HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCS for HB 907 Florida Endowment for Vocational Rehabilitation SPONSOR(S): Post-Secondary Education Subcommittee TIED BILLS: None IDEN./SIM. BILLS: CS/SB 890

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Post-Secondary Education Subcommittee		McAlarney	Bishop

SUMMARY ANALYSIS

Direct-support organizations (DSOs) are statutorily created entities that are generally required to be non-profit corporations and are authorized to carry out specific tasks in support of public entities or public causes. The functions and purpose of a DSO is prescribed by its enacting statute and also, for most, by a written contract with the agency the DSO was created to support.

The ABLE Trust was created in 1990 as a DSO of the Division of Vocational Rehabilitation (DVR). ABLE Trust's statutory goal is to encourage public and private support to enhance vocational rehabilitation and employment of citizens who are disabled. The state of Florida has provided financial support to this DSO through:

- 1. Civil Penalties by County Courts fees,
- 2. DOE/DVR High School/High Tech Programs funds,
- 3. Temporary Handicap Parking Permit fees,
- 4. Motorcycle specialty license plate fees,
- 5. Custodial agent fees,
- 6. Direct appropriations.

The Florida Endowment for Vocational Rehabilitation, aka The ABLE Trust, is a direct-support organization (DSO). The statutory authority for the ABLE Trust is scheduled for repeal on October 1, 2017, unless reviewed and saved from repeal by the Legislature. Any funds or accounts held in trust by the DSO revert to the state upon repeal.

The bill extends the repeal to October 1, 2018. The bill also removes the ABLE Trust as custodial agent for the motorcycle specialty license plate fees and directs funds currently received by the ABLE Trust to the Grants and Donations Trust Fund of the Division of Vocational Rehabilitation of the Department of Education, Florida Association of Centers for Independent Living, Brain and Spinal Cord Injury Program Trust Fund, Prevent Blindness Florida, and the Blind Services Foundation of Florida.

The bill increases transparency and oversight of the DSO by requiring the DSO to separately account for state and private funds; requiring private funds be spent on administrative expenses which are limited to fifteen percent of estimated expenditures; and requiring the DSO to post additional information on its website, including the annual audit and annual report.

This bill has an effective date of July 1, 2017.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Direct-Support Organizations

Direct-support organizations (DSOs) are statutorily created entities that are generally required to be non-profit corporations and are authorized to carry out specific tasks in support of public entities or public causes. The functions and purpose of a DSO is prescribed by its enacting statute and also, for most, by a written contract with the agency the DSO was created to support.

Prior to 2014, there was no formal review process in law to determine whether a DSO was established pursuant to such authorization, or whether the rationale for the authorization remained applicable.

Chapter 2014-96, Laws of Florida¹ established reporting and transparency requirements for each DSO that is created or authorized pursuant to law or executive order and created, approved or administered by a state agency. The DSO must report information related to its organization, mission, and finances to the agency it was created to support by August 1 of each year.² Specifically, a DSO must provide:³

- The name, mailing address, telephone number, and website address of the organization;
- The statutory authority or executive order that created the DSO;
- A brief description of the mission of, and results obtained by, the organization;
- A brief description of the organization's plans for the next three fiscal years;
- A copy of the organization's code of ethics; and
- A copy of the organization's most recent federal Internal Revenue Service Return of Organization Exempt from Income Tax form (Form 990).

Each agency receiving the above information from a DSO must make the information available to the public through the agency's website. If the DSO maintains a website, the agency's website must provide a link to the DSO's website.⁴ Additionally, any contract between an agency and a DSO must be contingent upon the DSO's submission and posting of this information.⁵ If a DSO fails to submit the required information for two consecutive years, the agency is required to terminate the contract between the agency and the DSO.⁶

By August 15 of each year, each agency must report to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Office of Program Policy Analysis and Government Accountability the information provided by the DSO. The report must also include a recommendation by the agency, with supporting rationale, to continue, terminate, or modify the agency's association with each organization.⁷

Lastly, a law creating, or authorizing the creation of, a DSO must state that the creation of or authorization for the DSO is repealed on October 1 of the 5th year after enactment, unless reviewed and saved from repeal through reenactment by the Legislature. DSOs in existence on July 1, 2014, must be reviewed by the Legislature by July 1, 2019.

⁷ Section 20.058(3), F.S. **STORAGE NAME**: pcs0907.PSE **DATE**: 3/24/2017

¹ Section 20.058, F.S.

² Section 20.058(1), F.S.

³ Section 20.058(1)(a)-(f), F.S.

⁴ Section 20.058(2), F.S.

⁵ Section 20.058(4), F.S.

⁶ *Id*.

DSO Audit Requirements

DSOs with annual expenditures in excess of \$100,000 that are administered by a state agency are statutorily-required to provide for an annual financial audit of accounts and records to be conducted by an independent certified public accountant. Such audit report is submitted by the DSO within nine months after the end of the fiscal year to the Auditor General and to the state agency responsible for its creation, administration, or approval.⁸

Additionally, the Auditor General may, pursuant to his or her own authority, or at the direction of the Legislative Auditing Committee, conduct audits or other engagements of the DSO's accounts and records.⁹ The Auditor General is authorized to require and receive any records from the DSO, or from its independent auditor.¹⁰

DSO Ethics Code Requirements

Section 112.3251, F.S., requires a DSO created or authorized pursuant to law to adopt its own ethics code. The ethics code must contain the specified standards of conduct and disclosures provided in s. 112.313, F.S. and s. 112.3143(2), F.S. A DSO may adopt additional or more stringent standards of conduct and disclosure requirements and must conspicuously post its code of ethics on its website.¹¹

Florida Endowment for Vocational Rehabilitation, aka The ABLE Trust

The Florida Endowment for Vocational Rehabilitation, aka The ABLE Trust, was created in 1990 as a DSO of the Division of Vocational Rehabilitation (DVR).¹² ABLE Trust's statutory goal is to encourage public and private support to enhance vocational rehabilitation and employment of citizens who are disabled.¹³

The legislative intent was to recognize that it is in the best interest of Florida that citizens with disabilities be afforded a fair opportunity to become self-supporting, productive members of society. The Legislature felt there was a critical need for significant additional funding to achieve this goal. Therefore, the Legislature found and declared:¹⁴

- 1. With skilled evaluation procedures and proper rehabilitate treatment, plus employment, training, and supportive services consistent with the needs of the individual, persons who are disabled can assume the activities of daily living and join their communities with dignity and independence.¹⁵
- 2. The need to broaden the participation and funding potential for future significant support for the rehabilitation the disabled.¹⁶
- 3. To encourage individual and corporate support and involvement, as well as state support and involvement, to promote employment opportunities for disabled citizens.¹⁷

⁸ Section 215.981, F.S.

⁹ Section 11.45(3), F.S.

¹⁰ Section 11.45(3)(d), F.S.

¹¹ Section 112.3251, F.S.

¹² Section 413.615 (5), F.S.

 $^{^{13}}$ Id.

¹⁴ Section 413.615 (3), F.S.

¹⁵ Section 413.615 (3) (a), F.S.

¹⁶ Section 413.615 (3) (b), F.S.

¹⁷ Section 413.615 (3) (c), F.S.

STORAGE NAME: pcs0907.PSE

The DSO is a 501(c)(3) non-profit public/private partnership.¹⁸ Vocational rehabilitation is the focus of The ABLE Trust's programs and grants. The ABLE Trust supports a diversity of projects, including on-the-job coaching, supported employment, job skills-training, job development, employer outreach, ADA facility compliance, skills evaluation and programs leading to employment. The positive impact of The ABLE Trust's grant awards has been felt by non-profit agencies serving people with various disabilities, community colleges and individuals with documented disabilities.¹⁹

The DSO must operate under a written contract with the DVR and must:²⁰

- Be a Florida corporation not-for-profit incorporated under the provisions of chapter 617 and approved by the Department of State.²¹
- Be organized and operated exclusively to raise funds; to submit requests and receive grants from the Federal Government, the state, private foundations, and individuals; to receive, hold, and administer property; and to make expenditures to or for the benefit of the rehabilitation programs by the board of directors of the foundation.²²
- Be approved by the division to be operating for the benefit and best interest of the state.²³

The contract between the DSO and DVR must provide for:²⁴

- Approval of the article of incorporation of the foundation by the division.²⁵
- Governance of the foundation by a board of directors (BOD) appointed by the Governor.²⁶
- Submission of an annual budget of the foundation for approval by the division.²⁷
- Certification by the division, after an annual financial and performance review, that the foundation is operating in compliance with the terms of the contract and the rules of the division, and in a manner consistent with the goals of the legislature in providing assistance to disabled citizens.²⁸
- The release and conditions of the expenditure of any state revenues.²⁹
- The reversion to the state of moneys in the foundation and in any other funds and accounts held in trust by the foundation if the contract is terminated.³⁰
- The fiscal year of the foundation, to begin on July 1 and end on July 30 of each year.³¹

The BOD is constituted in the following manner:

- a) Membership: The BOD must have nine members who have:
 - 1. Skills in foundation work or other fundraising activities, financial consulting, investment banking, or other related experience; or
 - 2. Experience in policymaking or management-level positions or have otherwise distinguished themselves in the field of business, industry, or rehabilitation.
- b) Appointment: The members are appointed by the Governor.
- c) Terms: Members serve for 3-year terms.
- d) Removal for cause: The Governor may remove any member for malfeasance, misfeasance, neglect of duty, incompetence, or permanent inability to perform official duties or for pleading nolo contendere to, or being found guilty of, a crime.

 19 *Id*.

¹⁸ <u>http://www.abletrust.org/about-us</u> (last visited Mar. 13, 2017).

²⁰ Section 413.615 (5), F.S.

²¹ Section 413.615 (5) (a), F.S.

²² Section 413.615 (5) (b), F.S.

²³ Section 413.615 (5) (c), F.S.

²⁴ Section 413.615 (6), F.S.

²⁵ Section 413.615 (6) (a), F.S.

²⁶ Section 413.615 (6) (b), F.S.

²⁷ Section 413.615 (6) (c), F.S.

²⁸ Section 413.615 (6) (d), F.S.

²⁹ Section 413.615 (6) (e), F.S.

³⁰ Section 413.615 (6) (f), F.S.

³¹ Section 413.615 (6) (g), F.S.

STORAGE NAME: pcs0907.PSE

The BOD may solicit and receive bequests, gifts, grants, donations, goods, contracts, and services.³² Also, the BOD may make gifts or grants to:³³

- State or local governments;³⁴
- Corporations, trusts, associations, or foundations organized and operated exclusively for charitable, educational, or scientific purposes;³⁵
- Any citizen with a documented disability;³⁶
- DVR for purposes of program recognition and marketing, public relations and education, professional development, and technical assistance and workshops for grant applicants and recipients, the business community, and individuals with disabilities or recognized groups organized on their behalf.³⁷

The BOD is required to use the DSO operating account funds for:

- Planning, research, policy development, and dissemination of information to promote initiatives for disabled citizens;³⁸
- Promotion of initiative for disabled citizens.³⁹
- Programs which aid in job training and counseling for disabled citizens;⁴⁰ and
- Programs which advance a better public understanding and appreciation of the field of vocational rehabilitation.⁴¹

The DSO must conduct an annual financial audit if its expenditures exceed \$100,000.⁴² An annual report to the Governor, President of the Senate, Speaker of the House of Representatives, and Commissioner of Education by February 1st. The report must summarize the endowment fund performance, summarize fundraising activities and performance, and detail supported activities and programs.⁴³

State Funding of this DSO

This DSO receives state funds from the following sources: civil penalties by county courts,⁴⁴ temporary handicap parking permits,⁴⁵ motor cycle specialty license plates,⁴⁶ custodial fees for specialty license plate funds,⁴⁷ the Tax Collection Enforcement Diversion Program,⁴⁸ and the DOE/DVR High School/High Tech Program.⁴⁹

Civil Penalties by County Courts

⁴⁵ Section 320.0848, F.S.

³² Section 413.615 (9) (b), F.S.

³³ Section 413.615 (9) (e), F.S.

³⁴ Section 413.615 (9) (e) 1., F.S.

³⁵ Section 413.615 (9) (e) 2., F.S.

³⁶ Section 413.615 (9) (e) 3., F.S.

³⁷ Section 413.615 (9) (e), 4., F.S.

³⁸ Section 413.615 (10) (a), F.S.

³⁹ Section 413.615 (10) (b), F.S.

⁴⁰ Section 413.615 (10) (c), F.S.

⁴¹ Section 413.615 (10) (d), F.S.

⁴² Section 215.981 (1), F.S.

⁴³ Section 413.615 (12), F.S.

⁴⁴ Section 318.21, F.S.

⁴⁶ Section 320.08068, F.S.

 $^{^{47}}_{40}$ Id.

⁴⁸ Section 413.4021, F.S.

 ⁴⁹ Florida Department of Education, Office of Inspector General, High School/High Tech Program, *Report #M-1213-010*, July 2015, http://www.fldoe.org/core/fileparse.php/7514/urlt/Able-Trust-HSHT-Final-Report-M-1213-010.pdf (last visited Mar. 23, 2017).
STORAGE NAME: pcs0907.PSE PAGE: 5
DATE: 3/24/2017

The DSO receives funding from civil penalties received by county courts. These funds are distributed to and paid monthly by the Department of Revenue (DOR). There are six ways this DSO is funded by civil court penalties:

- 1. <u>Section 318.21 (2) (e), F.S.</u>: 2% of all fines are distributed monthly to this DSO. This percentage is calculated after the DOR distributes the first \$2 to other trust funds.⁵⁰
- Section 318.18 (3) (f), F.S.: An additional fine of up to \$250 is paid and is distributed to this DSO pursuant to s. 318.21, F.S., if a violation of s. 316.1301, F.S., or s. 316.1303 (1), F.S., results in an injury to the pedestrian or their property.⁵¹
- 3. <u>Section 318.21 (5)</u>, F.S.: 60% is distributed monthly to this DSO of the additional fine assessed under s. 318.18(3)(f) for a violation of s. 316.1303(1).⁵²
- Section 318.21 (5), F.S.: 40% is distributed to this DSO pursuant to s. 318.21 (2) (e), F.S., of the additional fine assessed under s. 318.18 (3) (f), F.S., for a violation of s. 316.1303 (1), F.S.⁵³
- 5. <u>Section 318.21 (7), F.S.</u>: The remaining amount, after a nominal amount is distributed to another trust fund, is distributed to this DSO pursuant to s. 318.21 (2) (e), F.S., for fines assessed under s. 318.18 (3) for speed exceeding the limit.⁵⁴
- Section 318.21 (15)(a)1., F.S.: \$60 is distributed to this DSO as provided in s. 318.21, F.S. of the \$158 fine for a violation of s. 316.074 (1), F.S., or s. 316.075(1) (c) 1, F.S., when a driver has failed to stop at a traffic signal and when enforced by a law enforcement officer.⁵⁵

DOE/DVR High School/High Tech Program

The High School/High Tech (HS/HT) program assists disabled youths as they transition from school to post-secondary activities such as entry into postsecondary education and engaging in the workforce. HS/HT has received significant support from the state of Florida and the U.S. Department of Labor's Office of Disability Employment Policy (ODEP).⁵⁶

The overarching goal of Florida HS/HT is to work in partnership with state and local Vocational Rehabilitation Services, Workforce Investment Boards, other state agencies, academia, and business partners to expand the capacity of public and private organizations and individuals to form an enhanced statewide support system.⁵⁷

HS/HT is designed to provide high school students with all types of disabilities the opportunity to explore jobs or postsecondary education leading to technology- related careers.⁵⁸ The DSO administers the program through a contract with the DVR. There are currently 43 HS/HT project sites across Florida.⁵⁹

HS/HT programs operate in several states and in Florida since 1995. In 1995, the National Aeronautics and Space Administration (NASA) provided five years of funding to establish a local program at the Space Coast Center for Independent Living in Cocoa Beach. It focused on youth with an interest in science, technology, engineering, and mathematics (STEM).⁶⁰

The DSO's task as a state-level manager of the HS/HT program is to:

- 1) Reduce the high school dropout rate of youth with disabilities.
 - 2) Increase enrollment in postsecondary institutions.

⁵⁶ http://www.ncwd-youth.info/node/498

STORAGE NAME: pcs0907.PSE DATE: 3/24/2017

⁵⁰ Section 318.21 (2) (e), F.S.

⁵¹ Section 318.18 (3) (f), F.S.

⁵² Section 318.18 (5), F.S.

⁵³ Section 318.21 (5), F.S.

⁵⁴ Section 318.21 (7), F.S.

⁵⁵ Section 318.18 (15) (a) 1., F.S.

⁵⁷ http://www.ncwd-youth.info/node/498

⁵⁸ <u>http://www.abletrust.org/youth-programs/florida-high-school-high-tech</u> (last visited Mar. 13, 2013)

⁵⁹ <u>http://www.abletrust.org/youth-programs/florida-high-school-high-tech/contact-hsht</u> (last visited Mar. 13, 2013)

⁶⁰ http://www.ncwd-youth.info/node/498

 Improve participation in education, vocational, and employment related activities in technology related fields.⁶¹

Temporary Handicap Parking Permits

The DSO receives \$4 from the fees for a temporary disabled parking permit which is \$15.62

Motor Cycle Specialty License Plates

The Department of Transportation (DOT) issues a specialty license plate upon request and payment of the appropriate license taxes and fees.⁶³ DOT collects an annual license plate use fee of \$20. The annual use fees are distributed to the DSO as custodial agent. The DSO may retain a maximum of 10% of the proceeds from the sale of the license plate for administrative costs.⁶⁴

The DSO must distribute the remaining funds in the following manner:

- 1. 20% to the DSO.65
- 2. 20% to the Brain and Spinal Cord Injury Program Trust Fund.⁶⁶
- 3. 20% to Prevent Blindness Florida.⁶⁷
- 4. 20% to the Blind Services Foundation of Florida.⁶⁸
- 5. 20% to the Florida Association of Centers for Independent Living.⁶⁹

Tax Collection Enforcement Diversion Program

This program collects sales tax dollars due to the state from persons who have not remitted their tax. The criteria for referral to the program is determined by DOR and the participating state attorneys' offices.⁷⁰ 50 percent of the revenues are deposited into this DSO's special reserve account. The funds are used to administer the James Patrick Memorial Work Incentive Personal Attendant Services and Employment Assistance Program. Also, the funds are used by the DSO to contract with the state attorneys participating in the program.⁷¹ This program is operated only from funds deposited into the operating account of this DSO.⁷²

Effect of Proposed Changes

The bill revises the distribution of civil penalties collected by county courts from the Florida Endowment Foundation for Vocational Rehabilitation (DSO) to the DVR. The bill also removes the DSO as custodial agent of the motorcycle specialty license plate fees. Recipients will receive more funds by removing the ten percent administrative costs associated with the DSO. Also, the Florida Association of Centers for Independent Living will now receive the tax collection enforcement diversion program fees and motorcycle specialty license plate fees directly to support the James Patrick Memorial Incentive Personal Attendant Services and Employment Assistance Program and administrative costs are reduced from twelve percent to ten percent of the funds received.

⁶⁸ Section 320.08068 (4) (c), F.S.

⁶¹ <u>http://www.abletrust.org/youth-programs/florida-high-school-high-tech/about-hsht</u> (last visited Mar. 13, 2017)

⁶² Section. 320.0848 (3) (c), F.S.

⁶³ Section 320.08068 (2), F.S.

⁶⁴ Section 320.08068 (4), F.S.

⁶⁵ Section 320.08068 (4) (d), F.S. These funds are restricted to the support of the James Patrick Memorial Work Incentive Personal Attendant Services and Employment Assistant program pursuant to s. 413.402, F.S. The DSO is receiving more than 30% of this use fee.

⁶⁶ Section 320.08068 (4) (a), F.S.

⁶⁷ Section 320.08068 (4) (b), F.S.

⁶⁹ Section 320.08068 (4) (e), F.S.

⁷⁰ Section 413.4021, F.S.

⁷¹ Section 413.4021 (1), F.S.

⁷² Section 413.4021 (2), F.S.

STORAGE NAME: pcs0907.PSE DATE: 3/24/2017

The bill revises the distribution of the proceeds from temporary disabled parking permit fees from the DSO to the DVR of the Department of Education to improve employment and training opportunities for person who have disabilities, with special emphasis on removing transportation barriers.

The bill increases the oversight of the DSO. Funds received from state sources shall be accounted for separately from other public or private sources. Administrative costs must be kept to the minimum necessary for the efficient and effective administration of the foundation. Administrative costs must be paid from private funds and earnings and are limited to 15% of total estimated expenditures in any calendar year.

The bill increases transparency of DSO activities by requiring the DSO to publish on its website:

- The required annual audit and annual report.
- For each position filled by an officer or employee, the position's compensation level.
- A copy of each contract into which the foundation enters.
- Information on each program, gift, or grant funded by the foundation, including:
 - Projected economic benefits at the time of the initial award date;
 - Information describing the program, gift, or grant funded;
 - The geographic area impacted;
 - Any matching, in-kind support, or other support;
 - The expected duration; and
 - \circ Evaluation criteria.
- The foundation's required contract with the DVR.

Any funds used to conduct research, advertising or consulting must be made pursuant to a competitive solicitation. State funds may not be used to fund events for private sector donors or potential donors or to honor supporters.

The annual report must include financial data, by service type, including expenditures for administration and the provision of services and outcome data including the number of individuals served, including employment outcomes.

The bill extends the repeal of the Florida Endowment for Vocational Rehabilitation, aka The ABLE Trust, direct-support organization until October 1, 2018.

B. SECTION DIRECTORY:

Section 1. Amends ss. 318.21 (2) (e) and (5), F.S., changing the distribution of civil penalties by county courts from the Florida Endowment Foundation for Vocational Rehabilitation to the Grants and Donations Trust Fund of Vocational Rehabilitation of the Department of Education.

Section 2. Amends s. 320.08068 (4), F.S., deleting the custodial agent and changing the distribution of motorcycle specialty license plate fees.

Section 3. Amends s. 320.0848, F.S., changing the distribution of temporary disabled parking permit fees.

Section 4. Amends s. 413.402, F.S., changing the distribution of the James Patrick Memorial Work Incentive Personal Attendant Services and Employment Assistance Program fees.

Section 5. Amends s. 413.4021 (1) and (2), F.S., changing the distribution of the tax collection enforcement diversion program fees.

Section 6. Amends s. s. 413.615, F.S., extending the repeal of the Florida Endowment for Vocational Rehabilitation, aka The ABLE Trust, direct-support organization , until October 1, 2018; and providing additional oversight of the DSO.

Section 7. This bill has an effective date of July 1, 2017.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

- B. FISCAL IMPACT ON LOCAL GOVERNMENTS:
 - 1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Current recipients of state funds may be able to serve more clients and provide more services due to the reduction in administrative expenses.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

Not applicable.