

FFLA

Spending and Reserve Policy – IOTA Collections

January 31, 2024

Objective:

Development of a systemic approach for the establishment of reserves and resulting spending, as it relates to IOTA collections received pursuant to the IOTA rule amended effective July 1, 2021.

This policy supersedes the Spending and Reserve Policy approved by the Board in 2019, but only to the extent of IOTA collections received after July 1, 2021.

Purpose:

To provide greater economic stability to FFLA's qualified grantee organizations (grantees) and instill a more consistent and predictable IOTA distribution process. It will also modulate spending, provide greater transparency and more notice of expected IOTA distributions from FFLA allowing grantees more time for planning and budgeting.

Detail:

This policy operates through the establishment of a rolling average of IOTA collections and a dedicated percentage of such rolling average to annual IOTA distributions with the remainder placed in reserves for the exclusive benefit of grantees.

Initially, there shall be:

1. Establishment of a five-year rolling average of net IOTA collections (total FY collections less direct expenses) beginning with FY 19-20. This rolling average will be set after each fiscal year on or before July 30, based upon the preceding five fiscal years' data showing total amount of IOTA collections;
2. Application of an 80% factor to the resulting average (Application Factor). This amount shall be the amount determined to be available for IOTA distributions for the applicable fiscal year in accordance with the requirements of Rule 5-1.1(g), Rules Regulating The Florida Bar (Resulting IOTA Distribution Amount);

3. The remaining amount of that FY's IOTA collections will be placed in reserves for future IOTA distributions (IOTA Reserves) in a separate IOTA Reserves account. Funds in this account may be prudently invested at the direction of FFLA's Investment Committee and consistent with FFLA's Investment Policy, subject to FFLA's Board approval;
4. Once IOTA Reserves are funded at \$50 million (Set Level), the Application Factor shall be increased to 90%, until such time as the IOTA Reserves are funded at \$100 million, at which time the Application Factor shall be increased to 100%;
5. In the event IOTA Reserves fall below the Set Level(s) above, the Application Factor will be decreased back to 80%, or 90%, whichever applies, and IOTA Reserves shall be funded using that application factor until such time as the next Set Level is regained;
6. If in any year the Resulting IOTA Distribution Amount is more than the IOTA receipts for that year, the difference will be funded from the IOTA Reserves;
7. The Application Factor(s) and Set Level(s) may be reviewed by the Board on an annual basis but shall remain in place unless and until specifically changed by Board action and approved by the Florida Supreme Court; and
8. Notice of 1) the current five-year rolling average; 2) the current Application Factor to be applied for FFLA's next FY; and 3) the current Resulting IOTA Distribution Amount shall be posted on FFLA's website and made available upon request no later than October 1 of each calendar year.

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