Financial Literacy Council

First Report
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CHIEF FINANCIAL OFFICER
STATE OF FLORIDA
Florida Department of Financial Services

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Origin and Purpose

The Financial Literacy Council (hereinafter referred to as "Council") was created by Chapter 2006-140, Laws of Florida. The Council was directed to study the financial challenges that affect consumers—particularly young persons, seniors, working adults and small business owners—which arise from a lack of basic knowledge of financial issues and to provide recommendations to the Chief Financial Officer (CFO) and the Department of Financial Services (DFS) in developing programs and resources aimed at increasing financial literacy among Floridians.

Membership

The Council consists of nine members appointed by the Chief Financial Officer. They include individuals with experience in the areas of finance, credit, insurance, real estate, securities, senior advocacy and education. The council members serve without compensation and receive administrative and staff support from the Department of Financial Services.

The following members were appointed to the Council by CFO Alex Sink:

- Paul H. Auslander, CFP – President, American Financial Advisors (Orlando)
- James R. De Santis – Executive Director, Florida Council on Economic Education (Tampa)**
- Liana Fernandez Fox, Ph.D. – Professor, Hillsborough Community College (Tampa)
- Richard George – President, Junior Achievement of West Central Florida (Safety Harbor)
- Cassandra J. Grayson – Sr. Vice President of Administration, Florida Credit Union League (Tallahassee)
- Doug Heinlen – Member of Florida Executive Council, American Association of Retired Persons (Sarasota)
- Deidre Newton – President and CEO, Community Real Estate Services, Inc. (West Palm Beach)
- Obdulio Piedra – Miami-Dade Market President, Great Florida Bank (Pinecrest)*
- Dulce M. Suarez-Resnick – Senior Account Manager, HBA Insurance Group (Miramar)

* At the first meeting of the Council, Obdulio Piedra was elected to serve as Chairman.
** James DeSantis is no longer with the Florida Council on Economic Education.

Mission

The mission of the Council is to help all Floridians make informed financial decisions.

In keeping with this mission, the Council has targeted several themes:

1. Housing affordability – including property taxes, mortgages and insurance
2. The financial life cycle of the consumer—focusing on financial literacy from kindergarten through retirement.
3. Consumer fraud prevention and recovery

Goals

Goal 1: Awareness and education
To learn more about financial challenges that affect consumers, arising from a basic lack of knowledge of financial issues and to identify existing financial literacy resources.

Goal 2: A single state resource for financial literacy
To make recommendations for the creation of a single state resource that empowers consumers and small businesses to make informed financial decisions. Various tools such as a Web site, literature, training programs and regional presentations could help accomplish this goal.

Goal 3: Outreach
To study and make recommendations to help citizens and small businesses learn more about financial issues. The Council recognizes that information about the Council's work and financial literacy programs should reach all ages and ethnicities, and outreach should involve a proactive and collaborative approach by government, business, education and families.

2007 Activities

CFO Alex Sink convened the first meeting of the Financial Literacy Council on June 25, 2007, in Tallahassee. The Council continued to hold monthly meetings around the state or by conference call. The physical meetings were held in Tampa, Orlando and Miami.

The Council scheduled presentations by existing providers of financial literacy information to learn about trends and the resources that are already available to Floridians. These presenters included:

a. DFS Division of Consumer Services
b. Florida Office of Financial Regulation
c. United Way of Tampa Bay
d. Junior Achievement
e. American Association of Retired Persons
f. Gus A. Stavros Center for Free Enterprise & Economic Education
g. Financial Planning Association of Florida
h. Florida Credit Union League
i. Florida Council on Economic Education
j. Florida Institute of Certified Public Accountants

k. KidsWealth USA, Inc.
l. Lighthouse for Dreams Financial Literacy Program at UCF
m. Collective Banking Group of Miami-Dade
n. Human Services Coalition
o. Acción USA Florida
p. CompuCredit Corporation
q. Miami Saves

The Council voted to create two committees—the Communications & Public Relations Committee and the Fundraising & Budget Committee. Both committees met twice by teleconference.

Council Observations and Recommendations

Although the Council has been active only since June 2007, the members have already identified the following six areas where preliminary recommendations can be made: existing literacy programs, financial literacy in K-12, financial literacy in higher education, credit scores and the sub-prime consumer, the profile of the Council, and the future agenda of the Council.

The Council's observations and recommendations for each of these areas are as follows:

1) <u>Existing Literacy Programs</u>
The Council was impressed by the number, quality, and high value of financial literacy programs that exist in Florida. The variety of outreach efforts and programs are a reflection of Florida's innovative and diverse population. Based on the information presented to the Council, it is perceived that there are currently enough programs and resources in Florida to be effective in addressing the issues related to financial education. However, the Council's opinion is that most of the programs are small in scope, have limited resources or are difficult for the average person to find.

Recommendations:

a. Compile an inventory of all financial literacy programs in Florida and identify their target populations. This inventory should serve as a central point for information with distribution through a variety of media. Analysis of this inventory would also identify duplication of programs and new target audiences.
b. Create a prestigious hallmark of quality award for financial literacy programs that are based on high standards and promote the Council's mission and goals.

2) <u>Financial Literacy in K-12</u>
The Council recognizes the important role of early education in developing financially literate citizens. A nationwide survey conducted by the Jump$tart Coalition for Personal Financial Literacy in 2006 revealed that high school students in Florida got less than half of the answers correct on the personal finance survey, scoring below the national average.

Florida students answered 47.4 percent of the questions correctly, compared with the national average of 52.4 percent.

Recommendations:

a. Include financial literacy topics in 5th–12th grade curricula statewide. These topics should include hands-on, real world applications.
b. Present practical financial literacy programs throughout 5th–12th grades.
c. Include financial literacy and economics measurements in the Florida Comprehensive Assessment Test (FCAT).
d. Require a personal finance course for high school graduation.
e. Assist with the coordination between schools and the many professional organizations that have school programs such as Junior Achievement, the Florida Association of Insurance Agents, the Financial Planning Association of Florida, and the Florida Credit Union League.
f. Encourage programs for teacher training on current financial topics and provide access to resources for training materials.

3) <u>Financial Literacy in Higher Education</u>

Financial literacy education must follow students into college. College students routinely make financial decisions that will impact their lives for years to come. This fact is most evident in their use of credit cards. The University of Central Florida recently surveyed 320 UCF freshmen and found that 35.3 percent received their first credit card in high school and that 47.5 percent do not know how long negative information will stay on their credit reports.

Recommendations:

a. Provide a list of financial literacy resources and/or curriculum guides for use by college faculty in developing relevant course curriculum for credit and non-credit courses.
b. Encourage colleges and universities to raise their standards on credit card solicitations on campus.
c. Work with the state's community colleges and universities to implement a credit card awareness program for students at freshman orientation and other events which would include topics such as interest rates, credit history, credit card use and credit card abuse.

4) <u>Credit Scores and the Subprime Consumer</u>

Credit scores have a lasting impact on an individual or family's ability to become or remain self-sufficient. They not only impact access to credit but virtually every facet of consumers' daily lives such as home and auto insurance rates, rent, employment, and utility deposits.

According to the Federal Deposit Insurance Corporation (FDIC), subprime borrowers typically have weak credit histories and may display a range of characteristics. One of those is a credit bureau risk score (FICO) of 660 or below. The Council learned that although it is easy to move from a prime credit score to a subprime score, it is often very difficult to move from a subprime score to a prime score.

Recommendations:

a. To increase the financial security of subprime consumers, positive credit submissions should be reflected on credit reports in the same manner as negative submissions.
b. Florida's statutory framework must be improved to provide consumer protections that would allow mainstream and alternative financial services companies, whether individually or in partnership, to offer more products and services to subprime consumers so they can improve their credit worthiness.

5) <u>Profile of the Financial Literacy Council</u>

The Council aims to increase awareness about the Financial Literacy Council and the efforts of DFS to increase financial literacy in Florida.

Recommendations:

a. Develop a comprehensive annual statewide campaign prior to and during Financial Literacy Month (April) to include a "State of Financial Literacy" address by the CFO and partnerships for outreach throughout the state.
b. Expand the Council's Web site – to serve as the centerpiece for the promotion of this campaign.
c. Ensure that the diverse population of our state is reached by partnering with existing Prosperity Campaigns throughout Florida.

6) <u>Future agenda of the Council</u>

During the past six months, the Financial Literacy Council has made a substantial effort to address its first goal by learning about the present status of financial literacy in Florida. This effort will continue in 2008. The Council's second goal to provide a single state resource for financial literacy and third goal of increasing outreach efforts will also be a part of their future agenda.

Recommendations:

a. Schedule presentations and discussions on property taxes, mortgages and insurance.
b. Learn more from the Florida Department of Education about the recently adopted Sunshine State Standard that pertains to Financial Literacy education for high school students.

Conclusion

Far-reaching effects occur when individuals make financial decisions based on poor or incomplete information. The Financial Literacy Council desires to help the people of Florida make better, wiser decisions.

Florida is fortunate to have a large number of organizations and educational institutions throughout the state that already have well-established financial literacy programs; but citizens have to be aware, motivated and convinced that the information can be trusted.

There is no single answer to the problem of financial illiteracy. A comprehensive campaign utilizing media, individual and group outreach can create a "wave effect" that will teach Floridians how to make sound financial decisions. The Council anticipates that consumers will learn to take actions that enhance their financial condition.

The Council will continue to study and make recommendations to the CFO and the Department of Financial Services that will support the financial good health of Florida's citizens.

CHAPTER 2006-140

House Bill No. 825

An act relating to the Financial Literacy Council; creating the council; providing purposes; providing for membership; providing for reimbursement for per diem and travel expenses; providing for meetings, procedures, and records; providing powers and duties of the council; providing for resources of the council; requiring that any funds received by the council be deposited in the Department of Financial Services Administrative Trust Fund; providing for expiration of the council; requiring annual reports to the Governor and Legislature; providing a contingent appropriation; providing for construction; providing a limitation on expenditures of certain grant funds; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Financial Literacy Council.—

(1) CREATION.—A council, as defined in s. 20.03, Florida Statutes, named the Financial Literacy Council, is created as an adjunct to the Department of Financial Services. The council shall be subject to the provisions of s. 20.052, Florida Statutes.

(2) PURPOSE.—The purpose of the council is to study financial problems that affect consumers, particularly small businesses, young people, working adults, and seniors that arise from a lack of basic knowledge of financial issues and to provide recommendations to the Department of Financial Services which will assist the department in developing financial literacy programs and resources and providing a single state resource for financial literacy for the general public in order to empower individuals and businesses to manage their financial matters in order to reduce debt, increase savings, and avoid bankruptcy. All recommendations are subject to approval by the Chief Financial Officer.

(3) COMPOSITION.—

(a) The council shall consist of nine members who shall be appointed by and serve at the pleasure of the Chief Financial Officer. Six members must be persons having experience in various areas of the financial industry, such as financial institutions as defined in s. 655.005, Florida Statutes, finance, insurance, real estate, and securities. One member must be a person who is not employed by and is not a representative of the financial industry. One member must be chosen from a list of three persons submitted to the Chief Financial Officer by a senior advocacy group. One member must be chosen from a list of three persons submitted to the Chief Financial Officer by the Florida Council on Economic Education. Members shall include persons who represent rural and urban interests and the ethnic and cultural diversity of the state's population.

(b) The council shall meet at the call of the chair, who shall be elected by vote of a majority of the council at its first meeting, which shall be called by the Chief Financial Officer. Five of the initial members appointed to the council shall serve terms of 3 years each. All other members shall be appointed for terms of 4 years. Members shall serve until their successors are appointed. Vacancies shall be filled for the remainder of the unexpired term in the same manner as the original appointment.

(c) Council members shall serve without compensation; however, each council member is entitled to reimbursement for per diem and travel expenses pursuant to s. 112.061, Florida Statutes.

(d) The Department of Financial Services shall provide administrative and staff support to the council.

(4) MEETINGS; PROCEDURES; RECORDS.—

(a) The business of the council shall be presented to the council in the form of an agenda. The agenda shall be set by the Chief Financial Officer and shall include items of business requested by the council members.

(b) A majority of the members constitutes a quorum, and action by a majority of a quorum shall be official.

(c) The minutes for each meeting shall be submitted to the Chief Financial Officer within 14 days after each meeting.

(5) POWERS AND DUTIES.—The council shall:

(a) Study financial problems that affect consumers, particularly young persons, seniors, and working adults, and small businesses which arise from a lack of basic knowledge of financial issues.

(b) Study and make recommendations to the department regarding the creation of a single state resource for consumers and small businesses to contact for financial assistance.

(c) Study and make recommendations as to how the department may help equip small businesses, young people, working adults, and seniors with the tools and resources they need to make informed financial decisions.

(d) Study and make recommendations as to how the department may help residents of this state learn more about personal finance issues, including, but not limited to, personal savings, applying for loans, managing debt, making sound investment choices, and saving for retirement.

(e) Study and make recommendations to the department regarding the development of best practices for financial management which are characteristic of highly successful small businesses.

(f) Study and make recommendations as to how the department can serve as an educational forum for resource planning, financial planning, and management issues for small businesses.

(g) Assist the department in developing written materials that shall be available to educate consumers and small businesses about basic financial issues.

(h) Study and make recommendations to the department regarding the establishment of an outreach program to help educate affected persons through public meetings or seminars or through web-based media.

(6) RESOURCES.—

(a) The council may apply for and accept funds, grants, gifts, and services from the state, the government of the United States or any of its agencies, or any other public or private source for the purpose of defraying clerical and administrative costs as necessary to carry out its duties under this section. All sums received by the council shall be deposited into the Department of Financial Services Administrative Trust Fund. The moneys received and deposited into the trust fund are appropriated for use by the council in carrying out its duties as prescribed by this section.

(b) The council shall seek out and, wherever possible, use the talents, expertise, and resources of citizens within the state, and especially those of the public school, community college, and state university systems, in furtherance of its mission.

(c) The council may procure information and assistance from any state agency, political subdivision, municipal corporation, or public officer.

(d) The council may coordinate with any state agency, any political subdivision, or any school district of the state in the furtherance of its mission.

(7) EXPIRATION.—The council shall cease to exist on December 31, 2011. Upon expiration, any funds remaining in the Financial Literacy Council account of the Department of Financial Services Administrative Trust Fund shall be appropriated to the department to fund the activities that the department has implemented pursuant to the recommendations of the council.

(8) REPORTS.—Beginning January 1, 2008, the council shall report annually on January 1 to the Governor, the President of the Senate, and the Speaker of the House of Representatives on the activities carried out under this section, including expenditures and funding.

Section 2. For the 2006-2007 fiscal year, the sum of $50,000 in nonrecurring funds is appropriated from the Department of Financial Services Administrative Trust Fund in the specific appropriation category “Financial Literacy Council” to the Financial Literacy Council created by this act. The appropriation is contingent upon prior receipt of grant funds or private contributions by the council for the purposes of this act. This section does not entitle the Financial Literacy Council to expend funds from the Administrative Trust Fund in an amount greater than the amount of grant funds or private contributions received by the council and deposited into the Administrative Trust Fund pursuant to this act.

Section 3. This act shall take effect July 1, 2006.

Approved by the Governor June 9, 2006.

Filed in Office Secretary of State June 9, 2006.