

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1787 (PCB SA 03-25) Public Records/Board of Admin./Alternative Investments  
**SPONSOR(S):** State Administration and Mack  
**TIED BILLS:** None **IDEN./SIM. BILLS:** SB 2396

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<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1) <u>State Administration</u>	<u>5 Y, 0 N</u>	<u>Williamson</u>	<u>Everhart</u>
2) <u>Finance and Tax</u>	<u></u>	<u>Adam Shamy</u>	<u>Jose Diez-Arguelles</u>
3) <u></u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

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**SUMMARY ANALYSIS**

This bill creates a public records exemption for the Alternative Investments program of the State Board of Administration (SBA). This exemption is created so that disclosure of specific company information will not impair the SBA's private equity partnerships' abilities to secure reasonable financing or impair their terms of sale. Also, this bill will help prevent legal action resulting from the inadvertent disclosure of proprietary information.

This bill also requires the Auditor General to report to the Commission on Ethics any investment transactions that appear to be in violation of the code of ethics for public officers and employees. Any information obtained by the Auditor General, which is made confidential and exempt pursuant to this exemption, must remain confidential and exempt; however, such information may be released if it relates to a violation of the code of ethics.

This bill provides for future review and repeal of the exemption, and provides a statement of public necessity.

This bill does not appear to have a fiscal impact on state or local government.

**This document does not reflect the intent or official position of the bill sponsor or House of Representatives.**

**STORAGE NAME:** h1787a.ft.doc  
**DATE:** April 10, 2003

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |                              |  |   |
|--------------------------------------|------------------------------|--|---|
| 1. Reduce government?                | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. Lower taxes?                      | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 5. Empower families?                 | Yes <input type="checkbox"/> | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

This bill requires the Auditor General, pursuant to an audit, to report to the Commission on Ethics any investment transactions that appear to be in violation of chapter 112, part III.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Background**

The SBA<sup>1</sup> is a constitutionally created agency founded in 1943 and is governed by a Board of Trustees. The Trustees are Governor Jeb Bush as Chairman, Chief Financial Officer Tom Gallagher as Treasurer, and Attorney General Charlie Crist as Secretary. The Board of Trustees has fiduciary responsibility for the management and oversight of the SBA, which is the fourth and eight largest pension fund in the country and the world, respectively.

The Florida Retirement System’s defined benefit and defined contribution plans’ assets are managed by the SBA. Additionally, the SBA manages assets for the Local Government Surplus Funds Trust Fund, Florida Division of Bond Finance, Florida Hurricane Catastrophe Fund, Lawton Chiles Endowment Fund, and other small non-qualified governmental entities. Total assets under management are approximately \$115 billion, which includes the FRS \$80 billion pension fund. Most assets under management are divided among six asset classes; Domestic Equities, International Equities, Fixed Income, Real Estate, Alternative Investments, and Cash.

Alternative investment programs are long term investments that are considered risky, because such investments are not monitored by the Securities and Exchange Commission, and because the moneys are invested in individual start-up companies. However, such programs are expected to provide a greater return than do more conservative investments.

Current law provides investment guidelines for the SBA when electing to participate in Alternative Investments. No more than five percent of any fund may be invested in private equity through participation in limited partnerships and limited liability companies.<sup>2</sup>

Due to Florida’s public records laws, if the SBA decides to contract with a private equity limited partnership, that partnership’s proprietary and confidential information becomes a public record when in the possession of the SBA.

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<sup>1</sup> <http://www.fsba.state.fl.us/about.asp>

<sup>2</sup> Section 215.47(14), F.S.

## Effect of Bill

This bill creates a public records exemption for certain information obtained by the SBA as a result of its participation in the Alternative Investments program. The following information, in connection with such a program, would be confidential and exempt<sup>3</sup> from public disclosure:

- Information or specific investment terms associated with each individual portfolio company investment;
- Contractual side letters of, or other information concerning, other investors in current or prospective partnerships or investment management relationships; and,
- Due diligence materials concerning prospective or current partnerships or investment management relationships.

The public will have access to the rate of returns and the SBA's selection process regarding the private equity limited partnership. This bill also allows the SBA to use such confidential and exempt information in any legal or administrative proceeding.

This bill requires the Auditor General to report to the Commission on Ethics any investment transactions made that appear to be in violation of the code of ethics for public officers and employees. Any information obtained by the Auditor General, which is confidential and exempt pursuant to this exemption, must remain confidential and exempt; however, such information may be released if it relates to a violation of the code of ethics.

This bill provides for future review and repeal of the exemption, and provides a statement of public necessity.

### C. SECTION DIRECTORY:

Section 1. Amends s. 215.44(8), F.S., creating a public records exemption for the State Board of Administration alternative investments program.

Section 2. Provides for future review and repeal.

Section 3. Provides a statement of public necessity.

Section 4. Provides an effective date of upon becoming a law.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None.

2. Expenditures: None.

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<sup>3</sup> There is a difference between information and records that the Legislature has made *exempt* from public disclosure versus those that have been made *confidential and exempt*. Information and records that are simply made exempt from public disclosure are still permitted to be disclosed under certain circumstances. See *Williams v. City of Minneola*, 575 So.2d 687 (Fla. 5thDCA 1991), and *City of Riviera Beach v. Barfield*, 642 So.2d 1135 (Fla. 4thDCA 1994). If the Legislature makes certain information and records confidential and exempt from public disclosure, such information and records may not be released by the records custodian to anyone other than to the persons or entities specifically designated in the statutory exemption. See *Attorney General Opinion 85-62*, August 1, 1985.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

- 1. Revenues: None.
- 2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None.

D. FISCAL COMMENTS: None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

- 1. Applicability of Municipality/County Mandates Provision: Not applicable. This bill does not affect municipal or county government.
- 2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

**Public Records Law**

Article I, s. 24(a), Florida Constitution, sets forth the state's public policy regarding access to government records. The section guarantees every person a right to inspect or copy any public record of the legislative, executive, and judicial branches of government. The Legislature may, however, provide by general law for the exemption of records from the requirements of Article I, s. 24(a), Florida Constitution. The general law must state with specificity the public necessity justifying the exemption (public necessity statement) and must be no broader than necessary to accomplish its purpose.

Public policy regarding access to government records is also addressed in the Florida Statutes. Section 119.07(1), F.S., also guarantees every person a right to inspect, examine, and copy any state, county, or municipal record. Furthermore, the Open Government Sunset Review Act of 1995<sup>4</sup> provides that a public records or public meetings exemption may be created or maintained only if it serves an identifiable public purpose, and may be no broader than is necessary to meet one of the following public purposes: 1. Allowing the state or its political subdivisions to effectively and efficiently administer a governmental program, which administration would be significantly impaired without the exemption; 2. Protecting sensitive personal information that, if released, would be defamatory or would jeopardize an individual's safety. However, only the identity of an individual may be exempted under this provision; or, 3. Protecting trade or business secrets.

**IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES**

None.

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<sup>4</sup> Section 119.15, F.S.