

BILL NUMBER: Assembly Bill 2457 (Salas) as amended May 28, 2010

SUMMARY

This bill establishes the California Financial Literacy Fund in the State Treasury and authorizes the Controller to administer the fund. The purpose of the fund is to support partnerships with the financial services community and governmental and nongovernmental stakeholders to improve Californian's financial literacy.

BOARD POSITION

Support. This bill is consistent with the Teachers' Retirement Board's (Board) goal to help members plan financially for retirement and accumulate retirement assets. However, the Board supports an amendment to remove the restriction on donations from entities with a direct financial interest in financial products because it may be counterproductive to restrict donations from financial services stakeholders who likely have an interest in increasing financial literacy.

PURPOSE OF THE BILL

This bill addresses the concern that financial illiteracy, especially among young people, is a growing problem in California.

LEGISLATIVE HISTORY

ACR 147—Lieu (2010, currently in the Senate) declares April 2010 as Financial Aid and Literacy Month to raise public awareness about the need for increased financial literacy; and, encourages public and private organizations and institutions to provide opportunities for financial literacy education for all Californians and to collaborate with members of the California Society of Certified Public Accountants, the California Jump Start Coalition, and others as they provide outreach and education.

AB 448—Torres (2009, held in the Assembly Appropriations Committee) would have required the Department of Consumer Affairs (DCA) to create and improve financial literacy programs. Specifically, it required DCA to utilize existing resources and participate with the Financial Literacy and Education Commission established by the federal Financial Literacy and Education Improvement Act.

AB 550-Lieu (2009, held in Assembly Appropriations Committee) would have established the California Financial Literacy Initiative for the purpose of providing financial resources and instruction to Californians to improve financial literacy. Enabled the Controller's office to administer the initiative. Established the California Financial Literacy Fund in the State Treasury. Authorized the Controller to deposit private donations into the fund from entities with no direct financial interest in any financial products.

AB 2123—Lieu (2008, Vetoed) would have established the California Financial Literacy Initiative, administered by the State Controller and authorized the Controller to convene a

Financial Literacy Advisory Committee, as specified. Required the Controller to establish and oversee a California Financial Services Corps, subject to the availability of resources for that purpose, and required the Controller to make annual reports to the Legislature, as specified.

AB 1950—Lieu (2006, Vetoed) would have authorized a school district in providing instruction in economics, to include instruction related to the understanding of personal finances, specifically including budgeting, savings, credit, and identity theft. Encouraged the Department of Education to develop a model personal finances curriculum for adoption by school districts.

PROGRAM BACKGROUND

Financial illiteracy, especially among young people, is a growing problem in California. While financial literacy materials and resources exist in many forms, they are not organized or collected in a systematic manner and California does not have an official statewide policy or educational plan for improving financial literacy.

In November 2009 the Board adopted the CalSTRS Strategic Benefit Plan 2010-2015, a comprehensive strategy of benefits and services to be provided to CalSTRS members to achieve the Board's goals. The strategy includes eleven plan design options to address the overall retirement security of CalSTRS members. One of the options is to expand current efforts to increase member financial literacy in an effort to help members accumulate retirement assets. Though CalSTRS already provides financial education to members, the Strategic Benefit Plan identified additional efforts that could be taken in order to improve members' understanding of their financial needs in retirement such as developing additional workshops, Internet tools and Web-based seminars.

ANALYSIS:

Existing Law:

California does not currently have an official statewide policy or educational plan for improving financial literacy. In addition, there is no centralized system that collects and administers financial literacy funds or implements financial literacy programs.

This bill:

This bill establishes the California Financial Literacy Fund in the State Treasury to be administered by the Controller. The purpose of the fund is to support partnerships with the financial services community and governmental and nongovernmental stakeholders to improve Californian's financial literacy.

The Controller would be authorized to accept private donations from entities with no direct financial interest in any financial products and deposit those donations into the fund. Those donations would be made available upon appropriations in the annual Budget Act. The Controller is required to provide a brief annual summary on the use of any appropriated funds to the chairperson of the Assembly Committee on Banking and Finance and the Senate Committee on Banking, Finance and Insurance.

However, this bill does not establish or define specific financial literacy efforts that the Controller may undertake or specify any further requirements related to those financial

community and stakeholder partnerships as specified, such as whether the partnerships are required to create specific financial literacy programs. In addition, the terms “direct financial interest” and “financial products” are not defined, which could affect the types of entities from which the Controller is permitted to accept donations. A broad interpretation of “financial products” could prohibit entities providing various financial services, such as commercial banks or investment firms, from donating to the fund. On the other hand, a literal interpretation of “direct financial interest” could prohibit an entity from making a donation, while at the same time permitting a parent organization of the entity to donate. Regardless of the specific definitions, the bill’s prohibition on donations from entities with a direct financial interest in financial products restricts donations from financial services stakeholders who likely have a reasonable interest in increasing financial literacy. While this prohibition may seek to limit undue influence of those entities or prevent conflicts of interest, it may also be counterproductive to limit those donations.

AB 2457 has no direct impact to CalSTRS. However, while there does not appear to be any legal conflicts with the Controller accepting private donations to deposit into the California Financial Literacy Fund established by this measure, the Controller, as Board member, could vote in support of an investment firm that may have previously donated to the Financial Literacy Fund, if the investment firm falls outside of the definition of the entities that are prohibited from making those donations. Presumably, the Controller could recuse himself under those circumstances in order to avoid the appearance of conflict of interest.

OTHER STATES’ INFORMATION

In 2008, Ohio established the financial literacy education fund in the state treasury, administered by the Director of Commerce. The fund is used to support various adult financial literacy education programs developed or implemented by the Director of Commerce.

Also in 2008, legislators in Vermont authorized the establishment of a trust fund to finance financial literacy. The Treasurer’s office is authorized to accept funding from a variety of sources to support these activities.

FISCAL IMPACT

Benefit Program Cost – None.

Administrative Costs/Savings – None.

SUPPORT

American Federation of State, County and Municipal Employees (AFSCME), AFL-CIO
California State Controller John Chiang (co-sponsor)
California State Treasurer Bill Lockyer
California Chamber of Commerce
New America Foundation (co-sponsor)

OPPOSITION

None known.

SUPPORTING ARGUMENTS

- Promotes financial literacy, which is consistent with the strategic benefits plan adopted by the Board.

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