

# Scholarship Funding Organization Allowances



- Florida's two nonprofit "Scholarship Funding Organizations" (SFOs) administer the Florida Tax Credit Scholarship (FTC), Hope Scholarship, Family Empowerment Scholarship for Educational Options (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 SFOs to retain a portion of what was spent on scholarships to cover administrative expenses. The FTC and Hope scholarships allow SFOs to retain 3 percent of funds for administrative expenses. The FES-EO allows SFOs to retain 2.5 percent. The state appropriates a 3 percent allowance for SFOs 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 administration, and school districts keep between 2 and 5 percent of charter school allocations for oversight duties.
- Florida SFOs are 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 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 non-profits, with just two. Georgia has 21 such organizations, Arizona has 53, and Pennsylvania has 177.
- In addition to the allowance, Step Up has raised more than \$29 million in private donations to cover operating expenses. This includes \$3.7 million to develop the MyScholarShop online platform to help parents of special needs students connect with education vendors; \$800,000 raised in 2014 to get the new Gardiner Scholarship up and running because no administrative funds were appropriated in the first year; and more than \$400,000 to support the Reading Scholarship. Unlike school districts, Step Up must raise private funds to pay for lobbying expenses.
- The legal requirements and responsibilities for SFOs in Florida are thorough and labor-intensive. They are governed by Florida statute sections 1002.394, 1002.395, 1002.40, 1002.411 and 1002.421, and a state rules, 6A-6.0960, 6A-6.0952, 6A-6.0961 and 6A-6.0962 that combined are 27,406 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 the 1,312 schools with at least \$250,000 in scholarship payments; coordinating collection of standardized test results from 1,542 schools with test eligible students; raising contributions to fund the scholarships. It is important to note that this annual verification process can be very labor-intensive for families making \$37,731 per year on average.

- The size of the workload is driven by student enrollment. In 2021-22, parents submitted applications for 313,018 students across five scholarship programs. Our three-language contact center handled 253,561 calls with an average wait time of 7.5 minutes. SUFS also conducted 112,460 online chats, 51,964 offline chats, and responded to 255,145 emails, verified more than a half million scholarship payments, and reimbursed 189,437 individual Gardiner expenses.
- 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. Software development, IT and cybersecurity have become weighty expenses for all educational organizations. By way of comparison, Palm Beach County and Orange County School districts, which have similar size student populations to SUFS scholarship enrollment, spent \$16 million and \$50.5 million respectively on technology related expenses.
- Step Up employs 232 full-time employees who work primarily from offices in Jacksonville and St. Petersburg. 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 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.
- 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 11 consecutive years.