

AMENDED IN ASSEMBLY APRIL 14, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

**ASSEMBLY BILL**

**No. 550**

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**Introduced by Assembly Member Lieu**

February 25, 2009

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An act to add Division 22 (commencing with Section 70000) to the Financial Code, relating to financial literacy.

LEGISLATIVE COUNSEL'S DIGEST

AB 550, as amended, Lieu. California Financial Literacy Initiative.

The California Constitution requires the Legislature to encourage the promotion of intellectual improvement. Existing law regulates financial institutions and their interactions with the public. Existing law recognizes the existence of specialized financial institutions that provide services, including, but not limited to, financial literacy training, to underserved communities.

This bill would establish the California Financial Literacy Initiative in the Controller's office for the purpose of providing resources and instruction to Californians *to improve financial literacy*. The initiative would be administered by the Controller. The bill would establish the California Financial Literacy Fund in the State Treasury and would authorize the Controller to deposit private donations into the fund from entities with no direct financial interest in any financial products. The bill would require those moneys to be made available upon appropriation in the annual Budget Act. The bill would require the Controller, beginning in 2011, to report to specified committees of the Legislature annually on or before August 30 on the implementation of the initiative, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     *SECTION 1. The Legislature finds and declares all of the*  
2 *following:*
- 3     *(a) The average American household consumer credit card debt*  
4 *is about eight thousand five hundred dollars (\$8,500).*
- 5     *(b) Forty-three percent of American families spend more than*  
6 *they earn, and data from the Federal Reserve states that Americans*  
7 *hold a total debt of \$1.9773 trillion, not including mortgage debt,*  
8 *averaging eighteen thousand six hundred fifty-four dollars*  
9 *(\$18,654) per household.*
- 10    *(c) As the mortgage crisis demonstrated, there is a severe*  
11 *shortage of affordable financial advisors to counsel middle and*  
12 *lower income Californians and advise them on how to plan when*  
13 *a fiscal crisis hits.*
- 14    *(d) Studies show that 60 percent of homeowners facing*  
15 *foreclosure did not know to reach out to their lenders, which has*  
16 *proven the best way to avoid foreclosure and foreclosure scams.*
- 17    *(e) The first quarter of 2008 reported 169,831 foreclosure filings*  
18 *in California, the highest in the country, at a rate of one in every*  
19 *78 households.*
- 20    *(f) High school seniors taking part in a national survey of*  
21 *financial knowledge scored an average of 48.3 percent, which is*  
22 *a failing grade.*
- 23    *(g) Undergraduate students reported their freshman year as*  
24 *the most prevalent time for obtaining credit cards, with 78 percent*  
25 *reporting that they obtained their first credit card at 18 years of*  
26 *age.*
- 27    *(h) Sixty-five percent of 18 to 19 year olds, the average age that*  
28 *college students reported getting their first credit card, failed a*  
29 *financial literacy test.*
- 30    *(i) Many groups are dedicated to increasing the financial*  
31 *literacy of Americans and a broad range of quality personal*  
32 *finance instructional materials and curricula have been created*  
33 *for this purpose.*
- 34    *(j) California does not have an official statewide policy or*  
35 *educational plan for the teaching of financial literacy.*

1     (k) *Financial literacy materials and resources exist in many*  
2 *forms but are not organized or collected in a systematic manner.*

3     (l) *The teaching of financial literacy skills is vital to equip the*  
4 *young people of California with the tools they need to enter the*  
5 *workforce.*

6     **SECTION 1.**

7     **SEC. 2.** Division 22 (commencing with Section 70000) is added  
8 to the Financial Code, to read:

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10         **DIVISION 22. CALIFORNIA FINANCIAL LITERACY**  
11                 **INITIATIVE**

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13     70000. For purposes of this division, “initiative” means the  
14 California Financial Literacy Initiative.

15     70001. (a) The California Financial Literacy Initiative is hereby  
16 established in the Controller’s office as a program for improving  
17 financial literacy by providing resources and instruction to  
18 Californians.

19     (b) The initiative shall be administered by the Controller.

20     70002. The California Financial Literacy Fund is hereby  
21 established in the State Treasury. The purpose of the fund is to  
22 implement measures defined by the initiative. The Controller may  
23 accept private donations from entities with no direct financial  
24 interest in any financial products and deposit those donations into  
25 the fund, which shall be made available upon appropriation in the  
26 annual Budget Act.

27     70003. Beginning in 2011, the Controller shall provide to the  
28 respective chairpersons of the Assembly Committee on Banking  
29 and Finance and the Senate Committee on Banking, Finance and  
30 Insurance an annual report on the initiative. This report shall  
31 include, but not be limited to, steps taken to partner with the  
32 financial services community and governmental and  
33 nongovernmental stakeholders to improve Californians’ financial  
34 literacy, a description of the basic financial skills information  
35 available on the Controller’s Internet Web site and plans to improve  
36 that clearinghouse of information, any nonstate funding received  
37 for purposes of this initiative, and any additional recommendations

- 1 to enhance financial literacy in California. This report shall be
- 2 submitted no later than August 30 of each year.

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