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Florida's New Chief Financial Officer

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In 1998, I proposed the merger of two cabinet offices, comptroller and treasurer, into a single cabinet position, to be designated as Florida's Chief Financial Officer. Now, given the passage of Constitutional Revision 8 (1998), Florida's first chief financial officer is poised to take office early next year.

The original objective in proposing the new chief financial officer structure was to improve the overall effectiveness and efficiency of state government in fiscal matters; however, the final revised version of Revision 8, which will become law in January 2003, also eliminated the constitutional office of education commissioner and secretary of state. Florida will now have a governance structure more akin to other states and to most major corporations under this new cabinet structure. The governor will function as the state's chief executive officer aided by the attorney general for legal matters and the chief financial officer for fiscal matters.

While the people of Florida clearly spoke in the ratification of Revision 8, the final action establishing the actual structure of the office of the chief financial officer has been left to the state legislature to structure. In Florida, the organization and governance of state agencies that regulate finances services industries is a matter of legislative discretion rather than a matter of constitutional law. Indeed, it is precisely for that reason the Florida Legislature is now

entertaining several major bills to reorganize the offices of comptroller and state treasurer, consistent with demands of today's economic, institutional, and regulatory environment. Revision 8 opened a window of opportunity for the legislature to decide how best to structure a new regulatory agency. Their task will be to decide between two basic structural schools of thought.

The first structural approach advocates placing all responsibilities, of both the comptroller and treasurer, under a single elected official—the chief financial officer. This would result in extensive state regulatory oversight encompassing the private industries of state chartered banks, credit unions, securities, finance, insurance, mortgage brokers, mortgage banks, and cemeteries, while at the same time being responsible for the oversight of all the state's associated fiscal matters.

The second structural approach would task the chief financial officer exclusively with the oversight and accountability of the state's fiscal matters while shifting the far reaching regulatory responsibilities of state chartered banks, credit unions, securities, finance, insurance, mortgage brokers, mortgage banks, and cemeteries into a Department of Regulatory Services headed by an executive director appointed by and answerable to the governor and cabinet.

The "revisionist" interpretation of Revision 8—that being that the public

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intended to merge the offices of comptroller and treasurer into a single agency headed by the chief financial officer—is an all-too-convenient excuse to exacerbate what is already the most heavily politicized regulatory environment in the country. In no other state does the chief financial officer, comptroller, or treasurer have regulatory responsibility over the private industries mentioned earlier. Likewise, in the private sector, no major corporation would encumber its chief financial officer with additional responsibilities that were not directly related to the financial stability of the company. To establish a structure that is contrary to conventional wisdom as successfully demonstrated by all other state governments in the United States and countless successful corporation is akin to unnecessarily walking through an uncharted mine field. Regulatory functions should be separated from the chief financial officer's responsibilities and the functional regulators of financial services industries should be appointed, not elected. This approach de-politicizes the regulatory process, reduces uncertainty costs for firms entering the Florida market, and enhances public confidence in the soundness and impartiality of regulatory decisions.

During the upcoming legislative deliberations, the members of the legislature must decide, on the one hand, if it is in the best interest of the state and its citizens to place in the hands of a single elected official the influence and power of industries commonly associated with regulatory oversight, or will the state and its citizens be best served by allowing the chief financial officer to concentrate his or her interest and oversight exclusively on the fiscal matters associated with a state budget that this year will exceed 50 billion dollars. The chief financial officer will clearly be tasked with being the state's financial watchdog and ultimately responsible for ensuring accountability and fiscal integrity of all state expenditures. His or her office has a constitutional mandate to fight waste,

fraud, and abuse of public funds by all state agencies. To be truly effective, the chief financial officer must concentrate on this critical financial accountability. Specific responsibilities of the office will include paying for goods and services, issuing warrants (checks), monitoring state investment of public funds, ensuring the state's financial condition, producing the state payroll, preparing financial reports, confirming that the state truly gets what it is paying for, along with a host of other complex fiduciary responsibilities. An independent and effective chief financial officer can enhance the state's financial management practices, reduce the cost of government, and will clearly strengthen public confidence in the business of state government. The state's accounting system processes about 100 million transactions each year and the state maintains investment of roughly \$100 billion. Certainly, a conscientious chief financial officer has plenty to do. A full-time chief financial officer is a must.

I am convinced that this redesigned structure will enhance public accountability over state regulated matters, as well as improve the fiscal oversight over public funds entrusted by the state. The key here is the separation of powers presently entrusted to the comptroller and treasurer. By allowing the chief financial officer to focus on the internal fiscal matters associated with state government and public funds while entrusting the governor and cabinet with the oversight of the Department of Financial Services to regulate private financial industries, the end result will be more stability, greater openness, and an opportunity for bipartisanship in the making of policy decisions that shape the regulation of financial services in Florida. In a word, it is good government at its best, in the sunshine. The citizens and financial industries of Florida deserve nothing less.

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