

Bill Number: SB 696 (Lieu) as introduced February 18, 2011

SUMMARY

SB 696 (Lieu) establishes the California Financial Literacy Initiative and authorizes the Controller to administer the initiative and fund that this bill creates. The bill authorizes the Controller to deposit private donations into the fund from entities with no direct financial interest in any financial products. The bill would also require those moneys to be made available upon appropriation in the annual Budget Act and require the Controller to report annually to the Legislature on or before August 30 on the implementation of the initiative.

BOARD POSITION

SUPPORT. This bill is consistent with the board's goal to help members plan financially for retirement and accumulate retirement assets.

PURPOSE OF THE BILL

This bill addresses the concern that financial illiteracy, especially among young people, is a growing problem in California. The purpose of the initiative is to enable partnerships with the financial services community and governmental and nongovernmental stakeholders to improve Californian's financial literacy. In addition, this bill allows the Controller to develop and share financial literacy materials, as well as to connect resources not currently organized in a systematic manner.

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:

SB 696 establishes the California Financial Literacy Fund in the State Treasury to be administered by the Controller. The purpose of the fund is to enable partnerships with the financial services community and governmental and nongovernmental stakeholders to improve Californian's financial literacy. In addition, the bill allows the Controller to develop and share financial literacy materials, as well as to connect resources not currently organized in a systematic manner.

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 report 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. In a nearly

identical measure, AB 597 (Eng) differs from SB 696 by allowing the Controller to convene a financial literacy advisory committee to provide oversight of the fund and develop strategies to improve financial literacy.

SB 696 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 a board member, could vote in support of an investment firm that may have previously donated to the Financial Literacy Fund. Presumably, the Controller would recuse himself or herself under such a circumstance.

This bill is consistent with the strategic benefit plan adopted by the board, which includes efforts to improve financial literacy among CalSTRS members.

LEGISLATIVE HISTORY

HR 300—Carson (2011, Introduced in the House) establishes a grant program in the Department of the Treasury to fund the establishment of centers of excellence to support research, development and planning, implementation, and evaluation of effective programs in financial literacy education for young adults and families ages 15-24 years old.

HR 626—Cleaver (2011, Introduced in the House) requires the Secretary of Education to establish a pilot program to award grants to State and local educational agencies to develop financial literacy programs in elementary and secondary schools.

SR 485—Akaka (2010, Adopted unanimously by Senate) designated April 2010 as “Financial Literacy Month” to raise public awareness about the importance of personal financial education in the U.S.; and the serious consequences that may result from a lack of understanding about personal finances. Resolution also called on the Federal Government, States, localities, schools, nonprofit organizations, businesses, and the people of the United States to observe the month with appropriate programs and activities.

AB 2457—Salas (2010, Vetoed) would have established the California Financial Literacy Fund in the State Treasury and authorized 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 California’s financial literacy.

ACR 147—Lieu (2010, died on the Senate floor) would have declared April 2010 as Financial Aid and Literacy Month to raise public awareness about the need for increased financial literacy; encouraged 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.

HR 767—Johnson (2009, held in the House Subcommittee on Finance and Tax) would have enacted the National Financial Literacy Act of 2009 and provided incentives to

encourage financial institutions and small businesses to provide continuing financial education to customers, borrowers, and employees

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.

OTHER STATES' INFORMATION

The Council of Economic Education conducted a 2009 survey of the States and found

that 44 states currently have K-12 personal finance education or guidelines in place. Due to differing criteria, the JumpStart Coalition (a not-for-profit, volunteer-driven group with hundreds of organizations representing businesses, government agencies, non-profits and education across the states) only considers 24 states to have a component of personal financial education required. Results from the Survey of Personal Financial Literacy indicated low levels of financial literacy among American youth.

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

Program Cost – None.

Administrative Costs/Savings – None.

SUPPORT

None known.

OPPOSITION

None known.

ARGUMENTS

Pro:

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

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