

STORAGE NAME: h0497b.ccc

DATE: March 31, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY COLLEGES AND CAREER PREP
ANALYSIS**

BILL #: HB 497

RELATING TO: Florida Prepaid College Program

SPONSOR(S): Representative J. Miller

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY COLLEGES AND CAREER PREP YEAS 9 NAYS 0
 - (2) EDUCATION APPROPRIATIONS (W/D)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill revises the membership of the Florida Prepaid College Board, effective January 7, 2003. This revision is consistent with the change in composition of the Florida Cabinet, which becomes effective on the same date.

This bill changes provisions relating to the transfer of benefits associated with the Florida Prepaid College Program to an out-of-state postsecondary education institution. The bill provides that a qualified beneficiary of the Florida Prepaid College Program may transfer the benefits of an advance payment contract to a not for profit, out-of-state, degree granting, college or university that is accredited by the commission on colleges of a regional accrediting association. Currently, the transfer of benefits to an out-of-state college or university is limited to only those that are baccalaureate degree-granting, regionally accredited colleges or universities. The bill also authorizes the transfer of benefits to a public community college or an area technical center offering an applied technology diploma or a vocational certificate.

This bill directs the Florida Prepaid College Board to transfer an amount that does not exceed the redemption value of the original contract to the public community college or area technical center offering the applied technology diploma or the vocational certificate. If the cost of the fees charged by the public community college or area technical center is less than the cost of the fees charged by a state postsecondary education institution, the amount transferred may not exceed the cost of the fees charged by the public community college or area technical center. Additionally, the amount transferred may only cover the number of semester credit hours stipulated in the original contract.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1. Less Government Yes No N/A

This bill directs the Florida Prepaid College Board to transfer, or cause to have transferred, benefits of an advance payment contract, not to exceed the redemption value of the contract, to a community college or area technical center offering the applied technology diploma or vocational certificate, if so designated by the qualified beneficiary.

2. Lower Taxes Yes No N/A

3. Individual Freedom Yes No N/A

4. Personal Responsibility Yes No N/A

5. Family Empowerment Yes No N/A

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

FLORIDA PREPAID COLLEGE BOARD

The Florida Prepaid College Board was created in s. 240.551(5)(a), F.S., to administer the Florida Prepaid College Program. Although, it independently exercises the powers and duties of program administration set forth in s. 240.551, F.S., the board is administratively assigned to and housed within the State Board of Administration.

As delineated in s. 240.551(5)(b), F.S., the Florida Prepaid College Board currently consists of seven members - the Insurance Commissioner and Treasurer, the Comptroller, the Chancellor of the Board of Regents, the Executive Director of the State Board of Community Colleges, and three members appointed by the Governor and subject to confirmation by the Senate. Each member appointed by the Governor shall possess knowledge, skill, and experience in the areas of accounting, actuary, risk management, or investment management. Those members not being appointed by the Governor may appoint a designee to serve the board on the member's behalf; however, such a designee shall meet the qualifications required of gubernatorial appointees. Members appointed by the Governor shall serve a three year term.

FLORIDA PREPAID COLLEGE PROGRAM

In 1987, the Florida Legislature established the Florida Prepaid College Program where much of the costs associated with attending a postsecondary education institution can be paid in advance at a fixed and guaranteed rate for the duration of a student's undergraduate enrollment. According to s. 240.551, F.S., the program provides a medium through which the cost of registration and dormitory residence can be paid prior to a student's enrollment at a state postsecondary education institution at a rate which is lower than the projected corresponding rate that is expected at the time a student actually enrolls at an institution. The advance payments must be combined and invested in a manner that

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yields, at a minimum, sufficient interest to generate the difference between the prepaid amount and the cost of registration and dormitory residence at the time a student actually enrolls at an institution.

PREPAID COLLEGE PLANS

The Florida Prepaid College Board provides advance payment contracts for two independent plans known as the community college plan and the university plan. The Board may also provide advance payment contracts for a dormitory residence plan.

Through the community college plan, the advance payment contract provides for prepaid registration fees at a specified number of undergraduate semester credit hours that do not exceed the average number of hours required for the conference of an associate degree. The cost of participating in the community college plan is based primarily on the average current and projected registration fees within the State Community College System and the number of years expected to elapse between the purchase of the plan on behalf of a qualified beneficiary and the exercise of the benefits provided in the plan by a beneficiary.

Through the university plan, the advance payment contract provides for prepaid registration fees at a specified number of undergraduate semester credit hours that do not exceed the average number of hours required for the conference of a baccalaureate degree. The cost of participating in the university plan is based primarily on the current and projected registration fees within the State University System and the number of years expected to elapse between the purchase of the plan on behalf of a qualified beneficiary and the exercise of the benefits provided in the plan by a beneficiary.

Through the dormitory residence plan, the advance payment contract provides for prepaid housing fees for a maximum of 10 semesters of full-time undergraduate enrollment at a state university. Dormitory residence plans are purchased in increments of two semesters. The cost of participating in the dormitory residence plan is based primarily on the average current and projected housing fees within the State University System and the number of years expected to elapse between the purchase of the plan on behalf of a qualified beneficiary and the exercise of the benefits provided in the plan by a beneficiary.

TRANSFER OF BENEFITS

A qualified beneficiary may apply the benefits of an advance payment contract toward an independent college or university. The independent college or university must be chartered in the State of Florida, be designated as a not for profit institution, be accredited by the Southern Association of Colleges and Schools or by the Association of Independent Colleges and Schools, and confer degrees beyond the level of a specialized associate degree or any honorary credential conferred for meritorious recognition.

A qualified beneficiary may also apply the benefits of an advance payment contract toward an out-of-state college or university. The out-of-state college or university must be regionally accredited and designated as a not for profit institution that confers baccalaureate degrees.

Current statutory provisions do not permit a qualified beneficiary of the Florida Prepaid College Program to apply the benefits of an advance payment contract toward an applied technology diploma or a vocational certificate offered by a public community college or an area technical center.

C. EFFECT OF PROPOSED CHANGES:

This bill revises the membership of the Florida Prepaid College Board, effective January 7, 2003. This change in membership is consistent with the change in the membership of the Florida Cabinet, effective on the same date.

This bill provides that a qualified beneficiary of the Florida Prepaid College Program may apply the benefits of an advance payment contract toward a not for profit, out-of-state, degree granting, college or university that is accredited by the commission on colleges of a regional accrediting association. A qualified beneficiary of the Florida Prepaid College Program may also apply the benefits of an advance payment contract toward an applied technology diploma or a vocational certificate offered by a public community college or an area technical center.

This bill directs the Florida Prepaid College Board to transfer an amount that does not exceed the redemption value of the original contract to the public community college or area technical center offering the applied technology diploma or the vocational certificate. If the cost of the fees charged by the public community college or area technical center is less than the cost of the fees charged by a state postsecondary education institution, the amount transferred may not exceed the cost of the fees charged by the public community college or area technical center. Additionally, the amount transferred may only cover the number of semester credit hours stipulated in the original contract.

FLORIDA PREPAID COLLEGE BOARD

The bill revises the membership of the Florida Prepaid College Board. This change reflects the new composition of the Florida Cabinet, effective January 7, 2003. The bill removes the Insurance Commissioner and Treasurer and the Comptroller, replacing them with the Chief Financial Officer and the Attorney General. Identical changes have been made to the Florida Constitution with respect to the membership of the State Board of Administration.

TRANSFER OF BENEFITS TO OUT-OF-STATE INSTITUTIONS

The provisions of the bill permit a qualified beneficiary of the Florida Prepaid College Program to transfer the benefits of an advance payment contract to a regionally accredited out-of-state college or university, which is designated as a not for profit institution. The bill requires such an institution to confer degrees and no longer requires such an institution to confer baccalaureate degrees. The bill does not specify the types of degrees a not for profit, regionally accredited, out-of-state college or university must confer in order to receive the benefits of an advance payment contract. By not requiring such an institution to confer baccalaureate degrees, it appears the benefits of an advance payment contract would be applicable at a not for profit, out-of-state community college. In absence of language prohibiting the transfer of benefits to any specific type of out-of-state institution, this change would allow for such a transfer of benefits to an out-of-state community college so long as it grants degrees, is regionally accredited and is not for profit.

TRANSFER OF BENEFITS TO VOCATIONAL PROGRAMS

The provisions of the bill permit a qualified beneficiary of the Florida Prepaid College Program to transfer the benefits of an advance payment contract to an applied technology diploma or a vocational certificate offered by a public community college or an area

technical center. These provisions contained in the bill provide qualified beneficiaries with the additional option of transferring the benefits of an advance payment contract to a public postsecondary vocational program.

More Floridians may invest in the prepaid college program if the benefits of the contract can be used for a public postsecondary vocational program. Parents who think that their children will never go to college to pursue an academic degree, may find this a very valid option. Additionally, employers employing vocational graduates, hoping to recruit their employees' children into the same vocation, may choose to use the prepaid college program as an incentive. This would be in keeping with the legislative intent of the Florida Prepaid College Program as stated in s. 240.551(1), F.S., "... to provide a program that fosters timely financial planning for postsecondary attendance and to encourage employer participation in such planning through program contributions on behalf of employees and the dependents of employees."

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s.240.551, F.S.; designates members of the Florida Prepaid College Program Board, effective January 3, 2003; allows for a qualified beneficiary to apply the benefits of an advance payment contract toward eligible independent colleges and universities; eligible out-of-state colleges and universities; community colleges listed in s.240.3031, F.S., and area technical centers that offer an applied technology diploma program or a vocational certificate program. "Eligible educational institutions", as used in this section, follows the definition set forth in section 529 of the Internal Revenue Code.

Section 2. Provides an effective date of July 1, 2000.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

See Fiscal Comments

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

See Fiscal Comments

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Qualified beneficiaries can apply the benefits of an advance payment contract toward an applied technology diploma or a vocational certificate offered by a public community college or an area technical center.

D. FISCAL COMMENTS:

The Florida Prepaid College Board believes that any costs associated with the implementation of this bill are marginal and will be assumed within the Board's regular operating budget.

Institutional workload associated with the implementation of this bill should result in negligible costs that will be absorbed within the regular operations of the institutions' third-party billing offices.

Additionally, according to the Florida Prepaid College Board, the usage of Prepaid benefits as proposed in this bill should be minimal and have no impact on the actuarial soundness of the Program.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action which requires the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that counties or municipalities have to raise revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties and municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

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C. OTHER COMMENTS:

This bill is supported by the Florida Prepaid College Board.

Similar bills were filed in both the House and the Senate last year. HB 1065 and CS/SB 288 both died on the calendar.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON COMMUNITY COLLEGES AND CAREER PREP:

Prepared by:

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