

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 288

SPONSOR: Governmental Oversight and Productivity Committee and Senator Lee

SUBJECT: Postsecondary Education

DATE: March 4, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Fav/1 amendment</u>
2.	<u>Rhea</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable/CS</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This committee substitute authorizes Florida Prepaid College Program benefits to be used for a program leading to diploma or certificate at a public technical center or community college. It also authorizes benefits of a contract to be used at an out-of-state college that does not confer baccalaureate degrees, if it is regionally accredited by a commission on colleges. The committee substitute also authorizes the program's direct-support organization to use the property, facilities and services, including the investment services, of the Prepaid College Board and provides the board with rulemaking authority regarding the use of property, facilities, and services. The committee substitute also permits the board to invest funds of the direct-support organization that have been allocated for the purchase of advance payment contract scholarships with receipts for advance payment contracts.

This committee substitute amends s. 240.551, F.S.

II. Present Situation:

In 1987, the Legislature created the Florida Prepaid College Program¹ to encourage families to save for their children's college education. The program offers several types of contracts designed to pay for tuition and fees at degree-granting public postsecondary education institutions in Florida. The program guarantees that the contract purchased will be adequate to cover the tuition and mandatory fees at the level of the institution stipulated in the contract, even if the fees rise higher than the value of the contract when it was purchased, plus investment income or minus investment losses. Options are available for contracts that will pay for local fees and dormitory residence expenses.

Under certain circumstances, a contract may be transferred and used for a student's enrollment at an independent college in Florida or an out-of-state college. In this case, the benefits are limited to

¹Section 240.551, F.S.

the amount that would pay for tuition and fees at the level of a public institution stipulated in the contract.

The program's benefits may be transferred and used only for enrollment in a program that leads to a degree. Two types of non-degree postsecondary education programs are authorized: (a) the applied technology diploma program; and (b) the vocational certificate program. School district technical centers and community colleges are both authorized to offer these programs.

Section 240.551(22), F.S. (1998 Supp.), authorizes the board to establish a direct-support organization (DSO). The purpose of the board is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the pre-paid tuition program. According to personnel of the board, the DSO raises matching funds for scholarships for at-risk students to pay for contract indebtedness pursuant to s. 240.552, F.S. Foundations of local community colleges and school districts identify at-risk students that are eligible for scholarships. The board's DSO then collects pledges and notifies local foundations of their allocations based upon the pledges received.

The statute provides a number of oversight mechanisms to ensure that the DSO is operated properly and within the intent of the Legislature. First, the DSO must be a Florida corporation, not for profit, incorporated under ch. 617, F.S., and approved by the Secretary of State. Second, the chair and the executive director of the board must be directors of the DSO. They jointly name three other individuals to serve as directors of the organization. The statute limits the purposes and functions of the DSO by providing that it is organized and operated *exclusively* to receive, hold, invest, and administer property and to make expenditures to or for the *benefit of the program*. Additionally, the board must certify that the DSO is operating in a manner consistent with the goals of the program and in the best interests of the state. Unless it is certified by the board, it is not permitted to use the name of the program.

The DSO is also subject to an annual postaudit by an independent certified public accountant in accordance with rules promulgated by the board. The annual audit must be submitted to the State Board of Administration and the Auditor General for review. These two entities have authority under the statute to require the organization or its independent auditor any detail or supplemental data relative to the operation of the organization. No other rulemaking authority is authorized.

Section 240.551(22), F.S. (1998 Supp.), does not specifically authorize the direct-support organization to use the property, facilities, or personal services of the board, nor does it stipulate that the organization may invest its funds with those of the board. The organization, however, has always been co-located with the board's offices.

III. Effect of Proposed Changes:

The committee substitute authorizes a qualified beneficiary of the Florida Prepaid College Program to transfer the benefits of a contract to pay for enrollment in a program that confers an applied technology diploma or a vocational certificate rather than a degree. Only programs offered by public school districts or community colleges in Florida would be eligible.

The amount transferred could not be more than the redemption value of the original contract, i.e., an amount sufficient to cover the tuition and fees at either a public community college or state university, plus any optional coverage for local fees or dormitory residence, for the number of semester hours stipulated in the contract. If the cost of the fees is less than the redemption value of the contract, only the amount necessary to pay the fees could be transferred.

Additionally, the committee substitute authorizes the benefits of a contract to be used at an out-of-state college that does not confer baccalaureate degrees, if it is regionally accredited by a commission on colleges.

The committee substitute also specifically authorizes the direct-support organization to use the property facilities, personal services, and investment services of the Prepaid College Board. Additionally, it provides mechanisms to ensure accountability of the direct-support organization to the public.

The committee substitute makes several technical changes to use current committee substitute-drafting convention and to clarify that out-of-state colleges eligible for a transfer of benefits under the program must be accredited by the commission on colleges of a regional accrediting association. Out-of-state programs would not be eligible unless they conferred baccalaureate degrees.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Designated beneficiaries of contracts with the Prepaid College Program could use the benefits to attend a community college or school district technical center to earn an applied technology diploma or a vocational certificate.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
