

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Education

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BILL: SB 1656

INTRODUCER: Senator Gruters

SUBJECT: Lawton Chiles Endowment Fund

DATE: March 22, 2021

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Sagues	Bouck	ED	<b>Favorable</b>
2.			AED	
3.			AP	

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**I. Summary:**

SB 1656 modifies how funds are used in the Lawton Chiles Endowment Fund (LCEF).

Specifically, the bill:

- Requires annually by October 31, the Chief Financial Officer (CFO) to certify the amount that reverts to the LCEF principal.
- Specifies that the CFO must transfer 50 percent of any reverted funds by December 1 to the Board of Trustees (BOT) of the University of South Florida (USF).
- Requires the BOT to expend any funds received to conduct and support cardiovascular disease research at the USF Health Heart Institute.
- Allows the BOT to use funds for annual operating costs, and for recruiting, retaining, and equipping researchers.
- Prohibits the BOT from pledging any funds to secure debt.

The bill also requires the CFO to notify the BOT annually by December 1 that, if there is no reverted balance in that year, a balance transfer will not occur.

The bill has no fiscal impact on state revenues or expenditures. However, if unappropriated funds are transferred to USF rather than back to the LCEF, it may impact the fund's balance. See Section V.

The bill takes effect on July 1, 2021.

## II. Present Situation:

### State Board of Administration

The State Board of Administration (SBA) is created by the Florida Constitution<sup>1</sup> and is governed by a three-member Board of Trustees (Trustees), comprised of senior elected officials; the Governor as Chair, the Chief Financial Officer, and the Attorney General.<sup>2</sup>

The Trustees, by law, have ultimate oversight.<sup>3</sup> They delegate authority to the Executive Director, who serves as the chief administrative and investment officer, by administrative rule to provide the strategic direction and execution of the day-to-day operations.<sup>4</sup>

The SBA is an apolitical organization with a professional investment management staff and is required to invest assets and discharge its duties in accordance with Florida law and in compliance with fiduciary standards of care.<sup>5</sup> Under state law, the SBA and its staff are obliged to:<sup>6</sup>

- Make sound investment management decisions that are solely in the interest of beneficiaries and investment clients.
- Make investment decisions from the perspective of subject-matter experts acting under the highest standards of professionalism and care, not merely as well-intentioned persons acting in good faith.

As a fiduciary, the SBA manages assets and provides administrative services that maximize the return on investments while prudently managing risk, controlling costs and providing appropriate diversification.<sup>7</sup> The SBA is primarily responsible for investing the proceeds of the Florida Retirement System Pension Plan<sup>8</sup>, administering the Florida Retirement Investment Plan,<sup>9</sup> managing the Florida Hurricane Catastrophe Fund<sup>10</sup> and running Florida PRIME<sup>11</sup> as well as investing the proceeds of more than 25 other funds directed to the SBA by the Florida Legislature.<sup>12</sup> The Lawton Chiles Endowment Fund (LCEF) is one of those funds.

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<sup>1</sup> Art. IV, s. 4, Fla. Const. Section 20.28, F.S.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> Rule 19-3.016, F.A.C.

<sup>5</sup> SBA Florida, *Summary Overview of the State Board of Administration of Florida* (2021), available at [https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/SBAOverview\\_20210225.pdf?ver=2021-02-25-085817-737](https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/SBAOverview_20210225.pdf?ver=2021-02-25-085817-737) at 3.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> SBA Florida, *Florida Retirement System Pension Plan*, [https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/20170619\\_FRSP.PDF?ver=2017-06-19-162056-780](https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/20170619_FRSP.PDF?ver=2017-06-19-162056-780) (last visited March 19, 2021).

<sup>9</sup> SBA Florida, *Florida Retirement System Investment Plan*, [https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/20170619\\_FRSIP.PDF?ver=2017-06-19-162255-263](https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/20170619_FRSIP.PDF?ver=2017-06-19-162255-263) (last visited March 19, 2021).

<sup>10</sup> SBA Florida, *Florida Hurricane Catastrophe Fund*, <https://www.sbafla.com/fhcf/> (last visited March 19, 2021).

<sup>11</sup> SBA Florida, *Florida PRIME*, [https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/20181005\\_FloridaPRIME.PDF?ver=2018-10-05-163903-033](https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/20181005_FloridaPRIME.PDF?ver=2018-10-05-163903-033) (last visited March 19, 2021).

<sup>12</sup> SBA Florida, *About the SBA*, [https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/SBAOverview\\_20210225.pdf?ver=2021-02-25-085817-737](https://www.sbafla.com/fsb/Portals/FSB/Content/Topics/SBAOverview_20210225.pdf?ver=2021-02-25-085817-737) (last visited March 16, 2021).

### **Lawton Chiles Endowment Fund (LCEF)**

Created by the Florida Legislature in 1999, the purpose of the LCEF is to provide a perpetual source of enhanced funding 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.<sup>13</sup>

The SBA has the statutory authority and responsibility for the investment of LCEF assets.<sup>14</sup> Florida law specifies that the LCEF must be managed in perpetuity, with an investment objective of long-term preservation of the real value of the principal.<sup>15</sup> The law further requires a specified regular annual cash outflow for appropriation, as nonrecurring revenue.<sup>16</sup>

The LCEF receives money from the sale of the state’s right, title, and interest in and to the tobacco settlement agreement as defined in law.<sup>17</sup>

Funds from the LCEF which are available for legislative appropriation must be transferred by the SBA to the Department of Financial Services Tobacco Settlement Clearing Trust Fund.<sup>18</sup> Appropriations by the Legislature to the Department of Children and Families, the Department of Health, or the Department of Elderly Affairs from endowment earnings for health and human services programs must be deposited into each department’s respective Tobacco Settlement Trust Fund as appropriated.<sup>19</sup>

State agencies must use distributions from the endowment to enhance or support increases in clients served or to meet increases in program costs in health and human services program areas. Funds distributed from the endowment may not be used to supplant existing revenues.<sup>20</sup> All unencumbered balances of appropriations from each department’s respective Tobacco Settlement Trust Fund as of June 30 or undisbursed balances as of September 30 must revert to the endowment’s principal.<sup>21</sup>

The table below illustrates the funds available, appropriated, and expended in the Tobacco Settlement Trust Fund for the 2019-2020 fiscal year. During the 2019-2020 fiscal year, \$1.9M of the appropriated funds were not expended.

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<sup>13</sup> Section 215.5601, F.S.

<sup>14</sup> Subject to certain investment limitations and consistent with an Investment Policy Statement approved by the SBA Trustees. *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> “Tobacco settlement agreement” means the settlement agreement, as amended, entered into by the state and participating cigarette manufacturers in settlement of *State of Florida v. American Tobacco Co.*, No. 95-1466AH (Fla. 15th Cir. Ct. 1996). Section 215.56005, F.S.

<sup>18</sup> Funds to be credited to the Tobacco Settlement Clearing Trust Fund must consist of payments received by the state from settlement of *State of Florida v. American Tobacco Co.*, No. 95-1466AH (Fla. 15th Cir. Ct. 1996). Moneys received from the settlement and deposited into the trust fund are exempt from the service charges. Section 17.41, F.S.

<sup>19</sup> Section 215.5601(5), F.S.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

Tobacco Settlement Trust Fund Financial Outlook Statement 2019-2020 (\$ Millions)					
Funds Available <sup>22</sup>		Appropriations <sup>23</sup>		Expenditures <sup>24</sup>	
Balance Forward from 2018-2019	\$36.3	Agency for Health Care Administration <sup>25</sup>	\$269.1	Agency for Health Care Administration	\$269.1
Payments Received	\$335.0	Tobacco Prevention and Education <sup>26</sup>	\$72.1	Tobacco Prevention and Education	\$70.2
Transfer from LCEF	\$7.3				
Other funds available	\$1.6				
<b>Total</b>	<b>\$380.2</b>		<b>\$341.2</b>		<b>\$339.3</b>

**University of South Florida (USF) Health Heart Institute**

The USF Health Heart Institute conducts basic, translational, and clinical research and provides patient care related to cardiovascular diseases.<sup>27</sup> At its core, the Institute’s research activities address the root causes of cardiovascular diseases, such as coronary artery disease, heart failure, congenital heart disease, cardiac arrhythmias, peripheral vascular disease, and renal, metabolic and pulmonary disease as they relate to the heart. The Institute translates knowledge gained across these domains into novel therapeutics and diagnostics to improve treatment and quality of life.<sup>28</sup>

Cardiovascular disease is highly prevalent in the population.<sup>29</sup> When defined as coronary artery disease, heart failure, stroke, and hypertension, the prevalence of cardiovascular disease ranges from 34 percent to 71 percent of the U.S. population from the ages of 40 to 70 years.<sup>30</sup> Cardiovascular disease causes more deaths in the U.S. than any other disorder, including cancer, diabetes, and Alzheimer’s disease. Despite advances in controlling major risk factors, such as smoking cessation and high-fat diets, atherosclerotic coronary heart disease, the major cause of heart attacks remains the most common cause of the cardio-vascular diseases in the United States.<sup>31</sup>

<sup>22</sup> Office of Economic & Demographic Research, *Tobacco Settlement Trust Fund Financial Outlook Statement FY 2019-20 through FY 2025-26* (2020), available at [http://edr.state.fl.us/Content/revenues/outlook-statements/tobacco-settlement-tf/200810\\_TSTFoutl.pdf](http://edr.state.fl.us/Content/revenues/outlook-statements/tobacco-settlement-tf/200810_TSTFoutl.pdf).

<sup>23</sup> *Id.*

<sup>24</sup> Office of Economic & Demographic Research, *Tobacco Settlement Trust Fund Financial Outlook Statement FY 2019-20 through FY 2025-26 including Fiscal Year 2019-20 Closeout* (2020), available at [http://edr.state.fl.us/Content/revenues/outlook-statements/tobacco-settlement-tf/201109\\_TSTFoutl.pdf](http://edr.state.fl.us/Content/revenues/outlook-statements/tobacco-settlement-tf/201109_TSTFoutl.pdf).

<sup>25</sup> Agency for Health Care Administration, <https://ahca.myflorida.com/> (last visited march 19, 2021).

<sup>26</sup> Florida Department of Health, *Tobacco Free Florida*, <http://www.floridahealth.gov/PROGRAMS-AND-SERVICES/prevention/tobacco-free-florida/index.html> (last visited March 19, 2021).

<sup>27</sup> USF Health, *USF Heart Institute* (2015), available at <https://www.usf.edu/pdf/usf-downtown-med.pdf> at 3.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.* at 11.

<sup>30</sup> *Id.* at 3.

<sup>31</sup> *Id.*

**III. Effect of Proposed Changes:**

SB 1656 amends s. 215.5601, F.S., to modify how funds are used in the Lawton Chiles Endowment Fund (LCEF). The modifications made by the act may provide additional targeted research funding for cardiovascular disease at the University of South Florida (USF) Health Heart Institute. Specifically, the bill:

- Requires annually by October 31, the Chief Financial Officer (CFO) to certify the amount that reverts to the LCEF principal.
- Specifies that, if a balance reverts in any year, the CFO must transfer 50 percent of the reverted funds by December 1 to the Board of Trustees (BOT) of USF.
- Requires the BOT to first expend any funds received to conduct and support cardiovascular disease research at the USF Health Heart Institute.
- Allows the BOT to use funds for annual operating costs, and for recruiting, retaining, and equipping researchers engaged in cardiovascular research.
- Prohibits the BOT from pledging any funds to secure debt.

The bill also requires the CFO to notify the BOT annually by December 1 that, if there is no reverted balance in that year, a balance transfer will not occur.

The bill takes effect on July 1, 2021.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**D. State Tax or Fee Increases:**

None.

**E. Other Constitutional Issues:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Additional funding for cardiovascular disease research may benefit Florida citizens.

**C. Government Sector Impact:**

The bill has no fiscal impact on state revenues or expenditures. However, if unappropriated funds are transferred to USF rather than back to the Lawton Chiles Endowment Fund (LCEF), it may impact the fund's balance.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 215.5601 of the Florida Statutes.

**IX. Additional Information:****A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.