

# 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: CS/SB 2088

SPONSOR: Education Committee and Senator Rossin

SUBJECT: Prepaid College Tuition Scholarships

DATE: April 18, 2001                      REVISED: \_\_\_\_\_

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION       |
|----|---------|----------------|-----------|--------------|
| 1. | White   | O'Farrell      | ED        | Favorable/CS |
| 2. | _____   | _____          | CM        | _____        |
| 3. | _____   | _____          | _____     | _____        |
| 4. | _____   | _____          | _____     | _____        |
| 5. | _____   | _____          | _____     | _____        |
| 6. | _____   | _____          | _____     | _____        |

**I. Summary:**

This Committee Substitute allows a nonprofit corporation that is exempt from federal taxation under s. 501(c)(3) of the Internal Revenue code to purchase advanced payment contracts for a scholarship program under the Prepaid College Program. The scholarship program will be approved by the Prepaid College Board and operated by the nonprofit corporation.

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

**II. Present Situation:**

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.

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

The program is a “qualified state tuition program” under s. 529 of the internal revenue code. That section provides certain tax benefits to qualified state tuition programs and requires that, at the time a contract is purchased, the contract beneficiary be named. There are two exceptions.

The following organizations may use the program to benefit deserving students without naming them at the time the contract is purchased:

1. The program provides economically disadvantaged youth with prepaid scholarships, mainly through Project STARS.<sup>1</sup> This program raises private money and receives matching grants to purchase prepaid scholarships through the Prepaid Foundation. The Prepaid Foundation administers the scholarship program with assistance and cooperation of the Department of Education.
2. An organization may purchase scholarships through the Prepaid Foundation without naming a beneficiary, but only with the board’s involvement. The organization donates money to the Prepaid Foundation, which purchases advanced contracts and holds them in the name of the organization. The advantage of this method is that if a scholarship is purchased for a designated beneficiary who chooses not to go to college, the scholarship stays in the name of the organization.

### **III. Effect of Proposed Changes:**

This Proposed Committee Substitute allows a nonprofit corporation that is exempt from federal taxation under s. 501(c)(3) of the Internal Revenue code to purchase advanced payment contracts for a scholarship program under the Prepaid College Program. The scholarship program will be approved by the Prepaid College Board and operated by the nonprofit corporation. The contracts will be held for the benefit of students selected by the nonprofit corporation.

### **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.

---

<sup>1</sup>Section 240.552, F.S.

**B. Private Sector Impact:**

Charitable organizations such as churches could award scholarships under the Prepaid College Tuition Program to deserving students who would not otherwise benefit.

**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.

---