# 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.)

Pre	pared By: The	Professio	nal Staff of the C	committee on Childre	en, Families, and	l Elder Affairs		
BILL:	SB 912							
INTRODUCER:	Senator Brodeur							
SUBJECT:	Community-based Care Lead Agency Expenditures							
DATE:	January 10	, 2022	REVISED:					
ANALYST		STAF	F DIRECTOR	REFERENCE		ACTION		
. Moody		Cox		CF	Favorable			
				AHS				
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# I. Summary:

SB 912 amends s. 409.992(3)(b), F.S., to restrict the total compensation from state-appropriated funds, including state-appropriated federal funds, that is received by a community-based care lead agency employee from employment with one or more community-based care lead agencies, a community-based care lead agency and a managing entity, or a community-based care lead agency and another state agency in excess of 150 percent of the annual salary paid to the secretary of the Department of Children and Families (DCF). The bill maintains current law as it relates to any party providing cash that is not from appropriated state funds to a lead agency employee.

The bill defines the terms "community-based care lead agency employee", "incentive payment", and "total compensation".

The bill also provides that upon the execution of a new contract or an amendment to an existing contract with a community-based care lead agency, the DCF must include a provision for the new limitation on compensation made under the bill.

The bill also amends s. 409.996(4)(a)1., F.S., to update the provision regarding the DCF's requirement to collect and publish on its website, and update annually, information relating to total compensation, as defined under the bill, from state-appropriated funds in excess of 150 percent of the annual salary paid to the secretary of the DCF.

The bill does not appear to have a fiscal impact on state or local governments. See Section V. Fiscal Impact Statement.

The bill is effective July 1, 2022.

#### II. Present Situation:

The DCF was created to support and promote stable and safe families.<sup>1</sup> The DCF is required to work with local partners to provide services by contract through private providers to the extent allowed by law and within specified appropriations.<sup>2</sup>

## **Community-based Care Lead Agency**

The DCF operates a community-based care child welfare system that outsources foster care and related services to agencies with an increased local community ownership to enhance accountability, resource development, and system performance.<sup>3</sup> The DCF contracts with community-based care lead agencies (lead agency) to provide direct or indirect child welfare services.<sup>4</sup>

#### The DCF Duties

Notwithstanding that services are contracted with local lead agencies, the DCF remains responsible for providing child welfare and support services in accordance with federal and state law.<sup>5</sup> The Legislature has articulated several duties with which the DCF must comply, including, in part, all of the following:

- Ensuring the DCF's contracts with the lead agencies contain specified terms, including to:
  - Provide for the services which must be provided as required under s. 409.988, F.S., and provide relevant information to the DCF related to the quality assurance program and the child welfare results-oriented accountability system;
  - Provide for tiered interventions and graduated penalties for failure to comply with the contract or performance deficiencies;
  - Require the lead agencies to provide current and accurate information of its activities related to case records in the statewide automated child welfare information system; and
  - Specify the procedures to resolve differences in interpreting the contract or to resolve a disagreement amongst the parties regarding compliance with the contract;
- Developing and maintaining written policies and procedures for monitoring compliance with the services that must be provided by lead agencies under their contracts and posted on the DCF website;
- Developing and implementing statewide and local interagency agreements to coordinate services that need to be provided to children and parents;
- Establishing a quality assurance program for contracted services to dependent children;
- Evaluating lead agencies under contract at least once annually;
- Collecting and publishing on its website, and annually updated, specified information related
  to each lead agency under contract with the DCF, including, but not limited to, all
  compensation earned or awarded for any employee for services commonly associated with a
  chief executive, chief administrator, or other chief officer of a business or corporation, who

<sup>&</sup>lt;sup>1</sup> See s. 20.19, F.S.

<sup>&</sup>lt;sup>2</sup> Section 20.19(1)(c), F.S.

<sup>&</sup>lt;sup>3</sup> The DCF, *Community-Based Care*, available at <a href="https://www.myflfamilies.com/service-programs/community-based-care/overview.shtml">https://www.myflfamilies.com/service-programs/community-based-care/overview.shtml</a> (last visited Jan. 7, 2022).

<sup>&</sup>lt;sup>4</sup> *Id*.

<sup>&</sup>lt;sup>5</sup> Section 409.996, F.S.

receives compensation from state-appropriated funds in excess of 150 percent of the annual salary paid to the secretary of the DCF.<sup>6</sup>

## **Contracted Lead Agencies**

A lead agency is a single entity with which the DCF has a contract for the provision of care in the child protection and welfare system.<sup>7</sup> The DCF enters into 5-year contracts with lead agencies for the procurement of services.<sup>8</sup> There are minimum requirements with which lead agencies must comply to be eligible to contract with the DCF, including, but not limited to:

- The lead agency must be organized as a Florida corporation or a governmental entity;<sup>9</sup>
- The board of directors or board committee must have the authority to approve the lead agency's budget and to hire the lead agency's executive director; 10 and
- The lead agency must also demonstrate financial responsibility by having a plan for regular fiscal audits and securing a performance bond.<sup>11</sup>

The lead agencies are obligated to perform several duties including, in part, to:

- Serve the children who are referred as a result of abuse, abandonment, or neglect reports;
- Provide accurate and timely information to the DCF, as specified in s. 409.997, F.S.;
- Follow financial guidelines developed by the DCF and provide for a regular independent audits:
- Prepare and file all necessary court documents, and attend dependency court proceedings to give evidence;
- Ensure all individuals providing care to dependent children receive training and specified information and meet employment requirements;
- Maintain eligibility to receive all available federal child welfare funds;
- Maintain written agreements with Healthy Families Florida lead entities;
- Comply with federal and state statutory requirements and agency rules in the provision of contractual rules;
- Use authority to subcontract for the provision of services provided the lead agency contribute to services and meet specified criteria; and
- Post certain information regarding case management services on its website by a specified date.<sup>12</sup>

<sup>&</sup>lt;sup>6</sup> *Id*.

<sup>&</sup>lt;sup>7</sup> Section 409.986(3)(d), F.S.

<sup>&</sup>lt;sup>8</sup> Section 409.987(3), F.S.

<sup>&</sup>lt;sup>9</sup> Section 409.987(4)(a), F.S.

<sup>&</sup>lt;sup>10</sup> Section 409.987(4)(b), F.S.

<sup>&</sup>lt;sup>11</sup> Section 409.987(4)(c), F.S.

<sup>&</sup>lt;sup>12</sup> Section 409.988(1), F.S. Further, s. 409.988(1)(k), F.S., provides that lead agencies and subcontracted case management providers must disclose the average caseload of case managers for filled positions, the turnover rate for case managers and their supervisors for the previous 12 months, the percentage of required home visits completed, and performance on outcome measures required under s. 409.997, F.S., for the previous 12 months.

The DCF contracts with the following lead agencies as illustrated in the table below: 13

Lead Agency	<u>Circuit(s)</u>
Lakeview Center, Families First Network	1
Big Bend Community Based Care, Inc.	2 & 14
Partnership for Strong Families	3 & 8
Family Support Services of North Florida, Inc.	4 (Duval and Nassau) and $6^{14}$
Kids First of Florida, Inc.	4 (Clay)
Kids Central, Inc.	5
Eckerd Connects	13 <sup>15</sup>
St Johns County Board of County	7 (St Johns)
Commissioners	
Community Partnership for Children, Inc.	7 (Flagler, Volusia, Putnam)
Embrace Families	9 and 18 (Seminole)
Heartland for Children	10
Citrus Family Care Network	11 and 16
Safe Children Coalition	12
ChildNet Inc.	15 and 17
Brevard Family Partnership	18 (Brevard)
Communities Connected for Kids	19
Children's Network of SW Florida	20

# **Managing Entities (MEs)**

The DCF administers a statewide system of safety-net services for substance abuse and mental health (SAMH) prevention, treatment and recovery for children and adults who are otherwise unable to obtain these services. SAMH programs include a range of prevention, acute interventions (e.g. crisis stabilization), residential treatment, transitional housing, outpatient treatment, and recovery support services. Services are provided based upon state and federally-established priority populations. <sup>16</sup>

In 2001, the Legislature authorized the DCF to implement behavioral health managing entities (ME) as the management structure for the delivery of local mental health and substance abuse services. <sup>17</sup> The implementation of the ME system initially began on a pilot basis and, in 2008, the Legislature authorized DCF to implement MEs statewide. <sup>18</sup> Full implementation of the

<sup>&</sup>lt;sup>13</sup> The DCF, *Lead Agency Map, Community-Based Care*, available at: <a href="https://www.myflfamilies.com/service-programs/community-based-care/lead-agency-map.shtml">https://www.myflfamilies.com/service-programs/community-based-care/lead-agency-map.shtml</a> (last visited Dec. 29, 2021).

<sup>&</sup>lt;sup>14</sup> WUSF Public Media, Family Support Services of North Florida will fully take over on January 1, 2022, Nov. 30, 2021, available at <u>State selects replacement for Eckerd Connects to run foster care in Pinellas, Pasco | WUSF Public Media</u> (last visited Jan. 3, 2022).

<sup>&</sup>lt;sup>15</sup> Eckerd Connects will carry out its contract until it expires June 30, 2022. WFLA, *DCF*, *Eckerd Connects ending child welfare services contracts in 3 Tampa Bay counties*, available at <a href="https://www.wfla.com/news/local-news/dcf-eckerd-connects-end-child-welfare-services-in-3-tampa-bay-counties/">https://www.wfla.com/news/local-news/dcf-eckerd-connects-end-child-welfare-services-in-3-tampa-bay-counties/</a> (last visited Jan. 7, 2022).

<sup>&</sup>lt;sup>16</sup> See chs. 394 and 397, F.S.

<sup>&</sup>lt;sup>17</sup> Chapter 2001-191, L.O.F.

<sup>&</sup>lt;sup>18</sup> Chapter 2008-243, L.O.F.

statewide ME system occurred in 2013 and all geographic regions are now served by a managing entity.<sup>19</sup>

The DCF contracts with the following seven MEs below:

- Northwest Florida Health Network.
- Lutheran Services Florida.
- Central Florida Cares Health System.
- Central Florida Behavioral Health Network, Inc.
- Southeast Florida Behavioral Health.
- Broward Behavioral Health Network, Inc.
- Thriving Mind South Florida.<sup>20</sup>

The MEs in turn contract with local service providers for the delivery of mental health and substance abuse services.<sup>21</sup> In Fiscal Year 2020-21, the network service providers under contract with the MEs served 225,927 individuals.<sup>22</sup>

#### **Funding**

Section 409.990, F.S., requires that a contract between the DCF and a lead agency be funded through General Revenue, or other applicable state or federal funding sources. Lead agencies must allocate their funding as provided under Florida law based on a proportion of child population, child abuse hotline workload, and children in care.<sup>23</sup>

Contracts with MEs are funded with General Revenue, other qualifying state funds, or applicable federal funding.<sup>24</sup> The MEs are required to develop, implement, and maintain standards for collecting data related to public receiving facilities<sup>25</sup> within its service area and contracted addiction receiving facilities.<sup>26</sup> MEs are required to reconcile the data on a monthly basis, and

<sup>&</sup>lt;sup>19</sup> Florida Tax Watch, *Analysis of Florida's Behavioral Health Managing Entity Models*, p. 4, March 2015, available at <a href="https://floridataxwatch.org/Research/Full-Library/ArtMID/34407/ArticleID/15758/Analysis-of-Floridas-Behavioral-Health-Managing-Entities-Model">https://floridataxwatch.org/Research/Full-Library/ArtMID/34407/ArticleID/15758/Analysis-of-Floridas-Behavioral-Health-Managing-Entities-Model</a> (last visited Dec. 29, 2021).

<sup>&</sup>lt;sup>20</sup> The DCF, Assessment of Behavioral Health Services, Fiscal Year 2021-2022, Dec. 1, 2021, p. 5, available at https://www.myflfamilies.com/service-

programs/samh/publications/docs/Assessment%20of%20Behavioral%20Health%20Services%20FY%2021-22%20with%20Appendix%201.pdff (last visited Jan. 3, 2021)(hereinafter cited as "The 2021-2022 Report").

<sup>&</sup>lt;sup>21</sup> Managing entities create and manage provider networks by contracting with service providers for the delivery of substance abuse and mental health services.

<sup>&</sup>lt;sup>22</sup> The 2021-2022 Report at p. 10.

<sup>&</sup>lt;sup>23</sup> Section 409.991(2), F.S., provides that core services funds are calculated based on the proportion of the (a) child population weighted as 5 percent of the total; (b) child abuse hotline workload weighted as 35 percent of the total; and (c) children in care weighted as 60 percent of the total. Section 409.991(3), F.S., provides that beginning in the 2015-2016 FY, 100 percent of the recurring core services funding must be based on the prior year recurring base core services funds, and any new funding be allocated as: (a) seventy percent of new funding amongst all lead agencies and (b) thirty percent of new funding to lead agencies that are funded below their equitable share.

<sup>&</sup>lt;sup>24</sup> Section 394.9082(9), F.S.

<sup>&</sup>lt;sup>25</sup> Section 394.9082(10), F.S., defines "public receiving facility" as an entity that meets the licensure requirements of, and is designated by, the department to operate as a public receiving facility under s. 394.875, F.S., and that is operating as a licensed crisis stabilization unit.

<sup>26</sup> *Id.* 

submit the data to the DCF on a monthly and annual basis. The DCF is required to post data on its website regarding each ME's utilization of funds.<sup>27</sup>

# Compensation and Review of Compensation under Certain State Contracts

Lead agency expenditures must comply with financial guidelines developed by the DCF, comply with federal and state law, and follow good business practices. The Internal Revenue Code sets the rules governing compensation at public nonprofits, including those known as 501(c)(3) organizations, and specifies that no part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. However, the Internal Revenue Service (IRS) gives each nonprofit's board of directors latitude in determining how much to pay top employees. The IRS requires a nonprofit board to have an objective process for setting executives' salaries, including use of comparisons with salaries paid by similar organizations for similar service. However, the Internal Revenue Service are nonprofit board to have an objective process for setting executives' salaries, including use of comparisons with salaries paid by similar organizations for similar service.

## 2015 Operational Audit

In 2015, during an operational audit of the lead agencies, the Florida Auditor General found instances where salary payments, including bonuses, and leave balances did not appear to be properly supported or calculated in accordance with established community-based care policy or state law. In 2015, during an operational audit of the MEs, the Florida Auditor General found instances where salary payments for leave used and ME employee leave balances did not appear to be supported or calculated accurately. <sup>32</sup>

During the 2017 Legislative Session, CS/CS/HB 1121 passed and was signed into law, which, in part, limited the lead agencies' administrative employees' salaries to 150 percent of the annual salary paid to the Secretary of the DCF from state-appropriated funds.<sup>33</sup> However, there is no limitation placed on the ability of any party to provide cash that is not from appropriated state funds to a community-based care lead agency administrative employee.<sup>34</sup> Administrative employees is not defined in s. 409.992(3), F.S.

<sup>&</sup>lt;sup>27</sup> Section 394.9082(10)(e) and (f), F.S.

<sup>&</sup>lt;sup>28</sup> Section 409.992(1), F.S.

<sup>&</sup>lt;sup>29</sup> 26 U.S.C. §501. Exemption from tax on corporations, certain trusts, etc. Subject to some exemptions, corporations and other eligible entities that are organized and operate exclusively for religious, charitable, scientific and other specified purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise conducting exempted activities, are exempt from taxation.

<sup>&</sup>lt;sup>30</sup> Id. However, a nonprofit that normally pays no taxes may be taxed for paying excess benefits to an insider.

<sup>&</sup>lt;sup>31</sup> The Office of the Auditor General, *Department of Children and Families and Selected Community-Based Care Lead Agencies Oversight of Foster Care and Related Service*, Report No. 2015-156, p. 1, Mar. 2015, available at <a href="https://flauditor.gov/pages/pdf">https://flauditor.gov/pages/pdf</a> files/2015-156.pdf (last visited Dec. 29, 2021).

<sup>&</sup>lt;sup>32</sup> The Office of the Auditor General, *Department of Children and Families and Selected Behavioral Health Managing Entities*, Report No. 2015-155, p. 1-2, Mar. 2015, available at <a href="https://flauditor.gov/pages/pdf\_files/2015-155.pdf">https://flauditor.gov/pages/pdf\_files/2015-155.pdf</a> (last visited Dec. 29, 2021).

<sup>&</sup>lt;sup>33</sup> Chapter 2017-151, s. 31, L.O.F. (amending s. 409.992, F.S., effective July 1, 2017).

<sup>&</sup>lt;sup>34</sup> Section 409.992(3), F.S.

# 2019 Operational Audit

In a January 2019 operational audit (2019 Audit Report), the Florida Auditor General conducted a new independent audit and also followed up on the findings noted in the 2015 report related to lead agencies mentioned above. The 2019 report stated that as of March 31, 2017, which is prior to the implementation of CS/CS/HB 1121 (2017), the lead agencies' chief executive officer annual salaries, before bonuses, averaged \$210,863, and the average allocated to the DCF contracts with the lead agencies was \$160,000.<sup>35</sup> The only finding related to the lead agencies on compensation benefits stated that two of the DCF's subcontracted entities did not require salaried employees to record annual leave used in increments of less than 8 hours.<sup>36</sup>

In the 2019 Audit Report, as of March 31, 2017, the MEs' chief executive officer annual salaries, before bonuses, averaged \$226,216, and the average allocated to the DCF contracts with the MEs was \$170,905.<sup>37</sup> The 2019 report also found that bonus payments of one ME did not appear reasonable and necessary to the performance of the ME's duties.<sup>38</sup> The Florida Auditor General recommended the DCF amend the managing entity (ME) contracts to require compliance with statutory provisions restricting the use of state-funded bonus payments under the contract.<sup>39</sup>

## 2020 Executive Order and Chief Inspector General Review

Governor Ron DeSantis issued an executive order dated February 20, 2020 (EO 20-44)<sup>40</sup> following a finding that the chief executive officer of the Florida Coalition Against Domestic Violence ("Coalition") was paid more than \$7.5 million over three years.<sup>41</sup> Governor DeSantis called for reviews of contracts across the executive branch<sup>42</sup> after receiving evidence that the Coalition used funds from the DCF "to subsidize exorbitant executive leadership team compensation payout."<sup>43</sup>

<sup>&</sup>lt;sup>35</sup> The Office of the Auditor General, *Department of Children and Families Oversight and Administration of Community-Based Care Lead Agencies and Behavioral Health Managing Entities and Selected Department Administrative Activities*, Report No. 2019-111, p. 6 and 54-55, Jan. 2019, available at <a href="https://flauditor.gov/pages/pdf">https://flauditor.gov/pages/pdf</a> files/2019-111.pdf (last visited Jan. 10, 2022) (hereinafter cited as "2019 Audit Report").

<sup>&</sup>lt;sup>36</sup> *Id.* at p. 3.

<sup>&</sup>lt;sup>37</sup> 2019 Audit Report, at p. 6 and 57.

<sup>&</sup>lt;sup>38</sup> *Id.* at p. 3.

<sup>&</sup>lt;sup>39</sup> *Id.* at p. 28.

<sup>&</sup>lt;sup>40</sup> Governor Ron DeSantis, *State of Florida Office of the Governor Executive Order Number 20-44*, Feb. 20, 2020, available at <a href="https://www.flgov.com/wp-content/uploads/orders/2020/EO\_20-44.pdf">https://www.flgov.com/wp-content/uploads/orders/2020/EO\_20-44.pdf</a> (last visited January 7, 2022).

<sup>&</sup>lt;sup>41</sup> See Dan Sweeney, Disgraced nonprofit CEO served a subpoena via Twitter by Florida House, Sun Sentinel, Mar. 05, 2020, available at <a href="https://www.sun-sentinel.com/news/politics/fl-ne-tiffany-carr-subpoena-twitter-20200305-vhqbdq5ucnc3tajblvkezerh64-story.html">https://www.sun-sentinel.com/news/politics/fl-ne-tiffany-carr-subpoena-twitter-20200305-vhqbdq5ucnc3tajblvkezerh64-story.html</a>; Renzo Downey, Ron DeSantis calls for reviews of state's private-public contracts, Florida Politics, Feb 20, 2020, available at <a href="https://floridapolitics.com/archives/320097-ron-desantis-calls-for-reviews-of-states-private-public-contracts/">https://floridapolitics.com/archives/320097-ron-desantis-calls-for-reviews-of-states-private-public-contracts/</a>; Mary Ellen Klas, Tampa Bay Times, Eckerd Connects in Clearwater Exceeded Florida Cap on Salaries, Says IG Report, Oct. 19, 2021, available at <a href="https://eckerd-connects-in-clearwater-exceeded-florida-cap-on-salaries">https://floridapolitics.com/archives/320097-ron-desantis-calls-for-reviews-of-states-private-public-contracts/</a>; Mary Ellen Klas, Tampa Bay Times, Eckerd Connects in Clearwater Exceeded Florida Cap on Salaries, Says IG Report, Oct. 19, 2021, available at <a href="https://eckerd-connects-in-clearwater-exceeded-florida-cap-on-salaries">https://eckerd-connects-in-clearwater-exceeded-florida-cap-on-salaries, says</a> IG report (tampabay.com) (hereinafter cited as "Salary Cap Article") (all sites last visited January 3, 2022).

<sup>&</sup>lt;sup>42</sup> Renzo Downey, Florida Politics, *Ron DeSantis Calls for Reviews of State's Private-Public Contracts*, Feb. 20, 2020, available at Ron DeSantis calls for reviews of state's private-public contracts (floridapolitics.com) (last visited Jan. 3, 2022). <sup>43</sup> EO 20-44.

EO 20-44 directed certain agencies that receive state and federal funding to review "total compensation" for executive leadership teams over the past year proceeding the order. Total compensation is defined in the order to include:

...Salary, bonuses, cashed-in leave, cash equivalents, severance pay, retirement benefits, deferred compensation, real-property gifts, and any other payout. In addition, contracted entities must agree through appropriate contract or grant agreement amendment to inform the agency of any changes in total executive compensation between the annual reports. All compensation reports must indicate what percent of compensation comes directly from the State or Federal allocations-to the contracted entity.<sup>44</sup>

If the executive leadership team compensation exceeded the limit provided for in state or federal law, the agency was required to refer the issue to the Office of the Chief Inspector General (OCIG) for investigation and appropriate action.

During Fiscal Year 2020-21, in response to EO 20-44, the OCIG conducted a review and prepared a report regarding statutory compensation limits.<sup>45</sup> It found that the nine lead agencies that appear to have compensations in excess of statutory limits are:

- Big Bend Community Based Care, Inc. [d/b/a NWF Health Network (NWFHN)];
- ChildNet, Inc.:
- Citrus Health Network, Inc.;
- Community Based Care of Brevard, Inc.;
- Eckerd Youth Alternatives (d/b/a Eckerd Connects);
- Embrace Families Community Based Care, Inc.;
- Family Support Services of North Florida, Inc. ("FSSNF");
- Lakeview Center, Inc.; and
- Safe Children Coalition, Inc.<sup>46</sup>

As part of the review, the DCF OIG disseminated a survey to the above nine entities requesting information related to "total compensation", which was defined as:

Direct and indirect salary (including base salary), bonuses, cashed-in leave, cash equivalents, severance pay, retirement benefits, deferred compensation, real-property gifts, any other payout such as additional leave, information technology equipment, leased vehicles or car allowances, access to private donations/foundations funding, access to expense accounts, taxable group-term life insurance coverage,

<sup>&</sup>lt;sup>44</sup> *Id*. at p. 3.

<sup>&</sup>lt;sup>45</sup> Office of the Chief Inspector General, *Office of the Governor, Executive Order Number 20-44 Data Compilation and Statutory Compensation Limit Review, CIG Number: 2021-01-25-0017*, June 30, 2021, available at <u>Final-Report-with-Responses-6.30.21-2.pdf (flgov.com)</u> (last visited Jan. 10, 2022) (hereinafter cited as "2021 CIG Report").

<sup>46</sup> *Id.* at p. 13.

supplemental paid time off, and/or any other items that could be considered perquisites or accruals of deferred amounts.<sup>47</sup>

The Office of Inspector General (OIG) Internal Audit Section identified two for which the Executive Leadership Team (ELT) member compensation appears to have exceeded state limits and the lead agencies did not provide adequate justification. None of the nine lead agencies exceeded federal compensation limits.

The DCF OIG also noted the ELT members' received supplemental paid time off that was awarded at the time of their annual performance reviews and subsequently cashed in which it suggests was, in effect, a bonus but not reported as such.<sup>48</sup> Other ways that an ELT member could circumvent the salary cap include awarding deferred compensation and receiving an additional salary from a subsidiary of a state-funded agency, such as a managing entity.<sup>49</sup>

Current law only imposes limits on base pay and bonuses, and does not define the term "incentives". <sup>50</sup> Current law also does not impose limits on compensation for ELT members that receive compensation from more than one state contract or other agencies. <sup>51</sup>

As a result, the 2021 CIG Report makes several recommendations, including, but not limited to:

- Develop a comprehensive definition of "compensation" to include salary and nonstandard compensation identified in the report;
- Establish appropriate enforceable limits for administrative costs for providers doing business with the state; and
- Identify and address issues arising from organization receiving funding used for executive compensation from multiple state contracts from one or more state agencies.<sup>53</sup>

# III. Effect of Proposed Changes:

The bill amends s. 409.992(3)(b), F.S., to modify the limit of total compensation from state-appropriated funds, including state-appropriated federal funds, received by a community-based care lead agency employee as a result of employment with one or more community-based care lead agencies, a community-based care lead agency and a managing entity, or a community-based care lead agency and another state agency in excess of 150 percent of the annual salary paid to the secretary of the DCF. Current law remains unchanged as it relates to any party providing cash that is not from appropriated state funds to a lead agency employee.

<sup>48</sup> *Id.* at p. 13.

<sup>&</sup>lt;sup>47</sup> *Id.* at p. 8.

<sup>&</sup>lt;sup>49</sup> 2021 CIG Report at p. 14; Salary Cap Article at p. 3.

<sup>&</sup>lt;sup>50</sup> Section 409.992(3), F.S.

<sup>&</sup>lt;sup>51</sup> See 2021 CIG Report at p. 14, which notes that "We are not aware of a state law that places limits on executive compensation of other service providers, such as managing entities, that contract with DCF or other agencies (i.e., DJJ, DOEA, APD, etc.)."

<sup>&</sup>lt;sup>52</sup> *Id.* at p. 8.

<sup>&</sup>lt;sup>53</sup> 2021 CIG Report at p. 14.

The bill defines the terms "community-based care lead agency employee", "incentive payment", and "total compensation", as follows:

- "Community-based care lead agency employee" means an executive staff member of a community-based care lead agency, including, but not limited to, the chief executive officer, chief financial officer, or chief operating officer.
- "Incentive payment" means a financial or nonmonetary reward given to a person to recognize his or her performance results or to motivate him or her to exceed performance standards, rather than for time worked.
- "Total compensation" includes direct and indirect salary, including base salary; bonuses; incentive payments; cashed-in leave; cash equivalents; severance pay; retirement benefits; deferred compensation; real property gifts; any other payout, such as additional leave, information technology equipment, leased vehicles, or car allowances; access to private donations or foundation funding or expense accounts; taxable group-term life insurance coverage; supplemental paid time off; or any other items that could be considered perquisites or accruals of deferred amounts.

The bill requires the DCF to include a provision for the limitation on compensation in any new or amended contract with a community-based care lead agency.

The bill also amends s. 409.996(4)(a)1., F.S., to require the DCF to collect and publish on its website, and annually update, for each employee of a lead agency who receives total compensation as defined under the bill, as opposed to simply compensation as provided under current law, from state-appropriated funds in excess of 150 percent of the annual salary paid to the secretary of the DCF.

The bill is effective July 1, 2022.

## IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The bill does not appear to require cities and counties to expend funds or limit their authority to raise revenue or receive state-shared revenues as specified by Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

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None identified.

# V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill does not appear to have a fiscal impact on state or local governments.

## VI. Technical Deficiencies:

None.

## VII. Related Issues:

None.

## VIII. Statutes Affected:

This bill substantially amends sections 409.992 and 409.996 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.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.