

	LEGISLATIVE ACTION	
Senate		House
Comm: RCS		
02/28/2024		

The Committee on Fiscal Policy (Garcia) recommended the following:

## Senate Amendment (with title amendment)

Delete everything after the enacting clause and insert:

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

409.016 Definitions.—As used in this chapter:

(3) "Management functions" means:

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- (a) Planning, directing, organizing, coordinating, and carrying out oversight duties of the lead agency;
- (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.
- (4) "Secretary" means the secretary of the Department of Children and Families.
- (5) (4) "Social and economic services," within the meaning of this chapter, means the providing of financial assistance as well as preventive and rehabilitative social services for children, adults, and families.
- Section 2. Subsections (3) and (4) and paragraphs (a) and (b) of subsection (7) of section 409.987, Florida Statutes, are amended to read, 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 5year contracts with lead agencies. The department may only extend for a period of one to five years, in accordance with s. 287.057, if the 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. Board members shall provide oversight and ensure accountability and transparency for the

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system of care. The board of directors 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 <del>consist</del> of 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 board members 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 <del>consist</del> 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

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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 organized plan for regular fiscal audits; and the posting of a performance bond; and the posting of a fidelity bond to cover any costs associated with reprocurement and the assessed penalties related to a failure to disclose a conflict of interest under subsection (7).
  - (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.

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- 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 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 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, parent entity, associate firm, or joint venture.
- 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

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potential conflicts to the department.

- 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 may 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. of this subsection, 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 shall 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 department.
- 2. If a contract is executed for which a conflict of interest was not disclosed to the department before execution of



156 the contract, the following penalties apply: 157 i. A penalty in the amount of \$25,000 for a first offense. 158 ii. A penalty in the amount of \$50,000 for a second or 159 subsequent offense. 160 iii. Removal of the board member that did not disclose a 161 known conflict of interest. 162 3. The penalties for failure to disclose a conflict of 163 interest under subparagraph (1) and (2) apply to any contract 164 entered into, regardless of the method of procurement, 165 including, but not limited to, formal procurement, single-source 166 contracts, and contracts that do not meet the minimum threshold 167 for formal procurement. 168 4. A contract procured for which a conflict of interest was 169 not disclosed to the department before execution of the contract 170 shall be reprocured. The department shall recoup from the lead 171 agency expenses related to a contract that was executed without 172 disclosure of a conflict of interest. Section 3. Paragraphs (c), (j), and (k) of subsection (1) 173 174 of section 409.988, Florida Statutes, are amended to read: 175 409.988 Community-based care lead agency duties; general 176 provisions.-177 (1) DUTIES.—A lead agency: (c) Shall follow the financial guidelines developed by the 178 179 department and shall comply with regular, independent auditing of its financial activities, including any requests for records 180 associated with such financial audits within the timeframe 181 182 established by the department or its contracted vendors provide 183 for a regular independent auditing of its financial activities.

The results of the financial audit must Such financial

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information shall be provided to the community alliance established under s. 20.19(5).

(j)1. 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. Any contract with a non-related entity for officer or director level staffing to perform management functions must adhere to the executive compensation provision in s. 409.922(3).

2. The lead agency shall directly provide no more than 35 percent of all child welfare services provided unless it can demonstrate a need, within the lead agency's geographic service  $area_{\mathcal{T}}$  where there is a lack of qualified providers available to perform necessary child welfare services. The approval period to exceed the threshold shall be limited to 2 years.to exceed this threshold. After the 2-year period, the lead agency may submit annual 1-year extension requests with a detailed report of all efforts to recruit a qualified provider to perform the necessary services to that geographic service area. If the department determines the lead agency is not making a good faith effort to recruit a qualified provider they must deny the extension request and require reprocurement. 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:

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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.-10.5., 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;
- 2. The total number and percentage of case managers who have 25 or more cases on their caseloads;
- 3. The turnover rate for case managers and case management supervisors for the previous 12 months;



243 4. The percentage of required home visits completed; and 244 5. Performance on outcome measures required pursuant to s. 409.997 for the previous 12 months. 245 246 6. The number of unlicensed placements for the previous 247 month; 248 7. The percentages and trends for foster parent and group 249 home recruitment and licensure for the previous month; 250 8. The percentage of families being served through family 251 support, in-home, and out-of-home services for the previous 252 month; and 253 9. The percentage of cases that converted from nonjudicial 254 to judicial for the previous month. 255 10. Children's legal service staffing rates. 256 Section 4. Section 409.991, Florida Statutes, is repealed. 257 Section 5. Section 409.9913, Florida Statutes, is created 258 to read: 259 409.9913 Funding methodology to allocate funding to lead 260 agencies.-261 (1) As used in this section, the term: 262 (a) "Core services funding" means all funds allocated to 263 lead agencies. The term does not include any of the following: 1. Funds appropriated for independent living services. 264 265 2. Funds appropriated for maintenance adoption subsidies. 266 3. Funds allocated by the department for child protective 267 investigation service training. 268 4. Nonrecurring funds. 269 5. Designated mental health wrap-around service funds. 270 6. Funds for special projects for a designated lead agency. 271 7. Funds appropriated for the Guardianship Assistance



272	Program established under s. 39.6225.		
273	(b) "Operational and fixed costs" means:		
274	1. Administrative expenditures, including, but not limited		
275	to, information technology and human resources functions.		
276	2. Lease payments.		
277	3. Asset depreciation.		
278	4. Utilities.		
279	5. Administrative components of case management.		
280	6. Mandated activities such as training, quality		
281	improvement, or contract management.		
282	(2) The department shall develop, in collaboration with		
283	lead agencies and providers of child welfare services, a funding		
284	methodology for allocating core services funding to lead		
285	agencies which, at a minimum:		
286	(a) Is actuarially sound.		
287	(b) Is reimbursement based.		
288	(c) Is designed to incentivize efficient and effective lead		
289	agency operation, prevention, family preservation, and		
290	permanency.		
291	(d) Considers variable costs, including, but not limited		
292	to:		
293	1. Direct costs for in-home and out-of-home care for		
294	children served by the lead agencies.		
295	2. Direct costs for prevention services.		
296	3. Operational and fixed costs.		
297	(f) Is scaled regionally for cost-of-living factors.		
298	(3) The lead agencies and providers shall submit any		
299	detailed cost and expenditure data that the department requests		
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- (4) The department shall submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 1, 2024, which, at a minimum: (a) Describes a proposed funding methodology and formula that will provide for the annual budget of each lead agency, including, but not limited to, how the proposed methodology will meet the criteria in subsection (2). (b) Describes the data used to develop the methodology, and
- the data that will be used to annually calculate the proposed lead agency budget.
- (c) Specifies proposed rates and total allocations for each lead agency. The allocations must ensure that the total of all amounts allocated to lead agencies under the funding methodology does not exceed the total amount appropriated to lead agencies in the General Appropriations Act in the 2024-2025 fiscal year.
- (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

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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, including, but not limited to, submission of final legislative budget requests by the department under s. 216.023.
- (b) The data and reports required under subsections (4) and (5) may also include proposed rates and total allocations for each lead agency which reflect any additional core services funding for lead agencies which is requested by the department under s. 216.023.
- (7) (a) Beginning with the 2025-2026 fiscal year, the Legislature shall allocate funding to lead agencies through the General Appropriations Act with due consideration of the funding methodology developed under this section.
- (b) The department may not change the allocation of funds to a lead agency as provided in the General Appropriations Act without legislative approval. The department may approve additional risk pool funding for a lead agency as provided under s. 409.990.
- (8) The department shall provide to the Governor, the President of the Senate, and the Speaker of the House of Representatives monthly reports from July through October 2024 which provide updates on activities and progress in developing the funding methodology.

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Section 6. Subsections (1) and (3) of section 409.992, Florida Statutes, are amended to read:

409.992 Lead agency expenditures.-

- (1) The procurement of commodities or contractual services by lead agencies is shall be governed by the financial quidelines 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 must delineate the rights and obligations of the lead agency concerning the acquisition, transfer, or other disposition of real property. At a minimum, the contract must:
- 1. Require the lead agency to follow all federal law on the acquisition, improvement, transfer, or disposition of real property acquired by the lead agency using federal dollars.
- 2. Require the department to obtain the rights to and ownership of all real property acquired by the lead agency using state funds.

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- 3. Require the department to approve any sale, transfer, or disposition of real property acquired and held by the lead agency using state funds.
- 4. Require the department to retain all rights to and ownership of all real property acquired with state funds and held by the lead agency upon termination of the lead agency contract.
- (3) Notwithstanding any other provision of law, a 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 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

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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.

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 contractual actions 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.
- Such contractual actions must interventions and 1. penalties shall include, but are not limited to:
  - a. 1. Enhanced monitoring and reporting.
  - b.<del>2.</del> Corrective action plans.
  - c.<del>3.</del> Requirements to accept technical assistance and



446 consultation from the department under subsection (6). 447 d.4. Financial penalties, which shall require a lead agency to direct<del>reallocate</del> funds from administrative costs to the 448 449 department. The department shall use collected funds to support 450 and provide services to children and families in the geographic 451 service area of the lead agency from which the funds were obtained<del>direct care for children</del>. 452 453 e.5. Early termination of contracts, as provided in s. 454 402.7305(3)(f) s. 402.1705(3)(f). 455 2. No later than January 1, 2025, the department shall 456 ensure that each lead agency contract executed includes a list 457 of financial penalties for failure to comply with contractual 458 requirements. 459 Section 9. The Department of Children and Families shall 460 submit a report to the Governor, the President of the Senate, 461 and the Speaker of the House of Representatives on rules and 462 policies adopted and other actions taken to implement the 463 requirements of this act. The first such report must be due 464 September 30, 2024, and the second such report must be due 465 February 1, 2025. 466 Section 10. This act shall take effect July 1, 2024. ========= T I T L E A M E N D M E N T ========== 467 468 And the title is amended as follows: 469 Delete everything before the enacting clause 470 and insert: A bill to be entitled 471 472 An act relating to community-based child welfare 473 agencies; amending s. 409.016, F.S.; defining the term 474 "management functions"; amending s. 409.987, F.S.;

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revising requirements for contracts the Department of Children and Families has with community-based care lead agencies; revising requirements for an entity to serve as a lead agency; providing duties for board members of lead agencies; requiring that lead agencies ensure that board members participate in certain annual training; requiring the posting of a fidelity bond; 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; authorizing a lead agency to enter into certain contracts or be a party to certain transactions so long as any conflict of interest is properly disclosed; requiring contractual penalties on lead agencies for undisclosed conflicts of interest; providing applicability; requiring certain contracts to be reprocured; authorizing the department to recoup lead agency expenses for the execution of certain contracts; amending s. 409.988, F.S.; revising lead agency duties; repealing s. 409.991, F.S., relating to allocation of funds for community-based care lead

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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 that meets certain criteria; requiring the lead agencies and providers of child welfare services to submit to the department certain financial information; 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 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

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procurement law; requiring the contract between the department and the lead agency to specify the rights and obligations to real property held by the lead agency during the term of the contract; 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 contracts between the department and lead agencies; revising the actions the department may take under certain circumstances; making a technical change; providing duties of the department; providing reporting requirements; providing an effective date.