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A bill to be entitled An act relating to community-based child welfare agencies; amending s. 409.016, F.S.; defining the term "management functions"; amending s. 409.987, F.S.; authorizing the Department of Children and Families to extend contracts with community-based care lead agencies under certain circumstances; revising requirements for an entity to serve as a lead agency; providing duties for board members and board of directors of lead agencies; requiring that lead agencies ensure that board members participate in certain annual training; revising the definition of the term "conflict of interest"; defining the term "related party"; requiring the lead agency's board of directors to disclose any known or potential conflicts of interest; prohibiting a lead agency from entering into a contract or being a party to any transaction with related parties if a conflict of interest is not properly disclosed; prohibiting a lead agency from entering into a contract or being a party to any transaction with related parties for officer or director level staffing to perform management functions; removing obsolete language; authorizing a lead agency to enter into certain contracts or be a party to certain transactions under certain

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circumstances; requiring department contracts with lead agencies to include certain contractual penalty provisions; specifying the contractual penalties; providing applicability; requiring certain contracts to be reprocured; requiring the department to recoup lead agency expenses for the execution of certain contracts; amending s. 409.988, F.S.; revising lead agency duties and authority; repealing s. 409.991, F.S., relating to allocation of funds for communitybased care lead agencies; creating s. 409.9913, F.S.; providing definitions; requiring the department, in collaboration with the lead agencies and providers of child welfare services, to develop a specific funding methodology for the allocation of core services which meets certain criteria; requiring the lead agencies and providers of child welfare services to submit to the department certain financial information for the development of the funding methodology; requiring the department to submit to the Governor and the Legislature certain reports by the established deadlines; subjecting the allocation of core services to the requirements of ch. 216, F.S.; authorizing the department to include certain rates and total allocations in certain reports; requiring the Legislature to allocate funding to the lead agencies

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with due consideration of the funding methodology, beginning with the 2025-2026 fiscal year; prohibiting the department from changing a lead agency's allocation of funds provided in the General Appropriations Act without legislative approval; authorizing the department to approve certain risk pool funding for a lead agency; requiring the department to submit to the Governor and the Legislature certain reports by the established deadlines; amending s. 409.992, F.S.; revising requirements for lead agency practices in the procurement of commodities and contractual services; requiring the department to impose certain penalties for a lead agency's noncompliance with applicable procurement law; requiring a contract between the department and a lead agency to specify the rights and obligations to real property held by the lead agency during the term of the contract; providing applicability; providing applicability of certain limitations on the salaries of community-based care lead agency administrative employees; amending s. 409.994, F.S.; revising the conditions under which the department may petition a court for the appointment of a receiver for a community-based care lead agency; amending s. 409.996, F.S.; revising requirements for

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contracts between the department and lead agencies;
making a technical change; providing duties of the
department; providing reporting requirements;
requiring the department to convene a working group to
submit a certain report to the Governor and the
Legislature by a certain date; providing membership
and termination of the working group; providing an
effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Subsections (3) and (4) of section 409.016,
Florida Statutes, are renumbered as subsections (4) and (5),
respectively, and a new subsection (3) is added to that section,
to read:

- 409.016 Definitions.—As used in this chapter:
- (3) "Management functions" means:

- (a) Planning, directing, organizing, coordinating, and carrying out oversight duties of the lead agency; or
- (b) Contracting for officer or director level staffing in performance of the planning, directing, organizing, coordinating, and carrying out oversight duties of the lead agency.
- Section 2. Subsections (3) and (4) and paragraphs (a) and (b) of subsection (7) of section 409.987, Florida Statutes, are

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amended, and paragraph (g) is added to subsection (7) of that section, to read:

409.987 Lead agency procurement; boards; conflicts of interest.—

- (3) Notwithstanding s. 287.057, the department shall use 5-year contracts with lead agencies. The department may extend a contract for 1 to 5 years, in accordance with s. 287.057, only if a lead agency has met performance expectations within the monitoring evaluation.
 - (4) In order to serve as a lead agency, an entity must:
- (a) Be organized as a Florida corporation or a governmental entity.
- (b) Be governed by a board of directors or a board committee composed of board members. The board of directors or board committee shall provide oversight and ensure accountability and transparency for the system of care. The board of directors or board committee shall provide fiduciary oversight to prevent conflicts of interest, promote accountability and transparency, and protect state and federal funding from misuse. The board of directors shall act in accordance with s. 617.0830. The membership of the board of directors or board committee must be described in the bylaws or articles of incorporation of each lead agency, which must provide that at least 75 percent of the membership of the board of directors or board committee must be composed consist of

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persons residing in this state, and at least 51 percent of the state residents on the board of directors must reside within the service area of the lead agency. The lead agency shall ensure that its board members, directors, and officers participate in annual training related to their responsibilities. The department shall set forth minimum training criteria in the contracts with the lead agencies. However, for procurements of lead agency contracts initiated on or after July 1, 2014:

- 1. At least 75 percent of the membership of the board of directors must be composed consist of persons residing in this state, and at least 51 percent of the membership of the board of directors must be composed consist of persons residing within the service area of the lead agency. If a board committee governs the lead agency, 100 percent of its membership must be composed consist of persons residing within the service area of the lead agency.
- 2. The powers of the board of directors or board committee include, but are not limited to, approving the lead agency's budget and setting the lead agency's operational policy and procedures. A board of directors must additionally have the power to hire the lead agency's executive director, unless a board committee governs the lead agency, in which case the board committee must have the power to confirm the selection of the lead agency's executive director.
 - (c) Demonstrate financial responsibility through an

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organized plan for regular fiscal audits and the posting of a performance bond.

(7) (a) As used in this subsection, the term:

- 1. "Activity" includes, but is not limited to, a contract for goods and services, a contract for the purchase of any real or tangible property, or an agreement to engage with a lead agency for the benefit of a third party in exchange for an interest in real or tangible property, a monetary benefit, or an in-kind contribution.
- 2. "Conflict of interest" means when a board member, director, or an officer, or a relative of a board member, director, or an officer, of a lead agency does any of the following:
- a. Enters into a contract or other transaction for goods or services with the lead agency.
- b. Holds a direct or indirect interest in a corporation, limited liability corporation, partnership, limited liability partnership, or other business entity that conducts business with the lead agency or proposes to enter into a contract or other transaction with the lead agency. For purposes of this paragraph, the term "indirect interest" has the same meaning as in s. 112.312.
- c. Knowingly obtains a direct or indirect personal, financial, professional, or other benefit as a result of the relationship of such board member, director, or officer, or

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relative of the board member, director, or officer, with the lead agency. For purposes of this paragraph, the term "benefit" does not include per diem and travel expenses paid or reimbursed to board members, directors, or officers of the lead agency in connection with their service on the board.

- 3. "Related party" means any entity of which a director or an officer of the entity is also directly or indirectly related to, or has a direct or indirect financial or other material interest in, the lead agency. The term also includes any subsidiary firm or joint venture.
- $\underline{4.3.}$ "Relative" means a relative within the third degree of consanguinity by blood or marriage.
- (b)1. For any activity that is presented to the board of a lead agency for its initial consideration and approval after July 1, 2021, or any activity that involves a contract that is being considered for renewal on or after July 1, 2021, but before January 1, 2022, a board member, a director, or an officer of a lead agency shall disclose to the board any activity that may reasonably be construed to be a conflict of interest before such activity is initially considered and approved or a contract is renewed by the board. A rebuttable presumption of a conflict of interest exists if the activity was acted on by the board without prior notice as required under paragraph (c). The board shall disclose any known actual or potential conflicts to the department.

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2. A lead agency may not enter into a contract or be a
party to any transaction with related parties if a conflict of
interest is not properly disclosed. A lead agency may not enter
into a contract with a related party for officer or director
level staffing to perform management functions. The contract
with the department and lead agency must specify the
administrative functions and services that the lead agency will
subcontract For contracts with a lead agency which are in
existence on July 1, 2021, and are not subject to renewal before
January 1, 2022, a board member or an officer of the lead agency
shall disclose to the board any activity that may reasonably be
construed to be a conflict of interest under this section by
December 31, 2021.

- 3. Subject to the requirements of subparagraph 2., a lead agency may enter into a contract or be a party to any transaction with related parties as long as the fee, rate, or price paid by the lead agency for the commodities or services being procured does not exceed the fair market value for such commodities or services. The lead agency shall disclose any known actual or potential conflicts to the department.
- (g) All department contracts with lead agencies must contain the following contractual penalty provisions:
- 1. Penalties in the amount of \$5,000 per occurrence shall be imposed for each known and potential conflict of interest, as described in paragraph (b), which is not disclosed to the

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227		2.	Ιf	a coi	ntract	is	exe	cuted	lfor	which	а	confl	Lict	of	
228	inte	rest	was	not	discl	osed	l to	the	depa	rtment	b∈	fore	exec	cution	of
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the contract, the following penalties apply:

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- a. A penalty in the amount of \$10,000 for a first offense.
- b. A penalty in the amount of \$15,000 for a second or subsequent offense.
 - 3. The penalties for failure to disclose a conflict of interest under subparagraphs 1. and 2. apply to any contract entered into, regardless of the method of procurement, including, but not limited to, formal procurement, single-source contracts, and contracts that do not meet the minimum threshold for formal procurement.
 - 4. A contract procured for which a conflict of interest was not disclosed to the department before execution of the contract shall be reprocured. The department shall recoup from the lead agency expenses related to a contract that was executed without disclosure of a conflict of interest.
 - Section 3. Paragraphs (c), (j), and (k) of subsection (1) of section 409.988, Florida Statutes, are amended to read:
- 409.988 Community-based care lead agency duties; general provisions.—
 - (1) DUTIES.—A lead agency:
 - (c) Shall follow the financial guidelines developed by the department and shall comply with regular, independent auditing

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of its financial activities, including any requests for records associated with such financial audits within the timeframe established by the department or its contracted vendors provide for a regular independent auditing of its financial activities. The results of the financial audit must Such financial information shall be provided to the community alliance established under s. 20.19(5).

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May subcontract for the provision of services, excluding with a related party for officer or director level staffing to perform management functions, required by the contract with the lead agency and the department; however, the subcontracts must specify how the provider will contribute to the lead agency meeting the performance standards established pursuant to the child welfare results-oriented accountability system required by s. 409.997. The lead agency shall directly provide no more than 35 percent of all child welfare services provided unless it can demonstrate a need τ within the lead agency's geographic service area in which there is a lack of qualified providers available to perform the necessary services. The approval period to exceed the threshold must be limited to 2 years and must be renewed following the process outlined in this section, to exceed this threshold. The local community alliance in the geographic service area in which the lead agency is seeking to exceed the threshold shall review the lead agency's justification for need and recommend to the department whether

the department should approve or deny the lead agency's request for an exemption from the services threshold. If there is not a community alliance operating in the geographic service area in which the lead agency is seeking to exceed the threshold, such review and recommendation shall be made by representatives of local stakeholders, including at least one representative from each of the following:

1. The department.

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- 2. The county government.
- 3. The school district.
- 4. The county United Way.
- 5. The county sheriff's office.
- 6. The circuit court corresponding to the county.
- 7. The county children's board, if one exists.
- (k) Shall publish on its website by the 15th day of each month at a minimum the data specified in subparagraphs 1.-10.

 1.-5., calculated using a standard methodology determined by the department, for the preceding calendar month regarding its case management services. The following information shall be reported by each individual subcontracted case management provider, by the lead agency, if the lead agency provides case management services, and in total for all case management services subcontracted or directly provided by the lead agency:
- 1. The average caseload of case managers, including only filled positions;

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301	2. The total number and percentage of case managers who
302	have 25 or more cases on their caseloads;
303	3. The turnover rate for case managers and case management
304	supervisors for the previous 12 months;
305	4. The percentage of required home visits completed; and
306	5. Performance on outcome measures required pursuant to s.
307	409.997 for the previous 12 months:
308	6. The number of unlicensed placements for the previous
309	month;
310	7. The percentages and trends for foster parent and group
311	home recruitment and licensure for the previous month;
312	8. The percentage of families being served through family
313	support, in-home, and out-of-home services for the previous
314	month;
315	9. The percentage of cases that converted from nonjudicial
316	to judicial for the previous month; and
317	10. Children's legal service staffing rates.
318	Section 4. Section 409.991, Florida Statutes, is repealed.
319	Section 5. Section 409.9913, Florida Statutes, is created
320	to read:
321	409.9913 Funding methodology to allocate funding to lead
322	agencies.—
323	(1) As used in this section, the term:
324	(a) "Core services funding" means all funds allocated to
325	lead agencies. The term does not include any of the following:

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326	1. Funds appropriated for independent living services.
327	2. Funds appropriated for maintenance adoption subsidies.
328	3. Funds allocated by the department for child protective
329	investigation service training.
330	4. Nonrecurring funds.
331	5. Designated mental health wrap-around service funds.
332	6. Funds for special projects for a designated lead
333	agency.
334	7. Funds appropriated for the Guardianship Assistance
335	Program established under s. 39.6225.
336	(b) "Operational and fixed costs" means:
337	1. Administrative expenditures, including, but not limited
338	to, information technology and human resources functions.
339	2. Lease payments.
340	3. Asset depreciation.
341	4. Utilities.
342	5. Administrative components of case management.
343	6. Mandated activities such as training, quality
344	improvement, or contract management.
345	(2) The department shall develop, in collaboration with
346	lead agencies and providers of child welfare services, a funding
347	methodology for allocating core services funding to lead
348	agencies which, at a minimum:
349	(a) Is actuarially sound.
350	(b) Is reimbursement based.

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351	(c) Is designed to incentivize efficient and effective
352	lead agency operation, prevention, family preservation, and
353	permanency.
354	(d) Considers variable costs, including, but not limited
355	to, direct costs for in-home and out-of-home care for children
356	served by the lead agencies, prevention services, and
357	operational and fixed costs.
358	(e) Is scaled regionally for cost-of-living factors.
359	(3) The lead agencies and providers of child welfare
860	services shall submit any detailed cost and expenditure data
861	that the department requests for the development of the funding
862	methodology.
863	(4) The department shall submit a report to the Governor,
864	the President of the Senate, and the Speaker of the House of
865	Representatives by December 1, 2024, which, at a minimum:
866	(a) Describes a proposed funding methodology and formula
867	that will provide for the annual budget of each lead agency,
868	including, but not limited to, how the proposed methodology will
869	meet the criteria in subsection (2).
370	(b) Describes the data used to develop the methodology,
371	and the data that will be used to annually calculate the
372	proposed lead agency budget.
373	(c) Specifies proposed rates and total allocations for
374	each lead agency. The allocations must ensure that the total of
375	all amounts allocated to lead agencies under the funding

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methodology does not exceed the total amount appropriated to

lead agencies in the General Appropriations Act in the 2024-2025

fiscal year.

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- (d) Provides risk mitigation recommendations that ensure that lead agencies do not experience a reduction in funding that would be detrimental to operations or result in a reduction in services to children.
- (5) By October 31 of each year, beginning in 2025, the department shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives which includes recommendations for adjustments to the funding methodology for the next fiscal year, using the criteria in subsection (2) and basing the recommendations on, at a minimum, updated expenditure data, cost-of-living adjustments, market dynamics, or other catchment area variations. The total of all amounts proposed for allocation to lead agencies under the funding methodology for the next fiscal year may not exceed the total amount appropriated for core services funding in the current fiscal year's General Appropriations Act. The funding methodology must include risk mitigation strategies that ensure that lead agencies do not experience a reduction in funding that would be detrimental to operations or result in a reduction in services to children.
- (6) (a) The requirements of this section do not replace, and must be in addition to, any requirements of chapter 216,

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401	including, but not limited to, submission of final legislative
402	budget requests by the department under s. 216.023.
403	(b) The data and reports required under subsections (4)
404	and (5) may also include proposed rates and total allocations
405	for each lead agency which reflect any additional core services
406	funding for lead agencies which is requested by the department
407	under s. 216.023.
408	(7)(a) Beginning with the 2025-2026 fiscal year, the
409	Legislature shall allocate funding to lead agencies through the
410	General Appropriations Act with due consideration of the funding
411	methodology developed under this section.
412	(b) The department may not change the allocation of funds
413	to a lead agency as provided in the General Appropriations Act
414	without legislative approval. The department may approve
415	additional risk pool funding for a lead agency as provided under
416	s. 409.990.
417	(8) The department shall provide to the Governor, the
418	President of the Senate, and the Speaker of the House of
419	Representatives monthly reports from July through October 2024,
420	which provide updates on activities and progress in developing
421	the funding methodology.
422	Section 6. Subsections (1) and (3) of section 409.992,
423	Florida Statutes, are amended to read:
424	409.992 Lead agency expenditures
425	(1) The procurement of commodities or contractual services

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by lead agencies <u>is</u> shall be governed by the financial guidelines developed by the department and must comply with applicable state and federal law and follow good business practices. Pursuant to s. 11.45, the Auditor General may provide technical advice in the development of the financial guidelines.

- (a)1. Lead agencies shall competitively procure all contracts, consistent with the federal simplified acquisition threshold.
- 2. Lead agencies shall competitively procure all contracts in excess of \$35,000 with related parties.
- 3. Financial penalties or sanctions, as established by the department and incorporated into the contract, shall be imposed by the department for noncompliance with applicable local, state, or federal law for the procurement of commodities or contractual services.
- (b) The contract between the department and the lead agency for the provision of child protection and child welfare services must delineate the rights and obligations of the parties concerning the acquisition, transfer, or other disposition of real property held by the lead agency during the term of the contract. This paragraph applies prospectively to new contracts entered into between the department and a lead agency for the provision of child protection and child welfare services on or after July 1, 2024.
 - (3) Notwithstanding any other provision of law, a

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community-based care lead agency administrative employee may not receive a salary, whether base pay or base pay combined with any bonus or incentive payments, in excess of 150 percent of the annual salary paid to the secretary of the Department of Children and Families from state-appropriated funds, including state-appropriated federal funds. This limitation applies regardless of the number of community-based care contracts a community-based care lead agency may execute with the department. This subsection does not prohibit any party from providing cash that is not from appropriated state funds to a community-based care lead agency administrative employee.

Section 7. Paragraph (d) of subsection (1) of section 409.994, Florida Statutes, is amended to read:

409.994 Community-based care lead agencies; receivership.-

- (1) The Department of Children and Families may petition a court of competent jurisdiction for the appointment of a receiver for a community-based care lead agency established pursuant to s. 409.987 if any of the following conditions exist:
- (d) The lead agency cannot meet, or is unlikely to meet, its current financial obligations to its employees, contractors, or foster parents. Issuance of bad checks or the existence of delinquent obligations for payment of salaries, utilities, or invoices for essential services or commodities constitutes shall constitute prima facie evidence that the lead agency lacks the financial ability to meet its financial obligations.

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Section 8. Paragraph (d) of subsection (1) of section 409.996, Florida Statutes, is amended to read:

409.996 Duties of the Department of Children and Families.—The department shall contract for the delivery, administration, or management of care for children in the child protection and child welfare system. In doing so, the department retains responsibility for the quality of contracted services and programs and shall ensure that, at a minimum, services are delivered in accordance with applicable federal and state statutes and regulations and the performance standards and metrics specified in the strategic plan created under s. 20.19(1).

- (1) The department shall enter into contracts with lead agencies for the performance of the duties by the lead agencies established in s. 409.988. At a minimum, the contracts must do all of the following:
- (d) Provide for <u>contractual actions</u> tiered interventions and graduated penalties for failure to comply with contract terms or in the event of performance deficiencies, as determined appropriate by the department.
- 1. Such contractual actions must interventions and penalties shall include, but are not limited to:
 - a. 1. Enhanced monitoring and reporting.
 - b. 2. Corrective action plans.
 - c.3. Requirements to accept technical assistance and

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consultation from the department under subsection (6).

- <u>d.4.</u> Financial penalties, <u>as a matter of contract. The</u> <u>financial penalties assessed by the department on the lead</u> <u>agency revert to the state which shall require a lead agency to reallocate funds from administrative costs to direct care for children.</u>
- e.5. Early termination of contracts, as provided in s. 402.7305(3)(f) s. 402.1705(3)(f).
- 2. No later than January 1, 2025, the department shall ensure that each lead agency contract executed includes a list of financial penalties for failure to comply with contractual requirements.
- Section 9. The Department of Children and Families shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives on rules and policies adopted and other actions taken to implement the requirements of this act. The first such report must be due September 30, 2024, and the second such report must be due February 1, 2025.
- Protection Contracting and Funding Working Group. The Department of Children and Families shall convene the working group and shall be responsible for producing and submitting a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives by October 15, 2025.

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526	(1) The report must, at a minimum:
527	(a) Examine the current contracting methods for the
528	provision of all foster care and related services.
529	(b) Identify any barriers or deficiencies in creating
530	local ownership and governance of such services.
531	(c) Assess the implications of a 10 percent cap on
532	administrative costs.
533	(d) Evaluate barriers to entry in the procurement of
534	managed care networks.
535	(e) Consider the unique regional needs of children and
536	families at risk of abuse and neglect.
537	(f) Recommend changes to existing laws, rules, and
538	policies necessary to implement the working group's
539	recommendations.
540	(2) The secretary of the Department of Children and
541	Families, or his or her designee, shall chair the working group
542	and shall invite the following persons to participate as a
543	member of the working group:
544	(a) The Secretary of the Agency for Health Care
545	Administration, or his or her designee.
546	(b) The secretary of the Department of Management
547	Services, or his or her designee.
548	(c) A member of the Florida Coalition for Children, Inc.,
549	or his or her designee.
550	(d) A current contractor for lead agency child protection

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551 <u>se</u>	ervices.
552	(e) Two representatives of a direct provider of child
553 <u>pr</u>	rotection or child welfare services.
554	(f) A member of the Family Law Section of The Florida Bar
555 <u>or</u>	a member of the court exercising jurisdiction over family law
556 <u>m</u> a	atters.
557	(g) A representative of a for-profit managed care entity.
558	(h) A representative from a State University System school
559 <u>of</u>	E business.
560	(i) A representative from the Florida Institute for Child
561 <u>W</u> e	elfare.
562	(j) Any additional members as the department deems
563 <u>ap</u>	opropriate.
564	(3) The working group shall terminate immediately after
565 <u>th</u>	ne Secretary of the Department of Children and Families submits
566 <u>th</u>	ne report to the Governor, the President of the Senate, and the
567 <u>Sp</u>	peaker of the House of Representatives.
568	Section 11. This act shall take effect July 1, 2024.

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