

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB APC 17-05 Higher Education  
**SPONSOR(S):** Appropriations Committee  
**TIED BILLS:** **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Appropriations Committee		Lloyd	Leznoff

### SUMMARY ANALYSIS

The proposed committee bill conforms statutes to the funding decisions included in the House proposed General Appropriations Act (GAA) for Fiscal Year 2017-18.

The proposed committee bill amends ss. 1004.28 and 1004.70, F.S., removing the provision that allows a college or university direct support organization (DSO) to use personal services from the college or university. This will result in a cost savings for the colleges and universities. The proposed committee bill prohibits a college or university DSO from giving, either directly or indirectly, any gift to a political committee and removes any exceptions. The proposed committee bill narrows the provisions of current law relating to the confidentiality of records of a university or college DSO. Pursuant to the proposed committee bill, only records relating to the identity of donors who wish to remain anonymous will be confidential.

The House proposed General Appropriations Act removes \$9.9 million in recurring general revenue funds from the Florida College System and \$53.2 million in recurring general revenue funds from the State University System as a result of cost savings realized from the proposed committee bill.

The effective date of the proposed committee bill is July 1, 2017.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Current Situation

A direct support organization (DSO) for a college or university is a Florida corporation not for profit, incorporated under the provisions of chapter 617, F.S. and approved by the Department of State<sup>1</sup>. Each of the 28 state colleges, and each of the 12 state universities have at least one direct support organization. The DSO's are organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to, or for the benefit of, a Florida College System institution or a state university<sup>2</sup>. Each DSO has been reviewed and certified by the college or university board of trustees to be operating in a manner consistent with the goals of the college or university and in the best interest of the state<sup>3</sup>.

The college or university boards of trustees are currently authorized to permit the use of property, facilities, and personal services at their college or university by the DSO<sup>4</sup>. "Personal services" includes full-time or part-time personnel as well as payroll processing<sup>5</sup>. Currently, 10 of the state universities and 21 of the state colleges allow their DSO's to use personal services which are funded through university and college funds.

The college and university DSO's are currently prohibited from giving, either directly or indirectly, any gift to a political committee for any purpose other than those certified by a majority roll call vote of the governing board of the DSO at a regularly scheduled meeting as being directly related to the educational mission of the university.<sup>6</sup>

Currently, all records of the University DSO's other than the auditor's report, management letter, and any supplemental data requested by the Board of Governors, university board of trustees, the Auditor General, and the Office of Program Policy Analysis and Government Accountability are confidential.<sup>7</sup> All records of the college DSO's, other than the auditor's report, any information necessary for the auditor's report, any information related to the expenditure of funds, and any supplemental data requested by the board of trustees, the auditor General, and the Office of Program Policy Analysis and Government Accountability is confidential.<sup>8</sup>

##### Effect of Proposed Changes

The proposed committee bill removes the provisions that allow a college or university DSO to use personal services from the college or university. The DSO's will be required to use other funds to pay for staff.

The proposed committee bill prohibits a college or university DSO from giving, either directly or indirectly, any gift to a political committee and removes any exceptions.

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<sup>1</sup> s. 1004.70(1)(a)(1), F.S.; s. 1004.28(1)(a)(1), F.S.

<sup>2</sup> s. 1004.70(1)(a)(2), F.S.; s. 1004.28(1)(a)(2), F.S.

<sup>3</sup> s. 1004.70(1)(a)(3), F.S.; s. 1004.28(1)(a)(3), F.S.

<sup>4</sup> s. 1004.70(3)(a), F.S.; s. 1004.28(2)(a), F.S.

<sup>5</sup> s. 1004.70(1)(b), F.S.; s. 1004.28(1)(b), F.S.

<sup>6</sup> s. 1004.70(4)(d), F.S.; s. 1004.28(4), F.S.

<sup>7</sup> s. 1004.28(5)(b), F.S.

<sup>8</sup> s. 1004.70(6), F.S.

The proposed committee bill narrows the provisions of current law relating to the confidentiality of records of a university or college DSO. Pursuant to the proposed committee bill, only records relating to the identity of donors who wish to remain anonymous will be confidential.

**B. SECTION DIRECTORY:**

Section 1. Amends s. 1004.28, F.S. relating to Direct-support organizations; use of property; board of directors activities; audits; facilities.

Section 2. Amends s. 1004.70, F.S. relating to Florida College System institution direct-support organizations.

Section 3. Provides an effective date of July 1, 2017.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

There are 21 Florida college DSO's that are using personal services from their college. The college DSO's reported \$9.9 million of college funds transferred to the DSO's. See table below.

<b>College Foundation</b>	<b>College Funds spent on Personal Services</b>
Broward College Foundation	\$1,119,874
Chipola College	\$159,546
College of Central Florida	\$369,239
Daytona State College	\$379,291
Florida Gateway College	\$173,512
Florida SouthWestern State College Foundation	\$562,334
Florida State College at Jacksonville	\$555,874
Hillsborough Community College Foundation	\$570,712
Lake Sumter State College	\$283,841
North Florida Community College	\$189,391
Northwest Florida State College	\$210,448
Palm Beach State College	\$476,237
Pasco Hernando State College Foundation, Inc.	\$334,785
Pensacola State College	\$581,196
Polk State College	\$615,076
Seminole State College of Florida Foundation	\$654,803
St. Johns River State College Foundation	\$225,912
St. Petersburg College Foundation, Inc.	\$692,808
State College of Florida - Manatee-Sarasota	\$374,124
Tallahassee Community College	\$668,781
Valencia College	\$669,113
<b>Total</b>	<b>\$9,866,896</b>

There are 10 state university DSO's that are using personal services from their university. The university DSO's reported \$53.2 million of university funds transferred to the DSO's. See table below.

<b>University Foundation</b>	<b>University Funds spent of Personal Services</b>
University of Central Florida Foundation, Inc.	\$10,130,148
University of North Florida Foundation, Inc.	\$1,862,750
Florida Polytechnic University Foundation, Inc.	\$212,422
Florida State University Foundation, Inc.	\$7,346,942
USF Foundation	\$9,650,121
Florida International University, Inc.	\$6,997,249
University of Florida Foundation, Inc.	\$11,752,369
Florida Agricultural & Mechanical University Foundation, Inc.	\$235,340
Florida Atlantic University Foundation, Inc.	\$4,250,975
University of West Florida Foundation, Inc.	\$773,000
<b>Total</b>	<b>\$53,211,316</b>

The proposed committee bill removes the provision that allows a college or university DSO to use personal services from the college or university. This will result in a cost savings for the colleges and universities. The DSO's will be required to use other funds to pay for staff. The DSO's revenues can come from alumni and community contributions, student housing income, investment gains, license tag revenues, as well as other revenue sources.

The House proposed General Appropriations Act removes \$9.9 million in recurring general revenue from the Florida College System and \$53.2 million in recurring general revenue from the State University System as a result of cost savings realized from this proposed committee bill.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

None.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

None

2. Other:

None

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

#### **IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**