

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1862

SPONSOR: Governmental Oversight and Productivity Committee and Senator Wise

SUBJECT: Direct-Support Organizations

DATE: February 26, 2002 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Rhea	Wilson	GO	Favorable/CS
2.			CF	
3.			AHS	
4.			AP	
5.				
6.				

I. Summary:

This bill authorizes the Department of Children and Family Services and the Department of Elderly Affairs to establish "direct-support organizations" as not-for-profit corporations, to raise funds, receive grants, gifts and bequests and make expenditures for the benefit of the departments and their projects and programs.

A "direct-support organization" is a Florida not-for-profit corporation, incorporated under the provisions of ch. 617, F.S., and authorized by Florida law as a direct-support organization to benefit or to provide assistance to a governmental entity. Such entities have been provided for throughout Florida Statutes for different agencies and commissions, including universities and local school boards.

The bill provides that the purposes and objectives of the organization must be consistent with the priority issues and objectives of each department and in the best interest of the state. Each department is authorized to permit the appropriate use of property and facilities for the purposes of the organization. The bill provides for annual post-audit of financial accounts by an independent certified public accountant.

This bill creates the following sections of the Florida Statutes: 20.193 and 430.065.

II. Present Situation:

A "direct-support organization" is a Florida not-for-profit corporation, incorporated under the provisions of ch. 617 of Florida Statutes, and authorized by Florida law as a direct-support organization to benefit or to provide assistance to a governmental entity.

Direct-support organizations are provided for in statute for many departments and programs. These include, the Department of Education, s. 229.8021, F.S., District School Boards, s. 237.40, F.S., Community Colleges, s. 240.363, F.S., the Department of Corrections, s. 944.802, F.S., and the Department of Juvenile Justice, s. 985.4145, F.S.

Direct-support organizations are associated with various functions of the Office of Tourism, Trade and Economic Development in ch. 288, F.S., including sports promotion and economic development. Several commissions have statutory provisions for direct-support organizations, including the Florida Commission on Community Service, s. 14.29, F.S., the Florida Agriculture in the Classrooms Program, s. 570.903, F.S., and Assistance to Victims of Crime, s. 960.002, F.S.

Examples of the types of direct-support organizations that are affiliated with the State University System as of March 2, 2001 for Florida State University and the University of Florida are:

FLORIDA STATE UNIVERSITY

- The Florida State University Alumni Association, Inc.
- Florida State University International Programs Assoc., Inc.
- FSU Financial Assistance, Inc.
- The Florida State University Foundation, Inc.
- Seminole Boosters, Inc.
- The Florida State University Research Foundation, Inc.

UNIVERSITY OF FLORIDA

- Florida 4-H Club Foundation, Inc.
- University of Florida National Alumni Association, Inc.
- Florida Association of Basic Medical Scientists, Inc.
- Florida Foundation Seed Producers, Inc.
- University of Florida Foundation, Inc.
- Gator Boosters, Inc.
- University of Florida Law Center Association, Inc.
- University of Florida Research Foundation, Inc.
- University Athletic Association, Inc.
- Southwest Florida Research and Education Foundation, Inc.
- Treasure Coast Agricultural Research Foundation, Inc.
- University of Florida Leadership & Education Foundation, Inc.
- Citrus Research and Education Foundation, Inc.

Direct-support organizations authorized by law are subject to various legal, regulatory and contractual requirements. Pursuant to s. 215.981, F.S., each direct-support organization must provide for an annual financial audit of its accounts and records to be conducted by an independent certified public accountant in accordance with rules adopted by the Auditor General and the state agency that created, approved, or administered the direct-support or citizen-support organization.

The Office of the Auditor General has established rules for auditing direct-service organizations (Ch. 10.700). It is the intent of the rule to supplement audit requirements mandated by other

governmental entities that have authority over direct-support organizations. The rule is based on the standards for Financial Statements of Not-For-Profit Organizations established by the Financial Accounting Standards Board. If the audit determines that the organization is a governmental entity, it is required to include a report on financial statements presented in accordance with reporting standards established by the Governmental Accounting Standards Board.

III. Effect of Proposed Changes:

The bill creates sections 20.193 and 430.065, F.S., to authorize “direct-support organizations” as not-for-profit corporations to raise funds, receive grants, gifts and bequests and make expenditures for the benefit of the Department of Children and Family Services and Department of Elderly Affairs.

The legislation creates a vehicle for receiving money to benefit each department and its programs and projects. The provision allowing the corporation to raise funds to accomplish its purpose should be to the benefit of each department, which does not presently have such authority.

The bill establishes that the purposes and objectives of the organization must be consistent with the priority issues and objectives of each department and in the best interest of the state. Each department is authorized to permit the appropriate use of property and facilities for the purposes of the organization. The bill provides for an annual post-audit of financial accounts by an independent certified public accountant.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

According to the Department of Children and Family Services, the legislation creates another vehicle for receiving money to benefit the department and its programs and projects. The provision allowing the corporation to raise funds to accomplish its purpose should be to the benefit of the department, which does not presently have such authority.

According to the department, to the extent there is an expectation the department will become administratively or otherwise involved with the administration and costs of the corporation, there will be resource and accounting issues involved requiring keeping of donation and inventory records, processing of cash receipts and expenditures, personnel records for any employees of the corporation, IRS and other reporting obligations, allocation of administrative expenditures, audit and other costs.

The Department of Children and Family Services estimates an annual cost of \$75,000 (2 FTEs) to maintain accounting functions for each corporation established, if the department is required to fund function.

The Department of Elderly Affairs estimates no fiscal impact from the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.