

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 1162
 SPONSOR: Senator Sebesta
 SUBJECT: Florida Prepaid College Program
 DATE: March 26, 2001 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Fav/1 amendment</u>
2.	<u>McKee</u>	<u>Hickam</u>	<u>AED</u>	<u>Favorable</u>
3.	_____	_____	<u>AP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill amends provisions of the Florida Prepaid College Program that govern transfers or refunds from the program. The transfer or refund value will be equivalent to the value of an advanced payment contract at a Florida public postsecondary education institution. The bill also corrects an obsolete term.

This bill amends the following section of the Florida Statutes: 240.551.

II. Present Situation:

Florida Prepaid College Program

Section 240.551, F.S., creates the Florida Prepaid College Program, which allows for the advance purchase of a contract that will later pay for a beneficiary's postsecondary education. Purchasing a contract assures that the total amount of matriculation fees assessed will be covered, no matter how much the fees increase over the years since the original contract was negotiated. This provision is called "locking in tuition."

The program offers the following plans:

- A 2-year community college plan
- A 4-year university plan
- A "2 + 2" community college/university plan
- A dormitory plan
- A local fee plan.

A plan can be used at any of Florida's 10 state universities and 28 community colleges and 41 public technical centers. If a beneficiary enrolls in any of these state public postsecondary

education institution, the prepaid program pays for registration fees, local fees, or housing costs as covered in the beneficiary's advance payment contract.

Redemption Value

If the contract cannot be redeemed as intended – by the beneficiary attending a public postsecondary education institution in Florida at the level covered by the contract – the program provides several circumstances and conditions for a refund or transfer of the benefits. In most cases, the redemption value is figured either as the current rate at public postsecondary institutions or as the original purchase price plus 5 percent compounded interest, whichever is less.

Transfers

If a beneficiary enrolls in an eligible Florida independent institution, the prepaid program transfers to that institution an amount not to exceed the redemption value of the advance payment contract at a public postsecondary institution. This type of transfer does not include the option of transferring the original purchase price plus 5 percent compounded interest, if that amount is less.

The value of a plan may be transferred to an accredited out-of-state college or university that is not for profit and that confers degrees. If a beneficiary enrolls in an eligible out-of-state college or university, the prepaid program transfers to that institution an amount not to exceed the redemption value of the advance payment contract or the original purchase price plus 5 percent compounded interest, whichever is less.

Refunds

A refund is paid to the purchaser under the same redemption conditions (value at public institution or purchase price plus 5 percent compounded interest, whichever is less) in the following circumstances:

- If the beneficiary is awarded a scholarship that covers the benefits included in the advance payment contract.
- If the beneficiary dies or suffers a total disability.

Customer Perception

According to customer service representatives of the Florida Prepaid College Program, customers are confused by the statutory requirements regarding transfers and refunds. They may be dissatisfied especially if the redemption value is the purchase price plus 5 percent compounded interest. The general perception is that, by locking in tuition, the contract will always be worth the cost of tuition when it is redeemed. Representatives of the program recommend a uniform payment standard for all program beneficiaries in the calculation of benefits at in-state and out-of-state institutions and in the calculation of refunds when the beneficiary receives a scholarship or suffers death or total disability.

III. Effect of Proposed Changes:

The legislation under consideration will provide a uniform payment standard for all Florida Prepaid Program beneficiaries in the calculation of benefits at in-state and out-of-state institutions and in the calculation of refunds when the beneficiary receives a scholarship or

suffers death or total disability. The value will be an amount not to exceed the redemption value of the advance payment contract at a Florida public postsecondary education institution.

The bill also corrects a reference to an accrediting association used in a list that defines eligibility for independent institutions. The Accrediting Commission of the Association of Independent Colleges and Schools has changed its name to the Accrediting Council for Independent Colleges and Schools.

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:

Based on data for the last 3 years, the Florida Prepaid College Program projects that a change in the calculation for transfers of advance payment contracts to out-of-state colleges or universities and for refunds for scholarships, death, or total disability will result in an annual increase for beneficiaries as follows:

Type of Transfer or Refund	Number	Transfer or Refund Increase
Transfer to out-of-state institution	1,024	\$84,696
Scholarship refunds	1,138	\$23,534
Death or total disability refunds	83	\$6,865
TOTAL	2,245	\$115,095

C. Government Sector Impact:

None. The required increase of an estimated \$115,095 over a 3-year period will come from the Florida Prepaid College Fund.

VI. Technical Deficiencies:

Section 240.551, F.S., provides a definition that makes “state postsecondary institution” have the same meaning as “Florida public postsecondary education institution.” It is not necessary for the bill to change the term. (NOTE: Corrected in Amendment #1 by Education.)

VII. Related Issues:

None.

VIII. Amendments:

#1 by Education:

Returns to the original term used by the statute to describe eligible institutions. The term is, “state postsecondary institution.”

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