



Step Up for Students Preliminary Investigative Report

**League of Women Voters Education Task Force
Contact: Dr. Sarah (Sally) Butzin
President, League of Women Voters of Tallahassee
sally.butzin@gmail.com
850-728-1097**

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Introduction

For the past 20 years, a private organization has been growing exponentially using direct and indirect public funds largely out of public view. This organization is the conduit for an unregulated school system without standards being created by the Florida Legislature.

The organization is called Step Up for Students (StepUpForStudents.org), an SFO (Scholarship Funding Organization) that awards and manages tax credit scholarships for the state of Florida, as well as in Alabama. According to Forbes, Step Up is the 21st largest charity in the United States. To put that in perspective, the American Cancer Society is 18th. In 2019 Step Up and Subsidiaries had \$697,363,075 in total assets.

Step Up began with a mission to award vouchers to low-income students to attend private schools. It has grown to include vouchers, now known as scholarships, for students with special needs, students who have been bullied, students who are homeschooled, and students with reading difficulties. The income threshold has been raised through the years to at least 300% of the poverty level, with no income threshold for homeschool or special needs students.

Step Up receives donations from corporations who receive a dollar-for-dollar tax credit on corporate and certain sales taxes owed to the state of Florida. Billions of dollars have been diverted to Step Up instead of having been deposited into General Revenue to operate state government, including public schools. These tax diversions have been cleverly labeled as “donations”.

This report is the work of a team of volunteer members of the League of Women Voters of Florida. The League’s mission is to *Empower Voters and Defend Democracy*. Voters become empowered through information, while democracy requires transparency. An equitable and high-quality public education system is also essential for a vibrant democracy.

We hope to bring the shadowy operations of Step Up for Students into the sunshine through this report. The growing and unaccountable privately-controlled school system, while ostensibly under the Dept. of Education, should concern every Florida taxpayer. We hope that what we have learned will encourage an investigative reporter or organization to uncover more of what is unknown by the public. It’s a matter of fairness and justice. There’s more to the story.

A money management/marketing firm operating as a charity

Step Up for Students was created by venture capitalist John Kirtley in 2002, one year after then Governor Jeb Bush’s administration established the first (FTC) Florida Tax Credit voucher program, now called a “scholarship.” By 2020, Step Up had total net assets of over a half billion dollars. It is headquartered in Jacksonville at 4655 Salisbury Road. There is an affiliate office in Clearwater.



Step Up For Students headquarters office in Jacksonville

Step Up has approximately 265 employees with an \$18 million payroll. The current President is Doug Tuthill, with a salary of \$286,847. Eleven key employees have six-figure salaries with a total of \$1.2 million in compensation.

Founder John Kirtley remains the unpaid Chairman of Step Up. He, and his wife, have numerous board affiliations. Kirtley is co-chairman of the Florida Federation for Children, a PAC (Political Action Committee) that donated \$1.4M during the 2020 election cycle.

The Board consists of 8 members, many with corporate ties. John Legg is a former state legislator and chairman of the Senate Ed Committee, and Al Lawson is a United States Congressman. Step Up also works for the state of Alabama through its subsidiary ASOF (Alabama Scholarship Opportunity Fund). Four of the Step Up board members are also on the ASOF board.

Step Up is one of two SFO's authorized to administer five school choice scholarship programs in Florida. Step Up administers 99% of the contributions, while AAA Scholarship Foundation handles the remaining 1%. Step Up takes an administration fee of 2.5-3% of contributions. The cap on corporate contributions in 2020 was \$874M, which means a 2.5% fee would be nearly \$21M for Step Up.

This leaves plenty of funds for Step Up to promote the tax credit scholarship programs to corporations and car dealers, as well as to market the program to parents. Step Up offers webinars and support systems to recruit parents and assist them in applying for scholarships. Through the years, Step Up has organized large rallies in Tallahassee to bring thousands of students and parents to Tallahassee to lobby legislators to expand the program.



Example of a Step Up social media advertisement

The fox guarding the henhouse

The Florida Department of Education’s Office of School Choice cannot supervise a program of this magnitude. The task of supervising over 1,800 private schools and tracking individual vouchers given to parents is huge and varied. Where students enroll must be verified. Some schools report vouchers for students who are not enrolled. Some vouchers are awarded to students who do not meet the family income requirement for their voucher. In addition, some vouchers allow parents to purchase supplies and services for students. These individual purchases must be tracked.

This is where Step Up has stepped in. The DOE (Department of Education) has outsourced oversight functions to the same private agency that also awards the scholarships. Since its inception, Step Up has awarded over one million scholarships.

What Step Up financials tell us about their size and growth

Income – Form 990 – 2018 & 2019:

\$714,828,892 in “contributions and grants” - 2018

\$614,153,616 in “contributions and grants” - 2019

Two Year Total: \$1,332,982,508

Expenses – Form 990 – 2018 & 2019:

scholarships totaling \$624,325,270 - 2018

scholarships totaling \$667,545,702 - 2019

Two Year Total: \$1,291,870,972

Payroll & Benefits & Outsourcing

2018 Payroll & Benefits: \$19,899,245

2019 Payroll & Benefits: \$22,110,485 (Including \$1,164,052 for “management & key employees)

\$1,120,016 of the 2019 total listed as “fundraising expense”, so as of the last public report, they’re paying over \$1 million just to fundraising professionals

Two Year Payroll Total: \$42,009,730

What Step Up financials DON’T tell us

- What is the source of the “contributions and grants”? Donor names are not listed.
- 2019 Audit Report listed \$683,370 in functional expenses for “recruiting and advertising”. This included (according to the 990) a total of \$592,698 paid to two employment agencies. Why? This is very unusual in a non-profit financial report. Who are they recruiting? What is their function?
- More questions about payroll expenses are raised in Finding 2 of the 2019 audit (below).

What Step Up Audit Reports tell us about their program monitoring function

Findings from August 2019 Audit:

- Finding 1: Step Up did not always properly evaluate the household income of FTC Program scholarship applicants to ensure that scholarships were only awarded to eligible students. A similar finding was noted in our report No. 2019-012.
- Finding 2: As similarly noted in our report No. 2019-012, Step Up procedures do not require and ensure that records of attendance and time worked by exempt employees, reviewed and approved by applicable supervisors, be maintained.
- Finding 3: Step Up did not notify employees and students of the purpose for collecting social security numbers. In addition, some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of the sensitive personal student information may occur.
- Finding 4: Application processing errors caused a delay in funding for certain students eligible for the Gardiner Scholarship Program.
- Finding 5: Step Up procedures did not always identify private schools receiving more than \$250,000 in scholarship funds in a fiscal year to verify that those schools contract with an independent certified public accountant for an agreed-upon procedures engagement pursuant to State law.
- Finding 6: Step Up expended \$280,000 in FTC Program earnings for non-FTC programs.

Other audits have revealed that Step Up has financial irregularities that require further investigation. For example, Step Up earned \$1.4M in interest on tax-credit dollars from 2016-18, which could have been used on up to 237 scholarships. Step Up President Tuthill defended using the interest money for non-program expenses by pointing to “start-up costs.”

What Step Up Audit Reports DON'T tell us

- With respect to Finding 1: Failure to properly evaluate household income (multi-year finding) – What is the remedy if a student/family has been awarded a scholarship for which they do not qualify?
- With respect to Finding 2: This finding says that Step UP has 29 exempt employees, including the Senior Director of Development, Development Officers, Director of Marketing, and Managers of Community Outreach, who worked from home in Florida, Georgia, or Pennsylvania. Who are these employees and what work are they doing on behalf of Florida's students? Why are they living and working out of state? How much are they being paid?

NOTE: Proposed legislation under SB48 is changing the SFO audit requirement from annually to every three years.

What School Financial Reports Tell Us about Step Up compliance monitoring

- In 2019, there were 1,209 schools that received more than \$250,000 of scholarship funds. Of the 1,107 who actually submitted the required reports, 28% contained material exceptions that ranged from inadequate segregation of duties to not utilizing an operating budget.
- There were 78 schools that did not submit reports and 48 that submitted incomplete reports.

What School Financial Reports DON'T tell us

- Which schools are in compliance and which are not? Is this information available to parents?
- Who is monitoring the quality and appropriateness of the educational materials and services that are eligible for purchase using scholarship funds?
- Who is monitoring the quality and academic outcomes for students attending private and religious schools?
- Who is monitoring compliance with DOE regulations that require to qualify for scholarship money, schools must “comply with the anti-discrimination provisions of 42 U.S.C. s. 2000?” That statute is part of the 1964 Civil Rights Bill, and says “No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Charitable donations as a means to avoid taxes

Per the Florida Department of Revenue, “The (Florida Tax Credit) program allows taxpayers to make private, voluntary contributions to eligible nonprofit scholarship-funding organizations and receive a dollar-for-dollar credit against the following Florida taxes;”

- Corporate income tax;
- Excise tax on liquor, wine, and malt beverages;
- Gas and oil production tax;
- Insurance premiums tax; and
- Sales and use tax due under a direct pay permit

What this means is that “donations” made to Step Up are not coming from the company’s assets, but by diverting taxes owed that would have gone into the state’s general revenue fund to pay for government services, including public schools. Since its inception, over \$3 billion has been diverted, primarily to Step Up. In 2019 Step Up received \$618 million from 250 donors. To date, 1,799 private schools participate in the tax credit scholarship program, 66% of which have a religious affiliation.

The “donations” appear to come primarily from the following since 2010:

- Alcohol Distribution Industry (\$1.3B)
- Insurance Industry (\$75M)
- Healthcare Industry (\$104.5M)
- Financial Services Industry (\$45.5M)
- Banking Industry (\$14.2M)

Notable donor/tax credit companies include:

- Southern Glazer’s Wine & Spirits (largest single donor at \$615M thru 2019),
- Geico Insurance,
- AutoNation Insurance,
- Humana Insurance,
- Iberiabank
- Continental National Bank,
- United Healthcare,
- HCA Healthcare,
- HMS Host Restaurateur,
- Raymond James Financial,
- Waste Management,
- Skechers USA, and
- Circle K Stores.

It is interesting to note that the Step Up website has not listed its corporate donors since 2018. Why have they gone dark? Perhaps due to negative publicity when it was revealed that many of the religious schools receiving scholarships had policies discriminating against LGBTQ students, employees, and families. Some corporations withdrew their tax credit donations, including Wells Fargo, Fifth Third Bank, and Wyndham Destinations.

An expanded voucher program marches on

Using the tax credit donations, Step Up awards scholarships to qualified families, based upon ever-changing criteria. What started as a program to assist low-income families obtain funds to attend private schools (Florida Tax Credit Scholarship), has morphed into four additional programs for students with special needs (Gardner Scholarship), students who have been bullied (Hope Scholarship), students who attend a low-performing public school (Family Empowerment Scholarship), and students with low reading scores (Reading Scholarship).

The income eligibility threshold continues to rise, with pending legislation in 2021 rising to 300% of poverty level (\$78,600 for a family of four), with annual increases going forward. There is no income threshold for students with disabilities or homeschooled students. And once a child qualifies for a scholarship, they keep it through 12th grade regardless of whether the family income grows.

New proposals through Senate Bill 48 will convert the five current scholarship programs into two ESA's (Educational Savings Accounts) where recipients have full choice of spending on an array of approved goods and services and/or private school tuition. Leftover ESA funds can be banked for future college funds. The proposed ESA's will be funded from a Trust Fund using general revenue funds as well as tax credit donations, which raises interesting constitutional questions.

During the Senate Education Committee debate during the 2021 Legislative Session, Senator Manny Diaz, Jr., the chief proponent of the new ESA program, assured the Committee that the program had ample guardrails to prevent fraud and abuse. However, what our Task Force has learned about Step Up makes us wonder if these guardrails are made of toothpicks.

Follow the money: Step Up and politics

This is an area that needs deeper delving, as it is difficult to trace the various PAC's (Political Action Committee) and entities that make campaign contributions under the radar. One place to start would be with Miami Senator Manny Diaz, Jr. (not to be confused with Manny Diaz who heads the Florida Democratic Party).

Senator Diaz is the driving force with expanding charter and scholarship programs. He has inherent conflicts with his employment with Academica, a for-profit charter school management company. Senator Diaz also operates a PAC called Better Florida Education PC, which reported \$1,152,070 in donations in 2021.

Step Up President Doug Tuthil was quoted in 2011 on YouTube saying, "One of the primary reasons we've been so successful (is) we spend about \$1 million every other cycle in local political races, which in Florida is a lot of money. In House races and Senate races, we're

probably the biggest spender in local races.” Is Step Up still making campaign contributions as a 501-c-3 non-profit organization?

We attempted to connect the dots to find connections between Step Up and campaign contributions to key legislators, as well as from corporations receiving tax exempt benefits. This again proved difficult given the practice of bundling individual contributions into groups with vague names such as Floridians for Good Government.

A driving force behind the ESA expansion is to create a cottage industry of start-ups and business ventures. In a presentation to the Florida Senate Education Committee, Tuthill was enthusiastically promoting opportunities for business to offer goods and services to growing numbers of parents who can choose what to purchase.

Step Up has conveniently created a portal on their website called “My Scholarship” with direct links to vendors. It would be interesting to discover any links between the vendors and legislators, Step Up board members, or staff?

Constitutional issues

The Tax Credit Scholarship program is an ingenious way to skirt constitutional issues such as the separation of church and state. By using Step Up, a non-profit entity, as a pass-through, the state is not directly funding the vouchers to religious schools.

In 2017 the Florida Supreme Court dismissed a law suit filed by the Florida Education Association for “lack of taxpayer standing” since the scholarships were funded from donations rather than tax revenue. The question remains whether the expanded ESA program will have the same protections.

Separate and unequal

In their book *A Wolf at the Schoolhouse Door*, authors Jennifer Berkshire and Jack Schneider ask, “Where does this end?” Some have suggested the ultimate goal is to create a completely parent-driven system where scholarships are available to all. Others have pointed out the cost-savings of privatizing the education system, eliminating the state’s responsibility to monitor the quality of educational programs, certify professional teachers, build safe school buildings, and provide annual assessments of learning progress.

When asked about quality control and learning outcomes, voucher proponents always revert to “parent choice.” It is up to the parents to make those determinations about “what is best for their child.” This assumes that all parents are up to the task.

Are we on the road back 200 years ago when schooling was solely a parent’s responsibility? Parents back then cobbled together clusters of one-room schoolhouses and private tutoring.

Parents with means had access to private schools with qualified teachers, while the Catholic Church created a system of parochial schools.

As the industrial age approached, it was clear that this parent-driven school system was inadequate for a modern society. In 1838, Horace Mann founded and edited *The Common School Journal*. Mann is considered the father of public education. His six main principles for creating public schools were:

1. the public should no longer remain ignorant;
2. that such education should be paid for, controlled, and sustained by an interested public;
3. that this education will be best provided in schools that embrace children from a variety of backgrounds;
4. that this education must be non-sectarian;
5. that this education must be taught using the tenets of a free society; and
6. that education should be provided by well-trained, professional teachers.

It is ironic that in the post-industrial information age, the Florida Legislature is promoting a system that was abandoned years ago. The Covid Pandemic has laid bare the importance of being highly educated to survive and thrive in a technological age. A high-quality education is more important than ever. This means highly trained teachers and a curriculum based on research and science.

Reverting back to a cobbled-together system of home schools and religious schools in church basements will leave more children behind, and will lead to re-segregated schools based on race and income. Is this where Florida is headed?

Resources

This is a preliminary list of resources we found during our investigation. Others may find them helpful in uncovering more about the operations and conflicts with Step Up for Students.

John Kirtley:

<https://www.miamiherald.com/opinion/letters-to-the-editor/article235210632.html>

John Kirtley:

<http://search.sunbiz.org/Inquiry/CorporationSearch/SearchResults?InquiryType=OfficerRegisteredAgentName&inquiryDirectionType=PreviousList&searchNameOrder=KIRTLEYJOHNF%20L04000768592&SearchTerm=Kirtley%20John&entityId=L04000076859&listNameOrder=KIRTLEYJOHNF%20L040000768592>

Step Up For Students, Creation: https://en.wikipedia.org/wiki/Step_Up_For_Students

Step Up For Students, Promotion:

<https://www.politico.com/states/florida/story/2016/11/new-us-education-secretary-has-ties-to-florida-voucher-fight-107601>

Step Up For Students & Donors:

<https://jaxkidsmatter.blogspot.com/search?q=Step+up+for+students+takes+down+their+annual+reports+to+hide+their+donors>

Step Up For Students, Audit: <https://www.news-journalonline.com/news/20190905/audit-finds-problems-at-floridas-step-up-for-students#:~:text=The%20audit%2C%20issued%20last%20week,students%20before%20it%20was%20fixed>

Step Up For Students, Our Leadership Team:

<https://www.stepupforstudents.org/about-us/our-leadership-team/>

Step Up For Students, Our Boards: <https://www.stepupforstudents.org/about-us/our-boards/>

Step Up For Student, Equal Opportunity: <https://www.stepupforstudents.org/equal-opportunity-education/>

Step Up For Students, Anti-gay policies: <https://www.orlandosentinel.com/news/education/os-ne-vouchers-gay-students-updates-20200214-kprtbtjsfjbhlsfat2asjfvle-story.html>

Step Up For Students, Financial Reports: <https://32n7ya2og9cc2147lx4e0my6-wpengine.netdna-ssl.com/wp-content/uploads/2019-2020-990-Form.pdf>

Manny Diaz: <https://www.miamiherald.com/opinion/letters-to-the-editor/article235210632.html>

SB48, Bill Analysis:

<https://www.flsenate.gov/Session/Bill/2021/48/Analyses/2021s00048.aed.PDF>

Alabama Opportunity Scholarship Fund, School Requirements:

https://revenue.alabama.gov/wp-content/uploads/2017/05/Non-Public_School_Notice_of_Intent_to_Participate.pdf

Alabama Opportunity Scholarship Fund, Jeb Bush: <https://yellowhammernews.com/bush-visits-alabama-raise-awareness-school-choice-low-income-scholarships/>

POLITICAL CONTRIBUTIONS SUMMARY

Step up: <https://www.stepupforstudents.org/office-of-student-learning-2/teaching-learning/>

Step up Advocacy: Voices for Choices. <https://www.stepupforstudents.org/step-up-voices-for-choices/>

Step up Regional Councils: <https://www.stepupforstudents.org/office-of-student-learning-2/school-support/>

Employee Giving: [https://www.stepupforstudents.org/donor-resources/employee-giving/Kirtley vs AAA](https://www.stepupforstudents.org/donor-resources/employee-giving/Kirtley-vs-AAA)

<https://www.politico.com/states/florida/story/2019/04/18/school-choice-advocates-face-off-even-as-vouchers-win-support-972612>

KEY LEGISLATOR PACs

<https://www.news-journalonline.com/news/20191228/florida-legislators-rsquo-pacs-amass-hundreds-of-millions-of-dollars/1>

Sen. Wilton Simpson: Pasco County, Trilby: Senate President

PACs: Future Florida and Florida Green PAC, Jobs for Florida, Florida Republican Senatorial Campaign Committee \$68,934,933.44

Senate Education Committee Republicans

Sen. Jennifer Bradley: District 5, Marion County; Education. Husband is Rob Bradley, Chair of Senate Appropriations Committee

PAC: Working for Florida's Families <https://www.opensecrets.org/campaign-expenditures/vendor?cycle=2020&vendor=Working+for+Florida%27s+Families>

Sen. Doug Broxson: District 1, Okaloosa County; Pensacola Appropriations Subcommittee on Sen. Education, Appropriations

PAC: none

Sen. Manny Diaz Jr: District 36, Hialeah, Miami-Dade; Education, Appropriations, Appropriations Subcommittee on Education

PAC: Better Florida Education: <http://www.betterfleducationpc.org/contributions.php>

Manny Diaz Jr: <https://www.transparencyusa.org/fl/candidate/manny-diaz-jr-can?cycle=2018-election-cycle>

Sen. Joe Gruters: District 23, Sarasota; Education, Governmental Oversight and Accountability, Appropriations

PAC: Republican Party of Florida \$605,925,807.52

Sen. Travis Hutson District 7, Volusia County; Palm Coast Appropriations and Appropriations Subcommittee on Education

PAC: First Coast Business Foundation \$762,575
<https://www.transparencyusa.org/fl/pac/first-coast-business-foundation-69922-pac/donors>

Sen. Kathleen Passidomo: District 28, Lee County; Appropriations, Appropriations Subcommittee on Education

PAC: Working Together for Florida
<https://www.transparencyusa.org/fl/payee/working-together-for-florida-pac>

Other School Choice Supporters

Sen. Kelli Stargel: District 22 Lake; Appropriations Chair
PAC: None

Sen. Aaron Bean: District 4 Duval
PAC: Florida Conservative Alliance \$751,742.60
<https://www.transparencyusa.org/fl/pac/florida-conservative-alliance-60710-pac/donors?page=5>

Lizbeth Benacquisto, District 27, Lee County:
PAC: Protect Florida Families \$666,536.02
<https://www.transparencyusa.org/fl/pac/protect-florida-families-fund-74099-pac>

POLITICAL ACTION COMMITTEES

American Federation for Children: Advocates for School Choice/Alliance for School Choice-Walton Foundation, Betsy DeVos <https://www.politicalresearch.org/2012/08/01/rights-school-choice-scheme>

Conservatives for Principled Leadership <http://conservativesforprincipledleadership.com/>

Conservative Solutions for Jacksonville <http://conservativesolutionsforjax.com/>

FAPSC-PAC <https://www.fapsc.org/page/33>

Federalist Society Members: National group of conservative attorneys

FL Education Empowerment: Kirtley (closed)

Florida Federation for Children (Kirtley): <https://www.federationforchildren.org/about/>
<https://www.sun-sentinel.com/opinion/editorials/fl-op-edit-florida-voucher-schools-20210202-t7eunnz47vcezlzqys4ex6dfq4-story.html>

*Victorious candidates supported by FFC:

<https://www.federationforchildren.org/school-choice-supporters-victorious-florida-elections/>

Floridian's United for Our Children's Future: FP&L; U.S. Sugar, Florida Crystals Corp (aff. with Associated Industries of Florida). <https://unitedforflchildren.com/>

Contributions Reporting

Florida Elections Commission Campaign Finance Database

<https://dos.elections.myflorida.com/campaign-finance/contributions/>

Center for Responsive Politics runs the Open Secrets <https://www.opensecrets.org/>

National Institute on Money in State Politics runs Followthemoney

<https://www.followthemoney.org/>

Campaign Finance Database: <https://dos.elections.myflorida.com/campaign-finance/contributions/#both>

Florida Transparency USA <https://www.transparencyusa.org/fl>

NSPRA describes major funders of educational reform https://www.nspra.org/our_mission