SB-455 Financial Empowerment Fund: unbanked and underbanked populations. (2019-2020)

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Senate Bill No. 455

CHAPTER 478

An act to add and repeal Division 10.5 (commencing with Section 24000) of the Financial Code, relating to the Financial Empowerment Fund, and making an appropriation therefor.

[Approved by Governor October 02, 2019. Filed with Secretary of State October 02, 2019.]

LEGISLATIVE COUNSEL'S DIGEST

SB 455, Bradford. Financial Empowerment Fund: unbanked and underbanked populations.

Existing law establishes the Department of Business Oversight, which is responsible for the administration and enforcement of regulations on the activities of various financial entities, including commercial banks, industrial banks, trust companies, credit unions, and savings and loan associations. Existing law requires specified fees, reimbursements, assessments, and other moneys collected by the Division of Corporations within the department to be deposited into the State Corporations Fund for specified purposes.

This bill would, until January 1, 2025, require the department to provide grants of up to $100,000 to specified nonprofits for financial education and financial empowerment programs and services to unbanked and underbanked populations in the state, and would authorize the department to award up to $1,000,000 in grant moneys per fiscal year. The bill would appropriate the sum of $4,000,000 plus reasonable administrative costs, as estimated by the department, from the State Corporations Fund to the Financial Empowerment Fund, established in the State Treasury by the bill, and would continuously appropriate the moneys in the fund to the department for purposes of the program.

Vote: 2/3   Appropriation: yes   Fiscal Committee: yes   Local Program: no

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Division 10.5 (commencing with Section 24000) is added to the Financial Code, to read:

DIVISION 10.5. Financial Empowerment Fund

24000. (a) There is hereby established in the State Treasury the Financial Empowerment Fund. Notwithstanding Section 13340 of the Government Code, moneys in the fund are hereby continuously appropriated without regard to fiscal years to the Commissioner of Business Oversight for purposes of the act.

(b) Notwithstanding Section 13340 of the Government Code, the Controller shall, on July 1, 2020, transfer from the State Corporations Fund to the Financial Empowerment Fund the sum of four million dollars ($4,000,000) plus an amount estimated by the department to be the reasonable costs to administer the division.

(c) The Commissioner of Business Oversight shall use moneys in the Financial Empowerment Fund for allocation to fund financial education and financial empowerment programs and services for at-risk populations in California, as described in Section 24001. The commissioner may additionally use moneys in the Financial Empowerment Fund to cover its costs to administer this act.

24001. (a) The Commissioner of Business Oversight shall administer an application process for grants of up to one hundred thousand dollars ($100,000) per applicant from the Financial Empowerment Fund or shall contract with an independent third party to do so on the department's behalf. The commissioner, or the independent third party designated by the commissioner, may award up to one million dollars ($1,000,000) in grant moneys per fiscal year, beginning in the 2020–2021 fiscal year. To be eligible for selection by the department to administer the grant program, an independent third party must cap its administrative fees at no more than 15 percent of the grant moneys it administers on the department's behalf.

(b) An applicant shall apply to the commissioner or to an independent third party designated by the commissioner for a grant in a form and manner prescribed by the commissioner or the independent third party. To be eligible for a grant, an applicant shall meet both of the following criteria:

(1) The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is organized and operated exclusively for one or more of the purposes described in Section 501(c)(3) of the Internal Revenue Code.

(2) No part of the net earnings of the organization shall inure to the benefit of a private shareholder or individual.

(c) A grantee shall only use grant moneys for the following financial education and financial empowerment programs and services for at-risk populations:

(1) Designing, developing, or offering, free of charge to consumers, classroom- or web-based financial education and empowerment content intended to help unbanked and underbanked consumers achieve, identify, and access lower cost financial products and services, establish or improve their credit, increase their savings, or lower their debt.

(2) Providing individualized, free financial coaching to unbanked and underbanked consumers.

(3) Designing, developing, or offering, free of charge to consumers, a financial product or service intended to help unbanked and underbanked consumers identify and access responsible financial products and financial services, establish or improve their credit, increase their savings, or lower their debt.

(d) A grantee shall use no more than 15 percent of its grant to cover its administrative costs. Failure to comply with this requirement shall render the organization ineligible for grant funding during the subsequent fiscal year.

(e) Every project funded with a grant from the Financial Empowerment Fund shall meet all of the following criteria:

(1) Promote and enhance the economic security of consumers.

(2) Adhere to the five principles of effective financial education described in the June 2017 report, "Effective financial education: Five principles and how to use them," issued by the federal Consumer Financial Protection Bureau.

(3) Include one or more specific outcome targets.

(4) Include an evaluation component designed to measure and document the extent to which the project achieves its intended outcomes and increases consumers' financial well-being.

(f) Each grantee shall submit a report, in a form and by a date acceptable to the Commissioner of Business Oversight, documenting the specific uses to which grant funds were allocated, documenting the number of individuals aided through use of the funds, providing quantitative results regarding the impact of grant funding, and including any other information requested by the commissioner. Failure to submit a report shall render the organization ineligible for grant funding during the subsequent fiscal year.

(g) On or before December 31, 2021, and at least once annually thereafter, the department shall post on its internet website a summary of the information received from grantees pursuant to subdivision (f).

24002. (a) This division shall remain in effect only until January 1, 2025, and as of that date is repealed.

(b) Upon the repeal of this division, the Controller shall transfer any moneys remaining in the Financial Empowerment Fund to the State Corporations Fund.