

# 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 1286

SPONSOR: Committee on Children and Families and Senator King

SUBJECT: Lawton Chiles Endowment

DATE: March 28, 2001                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Barnes	Whiddon	CF	Favorable/CS
2.	_____	_____	HC	_____
3.	_____	_____	AHS	_____
4.	_____	_____	AP	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

Committee Substitute for Senate Bill 1286 restructures the allocation of funds distributed from the Lawton Chiles Endowment Fund (the Endowment). The bill “carves out” of the principal appropriated to the Endowment an annual and perpetual source of funding for public-health and biomedical research of diseases related to tobacco use, including cancer, heart disease, and lung disease. Beginning in fiscal year 2001-2002, \$150 million of the existing principal in the Endowment must be reserved and accounted for within the Endowment for sole use as funding source for biomedical research activities, with five percent of the cash flow reinvested to adjust the base for inflation. The remaining principal is to be used to fund health and human services programs for children and elders. When a cure has been found for tobacco-related cancer, heart disease, and lung disease, the dedicated public-health and biomedical research funding must be discontinued and the entire principal in the Endowment must be used exclusively for health and human services programs.

A new, 16-member Lawton Chiles Endowment Fund Advisory Council is created. State agencies must make recommendations to the council and the council must make recommendations to the Legislature. Two current councils, the 13-member Lawton Chiles Endowment Fund Advisory Council for Children and the 13-member Lawton Chiles Endowment Fund Advisory Council for Elders, are deleted from the law.

The bill requires the Biomedical Research Advisory Council to include the progress made in the prevention and diagnosis of diseases related to tobacco use as part of an annual progress report on biomedical research in Florida.

This bill provides an appropriation of \$25,000 to the Department of Children and Family Services and an appropriation of \$25,000 to the Department of Elderly Affairs, from each

department's Tobacco Settlement Trust Fund, to pay administrative costs associated with the new Lawton Chiles Endowment Fund Advisory Council.

This bill amends sections 17.41, 20.435, 215.5601, and 215.5602 of the Florida Statutes.

## II. Present Situation:

Chapter 99-167, L.O.F., provided for the creation of a recurring source of funds for services to children and elders and for a biomedical research program to support research initiatives that address the health care problems of Floridians in the tobacco-related areas of cancer, cardiovascular disease, stroke, and pulmonary disease. Funds for these purposes are available through the Lawton Chiles Endowment. Section 215.5601, F.S., establishes the Lawton Chiles Endowment Fund, administered by the State Board of Administration and funded by settlement moneys received from the tobacco industry. The intent of the endowment fund is to provide a perpetual source of funding for the focus areas of children's health programs, child welfare, community-based health and human service initiatives and biomedical research into diseases linked to tobacco use. Additionally, s. 215.5601, F.S., provides an allocation formula, effective for fiscal year 2001-2002 (beginning July 1, 2001) and beyond, for the distribution of funds among the Department of Children and Family Services at 50 percent, the Department of Health Biomedical Research Trust Fund, at 33.5 percent, and Department of Elderly Affairs Tobacco Settlement Trust Fund at 16.5 percent.

Section 215.5601(9), F.S., establishes the 13-member Lawton Chiles Endowment Fund Advisory Council for Children within the Department of Children and Family Services and the 13-member Lawton Chiles Endowment Fund Advisory Council for Elders within the Department of Elderly Affairs. These advisory councils provide the Legislature with a ranking of children's programs and elder programs submitted by the departments to the councils for evaluation. The advisory council members serve without compensation but may receive reimbursement for travel and other necessary expenses incurred in the performance of their official duties.

Section 215.5602, F.S., establishes the Florida Biomedical Research Program funded from earnings of the endowment fund and provides that funds appropriated to the program are devoted to competitive grants and fellowships in research relating to diagnosis and treatment of tobacco-related illnesses including cancer, cardiovascular disease, stroke and pulmonary disease. The Biomedical Research Advisory Council was established in the Department of Health to assist the Secretary in establishing the criteria and guidelines for the competitive grant program. Grants and fellowships are awarded on the basis of scientific merit, as determined by an open, objective peer-review process. The council is required to submit an annual progress report to the Governor, Secretary of the Department of Health, the President of the Senate, and the Speaker of the House of Representatives by February 1 of each year.

Chapter 2000-255, L.O.F., provided that the Lawton Chiles Endowment Fund distributions for health and human services and biomedical research for fiscal year 2000-2001 be specifically appropriated by the Legislature. In the following years, the distribution of the funds is: 50 percent to the Department of Children and Family Services, 33.5 percent to the Department of Health for biomedical research, and the remainder to the Department of Elderly Affairs. Each year, the Secretaries of Children and Family Services, Elderly Affairs, Health, and Health Care

Administration are required to meet to establish funding priorities for the various focus areas. Advisory councils were created in the Department of Children and Family Services and the Department of Elderly Affairs to provide input on priorities for those respective services.

The General Appropriations Act for 2000-2001 provided a \$2 million appropriation for the Biomedical Research Program.

### **III. Effect of Proposed Changes:**

CS/SB 1286 substantially rewords s. 215.5601, F.S., relating to the Lawton Chiles Endowment Fund. The bill states that it is the intent of the Legislature that a perpetual source of enhanced funding be provided for state children's health programs, child welfare programs, children's community based health and human services initiatives, elder programs, and biomedical research activities related to tobacco use. The Legislature encourages the development of community based solutions to strengthen and improve the quality of life of Florida's most vulnerable citizens who are its children and elders.

Section 215.5601(3), F.S., specifies that the Lawton Chiles Endowment Fund will be administered by the State Board of Administration. The Endowment will serve as a clearing trust fund, not subject to termination under the constitutionally required 4-year review cycle and exempt from statutorily-required trust fund service charges.

The Endowment will receive moneys from the sale of the state's right, title, and interest in and to the tobacco settlement agreement and from accounts transferred from the Department of Banking and Finance. Annual amounts for transfer from the Tobacco Settlement Clearing Trust fund to the Endowment are specified.

The bill authorizes that the annual amounts transferred be adjusted to reflect the amount the Endowment receives from the sale of the state's right, title, and interest in and to the tobacco settlement agreement.

The bill stipulates that, beginning in fiscal year 2001-2002, \$150 million of the existing Endowment principal will be reserved and accounted for within the Endowment to be used solely as funding for biomedical research activities under s. 215.5602, F.S. The remaining principal will be used solely as funding for health and human services programs for children and elders as provided in s. 215.5601(5), F.S. The dedicated funding for public-health and biomedical research will be dissolved and the entire Endowment principal will be used exclusively for health and human services programs when cures have been found for tobacco-related cancer, heart, and lung disease.

The bill specifies provisions for the administration of the endowment:

- The board is authorized to invest and reinvest Endowment funds as allowed by law, and consistent with a specific investment plan, which must include the schedule of annual cash outflow.
- The Endowment is to be managed as an annuity, with a specified investment objective. From the annual cash outflow, a pro rata share will be used solely for

public-health and biomedical research activities until such time as cures have been found for tobacco-related cancer, heart, and lung disease. Annually, five percent of the cash flow from the portion of the Endowment dedicated to public-health and biomedical research must be reinvested for future use within that portion of the Endowment.

- The Board is required to report separately on the financial status of the Endowment in its annual report to the Legislature.
- The responsibilities relating to accountability for the receiving state agencies are specified.
- Board costs and fees for investment services will be deducted from the earnings accruing to the Endowment, and investment services fees must be no greater than those charged to the Florida Retirement System.

The bill addresses availability of funds and uses of those funds, as follows:

- Funds from the Endowment, which are available for legislative appropriation, will be transferred by the board to the Tobacco Settlement Clearing Trust Fund and disbursed in accordance with the legislative appropriation. Fund sources and funds destinations are specified for funds being appropriated to the respective state agencies for specified purposes.
- The Secretaries of the state agencies are directed to meet to discuss priorities for Endowment funding for health and human services programs for children and elders prior to submitting their Legislative Budget Requests. These meetings are to result in consensus for priority requests and recommended Endowment funding levels. The Secretaries must submit their recommendations to the Lawton Chiles Endowment Fund Advisory Council each year by September 1.
- Subject to legislative appropriations, state agencies must use Endowment distributions to enhance or support increases in clients served or meet increases in program costs, but funds are not to be used to supplant existing revenues.
- Unencumbered or undisbursed balances revert to the Endowment as of dates certain, and such biomedical research funds revert to the principal reserved for biomedical research activities.
- The Governor is directed to develop a plan of action should the Revenue Estimating Conference project a deficit to occur with respect to tobacco settlement trust funds of the respective state agencies in any fiscal year. Approaches are specified for developing and implementing such plan of action.

The bill establishes a new Lawton Chiles Endowment Fund Advisory Council to review and evaluate the funding priorities of state agencies and to allow for public input and advocacy. The 16 members of the council are specified. The council is required to make specific recommendations to the Legislature annually by November 1.

This bill removes all statutory reference to the Endowment advisory councils under the Department of Children and Family Services and the Department of Elderly Affairs.

The bill amends s. 215.5602, F.S., relating to the Florida Biomedical Research Program, to clarify that the purpose of the program is to provide an annual and perpetual source of funding to support research initiatives addressing health related problems of Floridians in the areas of tobacco related cancer, cardiovascular disease, stroke, and pulmonary disease; to specify that the program goals include an increase in the state's per capita spending for research (as opposed to biomedical research, as the statute currently reads) by undertaking new initiatives in public health and biomedical research that will attract additional funding from outside the state; and to specify that the annual biomedical research progress report include the progress in the prevention, diagnosis, and treatment of diseases related to tobacco use.

The bill provides an appropriation of \$25,000 to the Department of Children and Family Services and an appropriation of \$25,000 to the Department of Elderly Affairs to pay administrative costs associated with the new Lawton Chiles Endowment Fund Advisory Council. The appropriations are made from each department's Tobacco Settlement Trust Fund. Moneys are transferred to the trust funds from the Lawton Chiles Endowment Fund.

#### **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:**

To the extent that biomedical research is conducted in the private sector, that sector will benefit from enhanced funding. The private sector will also benefit from the spin-off effect of enhanced university-related biomedical research.

##### **C. Government Sector Impact:**

The bill provides an appropriation of \$25,000 to the Department of Children and Family Services and an appropriation of \$25,000 to the Department of Elderly Affairs to pay administrative costs associated with the new Lawton Chiles Endowment Fund Advisory Council. The appropriations are made from each department's Tobacco Settlement Trust Fund.

According to the Department of Health, no start-up or nonrecurring costs will occur as the program is currently in its first year of operation using a one-time \$2 million appropriation. The \$150 million in dedicated funding proposed in the bill, with an annualized return of approximately 4.5 percent, is expected to yield a net trust fund income of \$6.75 million for biomedical research in fiscal year 2001-2002 and beyond. The State Board of Administration concurs with the Department of Health estimate of trust fund income that would be generated from the set aside \$150 million.

The Department of Elderly Affairs states that the bill does not specify an allocation of earnings to the Department of Children and Family Services or the Department of Elderly Affairs, either by percentage or amount. The remaining principal must be used solely as the source of funding for health and human services programs for children and elders utilizing appropriations by the Legislature to the Department of Children and Family Services or the Department of Elderly Affairs.

**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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