

By Senator Latvala

19-1492A-99

See HB

1 A bill to be entitled
2 An act relating to trust funds; creating s.
3 215.5601, F.S.; creating the Lawton Chiles
4 Endowment Fund for Children and Elders;
5 providing definitions; providing legislative
6 intent; specifying the purposes and uses of
7 endowment funds; providing for administration
8 of the endowment by the State Board of
9 Administration; providing for the availability
10 of endowment funds; providing appropriations;
11 amending s. 215.52, F.S.; providing rulemaking
12 authority; providing an effective date.

14 Be It Enacted by the Legislature of the State of Florida:

16 Section 1. Section 215.5601, Florida Statutes, is
17 created to read:

18 215.5601 Lawton Chiles Endowment Fund for Children and
19 Elders.--

20 (1) SHORT TITLE.--This section may be cited as the
21 "Lawton Chiles Endowment Fund for Children and Elders Act."

22 (2) DEFINITIONS.--As used in this section:

23 (a) "Board" means the State Board of Administration
24 established by s. 16, Art. IX of the State Constitution of
25 1885, as amended, and incorporated into s. 9(c), Art. XII of
26 the State Constitution of 1968, as amended.

27 (b) "Endowment" means the Lawton Chiles Endowment Fund
28 for Children and Elders.

29 (c) "Earnings" means all income generated by
30 investments and the net change in the market value of assets.

31

1 (d) "State agency" or "state agencies" means the
2 Department of Health, the Department of Children and Family
3 Services, the Department of Elderly Affairs, or the Agency for
4 Health Care Administration, or any combination thereof, as the
5 context indicates.

6 (3) LEGISLATIVE INTENT.--It is the intent of the
7 Legislature to:

8 (a) Provide a perpetual source of funding for the
9 future of the state children's health insurance program
10 created in ss. 409.810-409.820, child welfare programs, and
11 community-based service initiatives for the elderly.

12 (b) Ensure that enhancement revenues will be available
13 to finance these important initiatives.

14 (c) Use tobacco settlement moneys to ensure the
15 financial health of vital children's and elders' programs.

16 (d) Encourage the development of community-based
17 solutions to strengthen and improve the quality of life of
18 Florida's children and elders.

19 (4) LAWTON CHILES ENDOWMENT FUND FOR CHILDREN AND
20 ELDERS; CREATION; PURPOSES AND USES.--

21 (a) There is created the Lawton Chiles Endowment Fund
22 for Children and Elders, to be administered by the State Board
23 of Administration. The endowment shall serve as a clearing
24 trust fund not subject to termination pursuant to s. 19(f),
25 Art. III of the State Constitution and shall be funded by
26 settlement moneys received from the tobacco industry. The
27 endowment fund shall be exempt from the service charges
28 imposed by s. 215.20.

29 (b) Funds from the endowment shall be distributed by
30 the board to trust funds of the state agencies in the amounts
31

1 indicated by reference to the legislative appropriations for
2 the state agencies.

3 (c) The state agencies shall use the funds from the
4 endowment to enhance or support increases in clients served or
5 in program costs for the state children's health insurance
6 program created in ss. 409.810-409.820, child welfare
7 programs, and community-based service initiatives for the
8 elderly.

9 (d) The Secretary of Health, the Secretary of Children
10 and Family Services, the Secretary of Elderly Affairs, and the
11 Director of Health Care Administration shall conduct meetings
12 to discuss program priorities for endowment funding prior to
13 submitting their budget requests to the Executive Office of
14 the Governor and the Legislature. The purpose of the meetings
15 shall be to gain consensus for priority requests and
16 recommended endowment funding levels for those priority
17 requests. An agency head may not designate a proxy for these
18 meetings.

19 (e) Funds from the endowment may not be used to
20 supplant existing revenues.

21 (5) ADMINISTRATION OF THE ENDOWMENT.--

22 (a) The board is authorized to invest and reinvest
23 funds of the endowment in those securities listed in s.
24 215.47, in accordance with the fiduciary standards set forth
25 in s. 215.47(9) and consistent with an investment plan
26 developed by the executive director and approved by the board.
27 Costs and fees of the board for investment services shall be
28 deducted from the endowment.

29 (b) Funds available from the endowment for
30 distribution by the board shall only be earnings received on
31 the endowment and reversions to principal. The original

1 principal deposited in the endowment from the tobacco
2 settlement for fiscal years 1999-2000 through 2002-2003, as
3 provided in subsection (7), shall not be available for
4 appropriation or distribution.

5 (c) The board shall design and operate an investment
6 portfolio that maximizes the financial return to the
7 endowment, consistent with the risks inherent in each
8 investment, and that is designed to preserve an appropriate
9 diversification of the portfolio.

10 (d) No later than February 15, 2000, the board shall
11 report on the financial status of the endowment to the
12 Governor, the President of the Senate, the Speaker of the
13 House of Representatives, the chairs of the respective
14 appropriations and applicable substantive committees of each
15 house of the Legislature, and the Revenue Estimating
16 Conference. Thereafter, the board shall make a status report
17 to such persons no later than August 15 and February 15 of
18 each year.

19 (e) Accountability for funds from the endowment that
20 have been appropriated to a state agency and distributed by
21 the board shall reside with the state agency. The board is not
22 responsible for the proper expenditure or accountability of
23 funds from the endowment after distribution to a state agency.

24 (f) The board may collect a fee for service from the
25 endowment no greater than that charged to the Florida
26 Retirement System.

27 (6) AVAILABILITY OF FUNDS.--

28 (a) Funds from the endowment shall not be available
29 for appropriation to a state agency until July 1, 2000.
30 Beginning July 1, 2000, the maximum annual amount of endowment
31

1 funds that may be appropriated shall be in accordance with the
2 following, based on earnings averaged over 3 years:

3 1. Beginning July 1, 2000, no more than a level of
4 spending representing earnings at a rate of 3 percent.

5 2. Beginning July 1, 2001, no more than a level of
6 spending representing earnings at a rate of 4 percent.

7 3. Beginning July 1, 2002, no more than a level of
8 spending representing earnings at a rate of 5 percent.

9 4. Beginning July 1, 2003, and thereafter, no more
10 than a level of spending representing earnings at a rate of 6
11 percent.

12 (b) Any earnings in excess of the amounts appropriated
13 in a given year shall remain part of the endowment.

14 (c) If the earnings are insufficient to provide for
15 the appropriations specified in paragraph (a), then the
16 distribution of endowment funds to the state agencies shall be
17 an amount of the appropriations reduced on a pro rata basis.

18 (d) Notwithstanding the provisions of s. 216.301 and
19 pursuant to s. 216.351, all unencumbered balances of
20 appropriations as of June 30 or undisbursed balances as of
21 December 31 shall revert to the endowment.

22 (7) ENDOWMENT PRINCIPAL.--The following amounts are
23 appropriated from the Department of Banking and Finance
24 Tobacco Settlement Clearing Trust Fund to the Lawton Chiles
25 Endowment Fund for Children and Elders and shall constitute
26 the original principal of the endowment:

27 (a) For fiscal year 1999-2000, \$1,099,900,000.

28 (b) For fiscal year 2000-2001, \$297,700,000.

29 (c) For fiscal year 2001-2002, \$383,100,000.

30 (d) For fiscal year 2002-2003, \$151,400,000.

31

1 Section 2. Section 215.52, Florida Statutes, is
2 amended to read:

3 215.52 Rules ~~and regulations~~.--The board shall have
4 the power ~~and authority~~ to adopt ~~make reasonable~~ rules ~~and~~
5 ~~regulations necessary~~ to implement ~~carry out~~ the provisions of
6 ss. 215.44-215.53 and 215.5601.

7 Section 3. This act shall take effect July 1, 1999.

8

9

10

HOUSE SUMMARY

11

12 Creates the Lawton Chiles Endowment Fund for Children and
13 Elders to provide a funding source for programs and
14 initiatives in support of children and the elderly.
15 Provides that the endowment is a clearing trust fund to
16 be used for appropriation to specified state agencies as
17 directed by legislative appropriation. Provides for
18 administration by the State Board of Administration, and
19 provides the board rulemaking authority therefor.
20 Provides for the endowment's principal, and specifies
21 purposes, uses, and availability of funds. See bill for
22 details.

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31