

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

**BILL:** CS/SB's 2422 and 1952

**SPONSOR:** Committee on Fiscal Policy, Senator Latvala and Senator Casas

**SUBJECT:** Lawton Chiles Endowment Fund for Health and Human Services

**DATE:** April 15, 1999                      **REVISED:** \_\_\_\_\_

|    | ANALYST            | STAFF DIRECTOR | REFERENCE | ACTION              |
|----|--------------------|----------------|-----------|---------------------|
| 1. | <u>Peters/Hadi</u> | <u>Hadi</u>    | <u>FP</u> | <u>Favorable/CS</u> |
| 2. | _____              | _____          | _____     | _____               |
| 3. | _____              | _____          | _____     | _____               |
| 4. | _____              | _____          | _____     | _____               |
| 5. | _____              | _____          | _____     | _____               |

**I. Summary:**

Committee Substitute for Senate Bills 2422 and 1952 creates the Lawton Chiles Endowment Fund for Health and Human Services to be administered by the State Board of Administration.

This bill creates section 215.5601, Florida Statutes.

**II. Present Situation:**

Chapter 98-63, Laws of Florida created the Tobacco Settlement Trust Fund in the Department of Health to accept deposit of all funds received by the state as a result of the settlement of Florida vs. American Tobacco Company, Case No 95-1466AH. Currently, the Department of Health transfers funds appropriated by the Legislature to the various departments.

**III. Effect of Proposed Changes:**

The committee substitute states that it is the intent of the Legislature to use tobacco settlement funds to provide a perpetual source of funding of future health and human service initiatives including, among others, facilities and biomedical research activities related to cancer and public health research for diseases linked to tobacco use. The Lawton Chiles Endowment Fund for Health and Human Services is created to be administered by the State Board of Administration. The endowment is to serve as a clearing trust fund and is not subject to termination pursuant to s. 19(f), Article III of the State Constitution. The trust fund is to be funded from tobacco settlement moneys and is not subject to the general revenue service charges imposed by section 215.20, Florida Statutes.

Funds from the endowment are to be distributed by the board to the state agencies based on the legislative appropriations and are to be used to enhance or support increases in clients served or in health and human services. The Secretaries of Health, Children and Families, Elderly Affairs and the Director of the Agency for Health Care Administration are to conduct meetings and prioritize budget requests for endowment funding. Funds may not be used to supplant existing revenues.

The State Board of Administration is authorized to invest and reinvest funds of the endowment in accordance with certain standards specified in s.215.47 and consistent with an approved investment plan. Costs and fees of the board for investment services are to be deducted from the earnings accruing to the endowment.

The committee substitute provides that funds available from the endowment for distribution by the board shall be no more than 95 percent of the annual earnings received on the endowment and that no appropriation or distribution can be made from the principal, the five percent reserve or the annual deposits for fiscal years 1999-2000 through 2002-2003.

The board is to establish a separate account for the endowment funds and is to establish an investment portfolio that maximizes the financial return to the endowment. The board is to design and operate an investment portfolio that maximizes the financial. The board is to report the financial status of the endowment to the Governor, Speaker of the House of Representatives, President of the Senate, the chairs of the respective appropriations and appropriate substantive committees of each chamber, and the Revenue Estimating Conference no later than February 15, 2000. The board is required to make status reports to these same persons no later than August 15 and February 15 of each year, thereafter. The board may collect a fee for service from the endowment no greater than that charged to the Florida Retirement System.

Funds from the endowment will not be available for appropriation to a state agency beginning July 1, 2000. The maximum annual amount of endowment funds that may be appropriated cannot exceed the amount of interest earnings from the previous year. Unencumbered balances as of June 30 or undisbursed balances as of December 31 will revert to the endowment's principal.

The bill specifies the following amounts to be appropriated from Department of Banking and Finance Tobacco Settlement Clearing Trust Fund to the endowment fund:

- for FY 1999-2000, \$500,000,000
- for FY 1999-2001, \$150,000,000
- for FY 1999-2002, \$250,000,000
- for FY 1999-2003, \$100,000,000

The amounts appropriated to the endowment fund, and any additional funds appropriated constitute the principal of the endowment and are not available for appropriation from the endowment; however, any interest or other earnings accruing to the endowment from investment of the funds shall be available for appropriation by the Legislature.

The committee substitute creates within the endowment the Connie Mack Biomedical Research Program to support research initiatives that address the health care problems of Floridians in the areas of cancer, cardiovascular disease, stroke and pulmonary disease.

The committee substitute creates a nine-member Biomedical Research Council within the Department of Health and specifies its membership as follows:

Chief Executive Officer of the Florida Division of the American Cancer Society, or designee  
Chief Executive Officer of the Florida/Puerto Rico Affiliate of the American Heart Association, or designee

Chief Executive Officer of the American Lung Association of Florida, or designee

Six members to be appointed by the Governor including two members with expertise in the field of biomedical research, one member with expertise in the field of behavior or social research, one member from a professional medical organization, one member representing the general population. The Governor's appointees to the council will serve three-year terms and may not serve more than two consecutive terms.

Staff support for the council will be provided by the Department of Health. Members will not receive compensation but may receive reimbursement as provided in s. 112.061, F.S., for travel and other necessary expenses incurred in performance of their official duties.

The purpose of the council is to advise the Secretary on the direction and scope of the research program, including providing advice on program priorities and funding, participation in periodic evaluation, assisting in developing program guidelines, developing criteria and standards for awarding research grants, developing administrative procedures for grants and peer review, and developing and overseeing mechanisms for dissemination research findings.

Any university or established research institute in the state may apply for funding under the biomedical research program. Grants and fellowships will be awarded by the Secretary of Health, after consultation with council, on the basis of scientific merit and quality. The types of applications considered will include: investigator-initiated research grants, institutional research grants, and predoctoral and postdoctoral research fellowships. The Secretary of Health will appoint a peer review panel of independent, scientifically-qualified individuals to review and evaluate the proposals. The council and peer review panel are required to adhere to rigorous guidelines for ethical conduct and conflict of interest. Council and peer review panel meeting are subject to the open meeting requirements of Article I of the Florida Constitution of chapter 119 and s.286.011, FS .

The Department of Health is authorized to contract with an appropriate entity to administer the program, and to pay administrative expenses of not more than 15 percent in any given year.

The council is required to submit an annual progress report by February 1 on the state of biomedical research in the state to the Governor, the Secretary of Health, the President of the Senate and Speaker of the House.

The committee substitute appropriates 50 percent of the interest or other earnings from the Endowment of the Program. Of funds provided to the biomedical research program, 50 percent is to be distributed on a competitive basis and 50 percent is to be distributed as follows:

University of Florida Cancer Center, 20 percent  
University of Miami Medical Center, 20 percent  
H. Lee Moffitt Cancer Center, 20 percent  
Florida State University Biomedical Research, 15 percent  
Florida A & M University Pharmacy Research, 10 percent  
Mayo Clinic, 5 percent  
University of South Florida Biomedical Research, 5 percent  
Walt Disney Memorial Cancer Institute, 2.5 percent  
M.D. Anderson Cancer Center - Health Research Institute, 2.5 percent

This act is effective July 1, 1999

**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:**

It is the intent that a perpetual source of funding be provided to support growth for the future of health and human service initiatives including, among others, facilities and biomedical research activities related to cancer and public health research for diseases linked to tobacco use. All tobacco settlement funds are to be deposited into a clearing trust fund to be administered by the State Board of Administration. Annual appropriations specified in law are to be made from the clearing fund to the endowment fund beginning in FY 1999-2000 through FY 2002-2003.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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