

Scholarship Funding Organization Allowances

2022-03



- In Florida, two nonprofit “Scholarship Funding Organizations” (SFO’s) are allowed to administer the Florida Tax Credit Scholarship (FTC), Hope Scholarship, Family Empowerment Scholarship for Equal Opportunity (FES-EO) and Family Empowerment Scholarship for Students with Unique Abilities (FES-UA) which, combined, serve more than 183,000 students.
- Florida’s scholarship programs allow SFO’s to retain a portion of what was spent on scholarships to cover administrative expenses. The FTC and Hope scholarships allow SFO’s to retain 3 percent of funds for administrative expenses. The FES-EO allows SFO’s to retain 2.5 percent. The state appropriates a 3 percent allowance for SFO’s who manage the FES-UA education savings account program for students with special needs. These are among the lowest allowances in the United States. Of the other 18 states, one provides 20 percent, 11 provide 10 percent, five are at 5 percent and one, South Carolina, is also at 3 percent. Within Florida, Early Learning Coalitions are allowed to keep 4 percent of pre-kindergarten vouchers for administrative purposes, and school districts keep between 2 and 5 percent of charter school allocations for oversight duties.
- Florida scholarship nonprofits are also prohibited from taking any allowance from tax-credited contributions for the first three years of operation, a provision found in no other state. Step Up For Students went six years with no allowance and depended on private fundraising to help cover basic administrative expense for its first 11 years.
- Not surprisingly, Florida has the fewest participating scholarship organizations. Only two are currently approved and Step Up is serving 99 percent of the students. Georgia has 33 such organizations, Arizona has 94, and Pennsylvania has 111.
- Unlike school districts, Step Up must raise private funds to use for lobbying expenses. No portion of the administrative allowance or any funds received from the state can be used for this purpose.
- The legal requirements and responsibilities for scholarship organizations in Florida are thorough and labor-intensive. They are governed by two statutes, sections 1002.395 and 1002.421, and a state rule, 6A-6.0960, that combined are 14,113 words long.
- Scholarship processing obligations include: verifying the income and household size of every family every year; verifying student attendance and issuing scholarship payments four times a year; reviewing annual financial reports for any school with at least \$250,000 in scholarship payments; coordinating collection of standardized test results; raising contributions to fund the scholarships. It is important to note that this annual verification process can be very labor-intensive for families making \$37,000 per year on average. There are often multiple relatives under the same roof and multiple sources of income.
- The size of the workload is driven by student enrollment. This year, parents submitted 298,231 scholarship applications. Our three-language contact center handled 195,349 calls, conducted more than 149,553 live chats with parents, distributed nearly a half-million scholarship checks, and verified and reimbursed 189,437 individual Gardiner expenses.
- The company’s Student Learning and Partner Success, which works with private schools on learning strategies, has trained more than 5,000 private school teachers and assisted hundreds of schools statewide.

- Step Up developed a customized online application for families and is tasked with the security of personal and financial data of hundreds of thousands of families. As evidenced by school districts that have suffered data breaches, this is a real risk.
- Step Up's finance team reviewed more than 1,000 financial reports prepared by independent public accounting firms for schools that received over \$250,000 from all Florida's K-12 scholarship programs.
- Step Up employs 213 full-time employees who work primarily from offices in Jacksonville and St. Petersburg. Roughly two-thirds of these employees work directly in scholarship processing, and less than one in 13 is in fundraising. The highest-paid employee is President Doug Tuthill, whose annual compensation is \$272,869. Executive compensation is set by a Board of Directors committee that has no employee members. This committee is guided by studies done by Sibson Consulting, an independent compensation analysis firm, to set salaries at levels commensurate with firms with similar size and responsibilities. The company's founder and board chairman, John Kirtley, has never received any compensation for his work.
- Step Up also raises private funds to help achieve its mission. It has raised more than \$22 million since 2001, including nearly \$4 million to create an online portal, called "MyScholarShop," to make the Gardiner program easier for families to use and provide a parent rating system for schools and providers. In 2014, Step Up raised \$800,000 to get the new Gardiner Scholarship up and running because the Legislature didn't appropriate any administrative funding in the first year.
- Step Up is audited every year by a national accounting firm and this audit must be without issues and submitted to the Florida DOE. Just as with public school districts, Step Up is audited every three years by the Florida Auditor General.
- Step Up has been awarded the top Four-Star rating by national watchdog Charity Navigator for ten consecutive years. It scored Step Up a total of 95.84 out of 100 this year.