

Testimony of

Debbie Grose, CFP®

On

Governor Edmund G. Brown Jr.'s Government Reorganization Plan

Before the

Little Hoover Commission

April 24, 2012

Members of the Little Hoover Commission, thank you for inviting me here today to speak with you on behalf of The Financial Planning Association®¹ regarding Governor Brown's proposed Government Reorganization Plan.

My name is Debbie Grose and I am a certified financial planner certificant and a managing member of Lighthouse Financial Planning in Folsom, California. We are fee-only financial advisers who take a whole-life approach to mapping out our clients' financial goals. I am also the President of the FPA of Northern California. We are one of 13 chapters in California that represent over 3000 financial planners and allied professionals located throughout the state. I am honored to represent our entire organization here today.

Financial planners are dedicated to working with consumers on wisely managing their finances so that they can achieve success in their financial goals and navigate challenging financial situations at every stage in life. I am also committed to adhering to the Financial Planning Association's Standard of Care, which ensures that I act with due care and in utmost good faith for my clients, and always put their interests above my own.

I want to personally commend the Governor for focusing on ways to "streamline government, make it more efficient, and reduce unnecessary spending." As a taxpayer I appreciate efforts to spend my money wisely. As a planner, I focus on details to help my clients determine if they are on the road to meeting their financial goals. Unfortunately, without greater detail in the plan it is difficult to determine if it is on the road to meeting the stated objectives and financial goals.

¹The Financial Planning Association is the largest organization in the United States representing financial planners and affiliated firms, with approximately 23,000 individual members. Most are affiliated with investment adviser firms registered with the Securities and Exchange Commission or state securities administrators, and approximately 58 percent hold insurance licenses. FPA is incorporated in Washington, D.C., where it maintains an advocacy office, with headquarters in Denver, Colorado.

Since almost all FPA members hold at least a securities agent or investment adviser license, my comments will be focused on the proposed merger of the state agency that oversees securities agents, investment advisers, and financial planners; the Department of Corporations. As you know, the Governor has proposed to merge the Department of Corporations with the Department of Financial Institutions inside the newly created Department of Business Oversight.

I am happy to report that our members are generally satisfied with their present regulator, the Department of Corporations. That said, some of our members may disagree about statutes and regulations and some have voiced concerns that the staff may already be overworked and lack adequate support. But these issues are systemic, not structural. We urge you to ensure that any changes in the authority of the department should not have the effect of diminishing the power that it presently has to address any concerns that we or other members of the public may have in the future.

Where possible, we support minimizing overlap and redundancy between government agencies. Merging smaller agencies such as the Departments of Corporations and Financial Services may yield cost savings through more efficient use of infrastructure. In general, if agencies have similar constituencies, the public may benefit from having those programs in a single location. Costs may be reduced if duplicative sections are eliminated or services can be improved by reassigning staff members from these duplicative areas to understaffed areas.

But those benefits must be balanced against the money and short term disruptions caused by the structural changes created by the proposal. Physically moving an agency costs money. Simply reassigning staff without adequate training will not make government more efficient. If the savings come solely from staff reductions this may lead to a reduction in service; a possibility that would not be beneficial to our members or the investing public. I would also point out that this summer responsibility for regulating hundreds of advisers will transfer from the US Securities and Exchange Commission to the Department of Corporations under the terms of the Dodd-Frank Reform Act. We question if reorganizing a department in the midst of this massive

increase in responsibility is efficient. My concerns are not just theoretical, under the terms of the Dodd-Frank Act I too will become subject to the jurisdiction of the Department of Corporations for the first time.

Regulatory structure is of particular interest to our members because of the breadth of the advice they give: they have been and will continue to be subject to multiple federal and state regulators including the Department of Corporations, the Department of Insurance and the Board of Accountancy. While a reduction in the number of regulatory “silos” generally increases government efficiency, our members will continue to grapple with the challenges of “silo regulation” under both the existing and the proposed agency structures. To be clear, we are not advocating that the insurance regulator or any other regulator become part of this agency, rather we would like a better understanding of the anticipated efficiencies to be achieved from the proposed merger.

Again, FPA supports efforts to reduce unnecessary government spending while making government more efficient and streamlined. However, without some details as to how much money will be saved and how it will be accomplished we are simply unable to take a position on this proposed reorganization. Once again, thank you for allowing me the opportunity to comment on behalf of the Financial Planning Association. I am happy to respond to any questions.