the Senate, who shall serve as an ex officio, nonvoting member;
- One member of the House of Representatives appointed by the Speaker, who shall serve as an ex officio, nonvoting member;
- The Chief Financial Officer or his or her designee, who shall serve as an ex officio, nonvoting member;
- The Commissioner of Education or his or her designee, who shall serve as an ex officio, nonvoting member;
- Four individuals each representing a different Prosperity Campaign in the state and appointed by the Governor;
- One representative from each of the following organizations or entities, who shall be appointed by the Governor:
 - Greater Miami Prosperity Campaign;
 - Florida Bankers Association;
 - The Florida Institute of Certified Public Accountants (CPAs);
 - The Florida League of Cities;
 - The Florida Credit Union League;
 - The Florida Association of Counties;
 - The Florida Association of Realtors;
 - United Way of Florida;
 - Leadership Florida;
 - The Florida Chamber of Commerce;
 - A non-profit or community based low wage worker organization; and
 - The Florida Jump\$tart Coalition for Personal Financial Literacy.

The bill also sets the length of a term of appointment for each member at 2 years beginning on July 1, 2006 and requires that vacancies be made for the balance of the unexpired term in the same manner as the original appointments.

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.

The Council's responsibilities are as follows:

- Assisting in the development and enhancement of Prosperity Campaigns and related programs throughout the state, using the best practices developed by Prosperity Campaigns in Florida and nationally;
- Work with all levels of government, non-profit entities and the private sector to provide economic benefit programs and financial literacy information to Florida citizens;
- Work with the Department of Education in developing financial literacy instruction to be part of the life management skills course pursuant to s. 1003.43; and
- Take other action as necessary to meet its statutory mission.

Beginning June 30, 2007, and annually thereafter, the Council must provide a report to the Governor and the Legislature on the Council's effectiveness, obstacles and future recommendations for legislative action.

The provisions of the bill relating to the Prosperity Campaign Council will stand repealed on July 1, 2010, unless it is reviewed and saved from repeal through reenactment.

FINANCIAL LITERACY IN HIGH SCHOOLS

Present Situation

Currently, 24 credits are required for high school graduation, pursuant to s. 1003.43, F.S. These include:

- one-half credit in life management skills which includes consumer education; and

- one-half credit in economics that includes a comparative study of the history, doctrines and objectives of all major economic systems. The Florida Council on Economic Education provides technical assistance to the department and district school boards in developing curriculum and materials for the study of economics.

Effect of Proposed Changes

The HB 531 CS requires the Prosperity Campaign Council to work with the Department of Education in developing a financial literacy instruction to be part of the life management skills course required for high school graduation. The financial literacy instruction must focus on the importance of financial management, savings investments, credit scores, savings and additional materials.

The HB 531 CS requires financial literacy instruction to be included in the high school life management skills course required for high school graduation.

The bill provides an appropriation of \$162,000 from the General Revenue Fund in fiscal year 2006-2007 to Workforce Florida Inc., to fund the Prosperity Campaign Council.

C. SECTION DIRECTORY:

Section 1: Creates s. 445.057, F.S., to establish the Prosperity Campaign Council; establishes the composition and size of the Council, the term of the appointments, the frequency of meetings, its organizational structure, its mission and responsibilities.

Section 2. Amends s. 1003.43, F.S., relating to general requirements for high school graduation; requiring financial literacy instruction to be part of the life management skills one-half credit requirement.

Section 3. Provides an appropriation of \$162,000 from the General Revenue Fund to fund the Prosperity Campaign Council.

Section 4: Provides that the bill will take effect July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See fiscal comments.

2. Expenditures:

The bill provides an appropriation of \$162,000 from the General Revenue Fund in fiscal year 2006-2007 to Workforce Florida Inc., to fund the Prosperity Campaign Council. See fiscal comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

See fiscal comments.

2. Expenditures:

See fiscal comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If this law brings greater awareness to the availability of the EITC for working families and individuals, the qualifying families and individuals who receive federal monies would presumably spend that money locally.

D. FISCAL COMMENTS:

Costs

The 20 member council, which is to be administratively housed within Workforce Florida, defines a number of coordination and information dissemination roles for the council, such as hosting the required council meeting, preparations, publication, and dissemination of printed materials to businesses and employees, and providing free tax preparation, economic benefit screenings and providing other related services to individuals. According to the Agency for Workforce Innovation, in order to provide these types of services a minimum of one full time staff position and a half-time support position will be needed to implement and support the council.

The cost of these activities is difficult to determine; however, the following is a projected estimate of state level costs:

1.5 full time employees with salary and benefits at \$87,000; quarterly meetings at \$50,000, printing/copying/publication/consultants/postage/supplies/miscellaneous at \$15,000; traveling/meetings outside of the quarterly meetings at \$10,000. The total state level cost is estimated at \$162,000.

The local level costs are estimated at \$120,000 for staff and materials for twenty-four Regional Workforce Boards.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

HB 531 CS does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. HB 531 CS does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. HB 531 CS does not reduce the percentage of state tax shared with municipalities or counties.

2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On January 26, 2006, the Economic Development, Trade and Banking Committee adopted a strike-all amendment to the bill. The amendment reorganizes and clarifies the purpose and methods by which the Prosperity Campaign Council will operate, and removes redundant and unnecessary language.

On March 22, 2006, the Transportation and Economic Development Appropriations Committee adopted one amendment to the bill providing an appropriation of \$162,000 from the General Revenue Fund to fund the Prosperity Campaign Council.