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: SB 968

SPONSOR: Senator Silver

SUBJECT: The Florida Healthy Kids Corporation

DATE: February 8, 2002 REVISED: 02/12/02

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Liem	Wilson	HC	Favorable
2.	Wilson	Wilson	GO	Fav/1 amendment
3.			AHS	
4.			AP	
5.				
6.				

I. Summary:

Senate Bill 968 provides authority for the Florida Healthy Kids Corporation to establish and manage an operating account not to exceed twenty five percent of the Corporation's annualized expenses.

The bill creates an undesignated section of law.

II. Present Situation:

The Florida Healthy Kids Corporation (Corporation) was created by the 1990 Legislature as a private, not for profit corporation, to facilitate the provision of comprehensive health insurance coverage to school aged children. The statutory authority for the Corporation is found in s. 624.91, F.S. Healthy Kids is one of several programs available to uninsured children under Florida's Kidcare program. Financing for the Healthy Kids program is derived from a variety of sources, including federal, state, and county funds, and family contributions. These funds are used to provide comprehensive health and dental insurance coverage to children and to cover the operating expenses of the Corporation.

State funds that are appropriated to the Corporation by the Legislature are done so through the Agency for Health Care Administration's budget. Annually, a contract must be executed between the parties in order to release the state funds and associated matching federal Title XXI funds to the Corporation.

The prepaid nature of insurance premiums requires that the Corporation must expend in excess of $20 million on the first of each month to cover insurance premiums for its enrollees. This expenditure is made in advance of the receipt of the state and federal matching funds. Federal funds are distributed on a reimbursement basis only. The Corporation reports that on average, it takes 23 days after the funds have been expended for the Healthy Kids program to receive either the federal or state reimbursement. When cash is not available to meet premium costs or operational expenses, the Corporation must exercise a line of credit. By maintaining an operating fund, the need to exercise the Corporation's line of credit and associated interest charges is avoided.

Currently, it is the Corporation's policy to maintain a reserve fund equivalent to the amount needed to continue premiums for enrollees for a thirty (30) day period and to allow for a six month dissolution of the Corporation. The Corporation estimates that an operating fund equal to 25 percent of annual expenditures would be sufficient to meet the Corporation's fiscal management needs.

III. Effect of Proposed Changes:

Senate bill 968 allows the Florida Healthy Kids Corporation to maintain an operating fund equal to 25 percent of annualized operating expenses. The bill requires that any remaining cash balances of state funds shall be returned to the state General Revenue Fund upon the dissolution of the Corporation.

The effective date of the bill is July 1, 2002.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Art. VII, s. 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Art. III, s. 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The last sentence of the bill is phrased as follows: “Upon dissolution of the corporation, any remaining cash balances of state funds shall revert to the General Revenue Fund.” The Healthy Kids Corporation is funded through Line Item 227 of the General Appropriations Act, ch. 2001-253, Laws of Florida. The Tobacco Settlement Trust Fund provides $75,419,651 of its funding. From this amount $13,500,000 is allocated for health insurance coverage for state-funded eligible children. An appropriation of $148,623,632 from the Medical Care Trust Fund to the corporation is also provided in this line item.

Section 17.41, F.S., directs the Comptroller, through the Department of Banking and Finance, to disburse to state agencies payments received by the state from the settlement of *State of Florida v. American Tobacco Co.*, No. 1466AH (Fla. 15th Cir. Ct. 1996).

The manner in which this bill is phrased could provide that, in the event of a corporate dissolution, these tobacco monies would revert, not to the trust account in which they were deposited pursuant to s. 17.41, F.S., and for expenditure as provided in s. 215.5601, F.S., but to the General Revenue Fund. Paragraph (5)(e) of s. 215.5601, F.S., does not name the General Revenue Fund as the reversionary destination of unencumbered and undisbursed funds.

The possibility of conflict is noted when these circumstances present themselves. This situation directly results from the use of the encompassing phrase “state funds” in the last sentence of the bill.

The context suggests that the newly creating operating fund is not a part of the state treasury.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Governmental Oversight and Productivity:
The amendment rephrases the provisions in the filed bill to specify that any reverted funds shall be returned to the accounts from which the appropriations originated.