

**STORAGE NAME:** h0463s1.llc.doc  
**DATE:** April 17, 2001

**HOUSE OF REPRESENTATIVES  
AS FURTHER REVISED BY THE  
COUNCIL FOR LIFELONG LEARNING  
ANALYSIS**

**BILL #:** CS/HB 463  
**RELATING TO:** Florida Prepaid College Program  
**SPONSOR(S):** Representative(s) Baxley  
**TIED BILL(S):** None

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

- (1) COLLEGES AND UNIVERSITIES YEAS 11 NAYS 0
- (2) EDUCATION APPROPRIATIONS YEAS 13 NAYS 0
- (3) COUNCIL FOR LIFELONG LEARNING YEAS 10 NAYS 0
- (4)
- (5)

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I. SUMMARY:

CS/HB 463 revises provisions in the Florida Prepaid College Program. The bill updates the name of the Accrediting Commission of the Association of Independent Colleges and Schools to the Accrediting Council for Independent Colleges and Schools to reflect a name change. Florida independent institutions eligible to participate in the Florida Prepaid College Program include those accredited by the council.

The bill simplifies the method for calculating the value of an advance payment contract when a student chooses to attend an out-of-state college or university, receives a scholarship the terms of which cover the benefits included in the contract, or suffers death or total disability. Currently, the transfer or refund is an amount not to exceed the value of the advance payment contract at a state postsecondary institution or the original purchase price plus 5 percent compounded interest, whichever is less. The bill changes this methodology to the method currently used to determine the redemption value of a contract at a state postsecondary institution. The changes in the calculation of benefits for transfers and refunds provide a uniform payment standard for all Florida Prepaid College Program beneficiaries.

Based on data for the last 3 years, the Florida Prepaid College Program projects that a change in the calculation of the value of an advance payment contract for students who transfer to out-of-state colleges or universities and for students who receive refunds for scholarships, death, or total disability will result in increased payments for approximately 2,245 beneficiaries a year for a total of \$115,095 annually. There is no impact on the General Revenue Fund. The funds required to provide the increased payments would come from the Florida Prepaid College Trust Fund.

Two amendments by the Committee on Education Appropriations are traveling with the bill. These amendments allow benefits purchased under the Florida Prepaid College Program to be rolled over into the new College Savings Program at the redemption value of the advance payment contract at a state institution and allow additional members to be added to the board of directors of the direct support organization for the Prepaid College Program.

The effective date of the bill is July 1, 2001.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |                              |                             |   |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

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

B. PRESENT SITUATION:

Section 240.551, F.S., creates the Florida Prepaid College Program which allows the purchase of advance payment contracts for a student's postsecondary education that lock in the cost of registration fees, local fees, and housing at the time the contract is purchased. 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; and a local fee plan. A plan can be used at any of Florida's 10 state universities and 28 community colleges and select technical schools statewide. The value of a plan may be transferred to an accredited independent college or university that is located and chartered in Florida, that is not for profit, and that confers certain degrees. The value of a plan may also 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 a state postsecondary institution, the prepaid program pays for registration fees, local fees, or housing costs as covered in the beneficiary's advance payment contract. 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 state postsecondary institution. 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.

With respect to refunds, if a beneficiary is awarded a scholarship, the terms of which cover the benefits included in the advance payment contract, monies paid for the purchase of the contract must be returned to the purchaser in the amount of either the current rates at state post secondary institutions or the original purchase price plus 5 percent compounded interest, whichever is less. Similarly, in the event of death or total disability of the beneficiary, moneys paid for the purchase of the advance payment contract must be returned to the purchaser in the amount of either the current rates at state postsecondary institutions or the original purchase price plus 5 percent compounded interest, whichever is less.

According to information received from the Florida Prepaid College Program, customer service representatives of the program report customer confusion when current statutory requirements regarding transfer and refund policies are described. 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.

C. EFFECT OF PROPOSED CHANGES:

The changes to s. 240.551, F.S., 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 Florida Prepaid Program reports that such uniformity will reduce customer confusion.

D. SECTION-BY-SECTION ANALYSIS:

See above.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See FISCAL COMMENTS

2. Expenditures:

See FISCAL COMMENTS

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

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:

<u>Type of Transfer or Refund</u>	<u>Number</u>	<u>Transfer or Refund Increase</u>
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

D. FISCAL COMMENTS:

There is no fiscal impact on the General Revenue Fund or on local government. Based on data for the last 3 years, the Florida Prepaid College Program estimates that changing the calculation for transfers and refunds will increase payments for approximately 2,245 beneficiaries a year for a total of \$115,095 annually. The funding required to support the increased transfers or refunds would come from the Florida Prepaid College Trust Fund.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 19, 2000, the Committee on Colleges and Universities adopted an amendment that corrects a drafting error in the original bill. The amendment replaces, throughout the bill, the phrase "Florida public postsecondary education institution" with the phrase "state postsecondary institution", a statutorily defined term for purposes of the Prepaid Program.

On April 4, 2001, the Committee on Education Appropriations adopted two amendments, which are traveling with the bill. These amendments allow benefits purchased under the Florida Prepaid College Program to be rolled over into the new College Savings Program at the redemption value of the advance payment contract at a state institution and allow additional members to be added to the board of directors of the direct support organization for the Prepaid College Program. The College Savings Program covers more of the cost of education than just the amount of tuition, which is covered by the Prepaid Program.

VII. SIGNATURES:

COMMITTEE ON COLLEGES AND UNIVERSITIES:

Prepared by:

Anitere Flores

Staff Director:

Betty Tilton

AS REVISED BY THE COMMITTEE ON EDUCATION APPROPRIATIONS:

Prepared by:

Robert Cox

Staff Director:

John Newman

AS FURTHER REVISED BY THE COUNCIL FOR LIFELONG LEARNING:

Prepared by:

Anitere Flores

Staff Director:

Patricia Levesque