



1901 Pennsylvania Ave., N.W., Suite 303
Washington, D.C. 20006
Voice: 202.449.6342/ 800.322.4237
Fax: 202.659.0190

E-mail: david.cohen@fpanet.org
Web site: www.fpanet.org

April 16, 2012

Wayne Davis
Project Manager
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Re: Government Reorganization Plan

Dear Mr. Davis:

The Financial Planning Association® (“FPA®”)¹ welcomes the opportunity to comment on Governor Edmund Brown’s proposed Government Reorganization Plan. We commend the Office of the Governor for focusing on ways to “streamline government, make it more efficient, and reduce unnecessary spending.” However, without greater detail in the plan it is difficult to assess the impact and to what extent the changes may improve effectiveness.

Our comments will be focused on the proposed merger of the Department of Corporations with the Department of Financial Institutions inside the newly created Department of Business Oversight since almost all of our 3000 members in California hold at least a securities agent or investment adviser license. Although some of our members may disagree about statutes and regulations, they are generally satisfied with their present regulator, the Department of Corporations. That said, they are concerned that the staff may already be overworked and lack adequate support. But these issues are systemic, not structural. 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 may have in the future.

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.

Minimizing overlap and redundancy between government agencies is something that should always be considered. Merging smaller agencies such as Corporations and Financial Services may yield cost savings through more efficient use of infrastructure. 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 that 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 diminution of service; a possibility that would not be beneficial to our members or the investing public.

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. They 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, we support all attempts 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.

Very truly yours,

David A. Cohen
Assistant Director-Government Relations