

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB RAC 15-01 Financial Literacy Program for Individuals with Developmental Disabilities

SPONSOR(S): Regulatory Affairs Committee

TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 206

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Regulatory Affairs Committee		Hamon	Hamon

SUMMARY ANALYSIS

The Proposed Committee Bill (bill) creates the Financial Literacy Program for Individuals with Developmental Disabilities within the Department of Financial Services (DFS). The program is designed to promote economic independence for individuals with developmental disabilities by providing education, outreach, and resources on specific financial strategies. The strategies include information regarding earning income; money management skills; buying goods and services; saving and financial investing; mortgage and homeownership; taxes; the use of credit and credit cards; personal budgeting and debt management, including secured and unsecured loans; effective use of banking and financial services; financial planning for the future, including retirement; credit reports and scores; and fraud and identity theft prevention.

The bill requires the DFS to establish a clearinghouse for information regarding the program and other resources available on its website and to develop a brochure that describes the program. Financial institutions, including banks, credit unions, savings associations, and savings banks, will be participants in the development and implementation of the program.

The bill appropriates \$137,234 in nonrecurring funds to implement the program. Financial institutions may incur indeterminate costs associated with the program.

The bill is effective on January 1, 2016.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

Definition of Developmental Disabilities in Florida

Section 393.063(9), F.S., defines developmental disabilities to mean “a disorder or syndrome that is attributable to intellectual disability, cerebral palsy, autism, spina bifida, or Prader-Willi syndrome; that manifests before the age of 18; and that constitutes a substantial handicap that can reasonably be expected to continue indefinitely.”

The Agency for Persons with Disabilities (APD) currently serves approximately 55,000 clients¹ with developmental disabilities. The total population of individuals in Florida with developmental disabilities is indeterminate at this time. In January 2015, the APD extrapolated the estimated Florida population of individuals with developmental disabilities based on national prevalence rates of disorders and syndromes. This calculation suggests that the population of individuals with developmental disabilities could be between 300,000 to 600,000.²

Financial Literacy and Economic Independence

Financial education and literacy are critical components for gaining economic independence. Recently, the National Disability Institute (NDI) evaluated the financial capability among individuals with and without disabilities based on information derived from the FINRA³ Investor Education Foundation’s 2012 National Financial Capability Study.⁴ The NDI report found that individuals with disabilities have greater difficulty in meeting monthly expenses, are less likely to have access to emergency funds, are more likely to carry credit card balances and use non-bank methods of borrowing, are less likely to have received financial education, and have lower financial literacy. The report concluded that individuals with disabilities “are generally marginalized from the economic mainstream, as indicated by the notably lower levels of overall financial capability and economic security compared to persons without disabilities.” The report advocated, “innovative approaches that increase access for individuals with disabilities to financial tools and services that foster informed decision making, build financial confidence, and improve financial capability.”

Various state agencies provide services, benefits, and resources for individuals with disabilities. These agencies include the Agency for Health Care Administration, the Agency for Persons with Disabilities, the Department of Children and Families, the Department of Economic Opportunity (DEO), and the Department of Education. Many state and regional advocacy groups also provide resources and services.

Department of Financial Services

The Chief Financial Officer (CFO) of the State of Florida is the head of the Department of Financial Services.⁵ The CFO has instituted many outreach and education programs to increase the financial literacy of Florida residents and to protect them from financial fraud. These initiatives include a comprehensive online financial literacy and education initiative to provide Hispanic Floridians and their

¹ Email from the Agency for Persons with Disabilities, Summary of Active Clients.

² Email from the Agency for Persons with Disabilities.

³ FINRA is the Financial Industry Regulatory Authority, which is an independent, not-for-profit organization authorized by Congress charged with regulatory oversight of all securities broker-dealers conducting business with the public in the United States.

⁴ Nicole E. Conroy, ET AL., *Financial Capabilities of Adults with Disabilities, Findings from the FINRA Investor Education Foundation 2012 National Financial Capability Study*, National Disability Institute, July 22, 2014.

⁵ Section 20.121, F.S.

families with important personal financial information, a program to educate and protect seniors from financial schemes, and financial education for military service members.⁶

Federal Financial Literacy Programs for Individuals with Disabilities

The Federal Deposit Insurance Corporation developed a voluntary “Money Smart” educational program to help low- to moderate-income individuals understand basic financial services and develop money management skills. The Money Smart program may be used by financial institutions and other organizations interested in sponsoring financial education workshop, and its training materials include training tips and strategies to accommodate participants with disabilities.⁷

The Money Smart program can help banks fulfill part of their Community Reinvestment Act (CRA) obligations. The CRA encourages federally insured banks and thrifts to help meet the credit needs of their entire community, including areas of low-and moderate-income. When a bank's CRA performance is reviewed, the institution's efforts to provide financial education and other retail services are a positive consideration.⁸

On July 21, 2010, the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub.L. 111-203, H.R. 4173, commonly referred to as “Dodd-Frank”) was signed into law. Title X of Dodd-Frank created the Consumer Financial Protection Bureau (CFPB) as an independent bureau housed within the Federal Reserve System. Dodd-Frank mandates that the CFPB work to improve the financial literacy of American consumers by directing the establishment of offices and divisions focused on financial education. The CFPB's 2014 financial literacy annual report discussed several initiatives for vulnerable populations, including individuals with disabilities. The report discussed a national forum on improving financial capabilities for individuals with disabilities, as well as an ongoing initiative to increase access to financial education services and workforce readiness.⁹

Financial Institutions

The Financial Institutions Codes define “financial institution” as a state or federal savings or thrift association, bank, savings bank, trust company, international bank agency, international banking corporation, international branch, international representative office, international administrative office, international trust company representative office, credit union, or an agreement corporation operating pursuant to s. 25 of the Federal Reserve Act, 12 U.S.C. ss. 601 et seq. or Edge Act corporation organized pursuant to s. 25(a) of the Federal Reserve Act, 12 U.S.C. ss. 611 et seq.¹⁰

Under the U.S. dual regulatory system of financial institutions, financial institutions may be chartered under either state or federal law and have a primary federal regulator (Federal Reserve, Federal Deposit Insurance Corporation, etc.). In addition, federal law allows a financial institution to operate in states other than its home charter state.

Effect of the Bill

The bill creates the Financial Literacy Program for Individuals with Developmental Disabilities in DFS. The program is designed to promote economic independence for individuals with developmental disabilities by providing education, outreach, and resources on specific financial strategies. The strategies include information regarding earning income; money management skills; buying goods and services; saving and financial investing; mortgage and homeownership; taxes; the use of credit and

⁶ See Money Matter\$, a one-stop website to access the CFO's financial literacy resources at <http://www.myfloridacfo.com/sitePages/services/flow.aspx?ut=Financial+Literacy> (last accessed on March 9, 2015).

⁷ Federal Deposit Insurance Corporation, Money Smart – Train-the-Trainer, at <https://www.fdic.gov/consumers/consumer/moneysmart/trainthetrainer.htm> (last accessed Mar. 9, 2015).

⁸ Federal Deposit Insurance Corporation, Money Smart – A Financial Education Program, at <https://www.fdic.gov/consumers/consumer/moneysmart/index.html> (last accessed Mar. 9, 2015).

⁹ CONSUMER FINANCIAL PROTECTION BUREAU, *2014 Financial Literacy Annual Report*, pp. 62-64, <http://www.consumerfinance.gov/reports/financial-literacy-annual-report-2014/> (last visited Mar. 9, 2015).

¹⁰ s. 655.005(1)(i), F.S.

credit cards; personal budgeting and debt management, including secured and unsecured loans; effective use of banking and financial services; financial planning for the future, including retirement; credit reports and scores; and fraud and identity theft prevention.

The bill provides that the DFS, in consultation with stakeholders, will develop and implement the program. Financial institutions, including banks, credit unions, savings associations, and savings banks, will be participants in the development and implementation of the program. The DFS will establish a clearinghouse for information regarding the program and other available resources on its website for individuals with developmental disabilities and their employers. The DFS will publish a brochure on its website that describes the program. Upon request, the DFS shall provide print copies of the brochure to financial institutions.

The bill provides that each financial institution may make the DFS brochures available in its principal place of business and each branch office located in Florida, or may provide a hyperlink to the DFS program website. A financial institution or other program participant shall not be subjected to a civil cause of action arising from the distribution or nondistribution of program information.

The bill appropriates \$137,234 in nonrecurring funds from the Insurance Regulatory Trust Fund within the DFS to develop and manage the program which includes printing and postage costs for the brochures.

The bill is effective on January 1, 2016.

B. SECTION DIRECTORY:

Section 1 creates the Financial Literacy Program for Individuals with Developmental Disabilities within DFS.

Section 2 provides a nonrecurring appropriation for the program in the 2015-16 fiscal year.

Section 3 provides an effective date of January 1, 2016.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill appropriates \$137,234 in nonrecurring funds from the Insurance Regulatory Trust Fund within the DFS to implement this program. This includes funding for a temporary employee and expense costs relating to printing and mailing brochures to financial institutions upon request.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Implementation of the program will provide individuals with developmental disabilities an opportunity to obtain a better understanding of financial products and services, money management skills, and other

financial resources that may be available. The program will facilitate greater financial literacy and economic independence. Employers will also benefit from resources that will assist their employees with developmental disabilities.

Financial institutions may incur indeterminate costs associated with providing brochures about the program at their places of business and revising their websites to provide a link to access the Financial Literacy Program's website.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES