

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 281 Prepaid College Programs
SPONSOR(S): State Universities & Private Colleges Policy Committee; Weinstein
TIED BILLS: **IDEN./SIM. BILLS:**

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.:	State Universities & Private Colleges Policy Committee	11 Y, 0 N, As CS	Thomas	Tilton
1)	State Universities & Private Colleges Appropriations Committee	7 Y, 0 N	Smith	Trexler
2)	Full Appropriations Council on Education & Economic Development	16 Y, 0 N	Smith	Martin
3)				
4)				
5)				

SUMMARY ANALYSIS

The Florida Prepaid Tuition Scholarship Program provides prepaid plan scholarships to economically disadvantaged youth who remain crime free and drug free. The Florida Prepaid Tuition Scholarship Program is operated by the Florida Prepaid College Foundation, Inc., (the "Foundation") a private sector, tax-exempt 501(c)(3) organization. The Foundation provides scholarships in conjunction with other private sector foundations and organizations through a matching program.

If a scholarship recipient fails to use all of the credit hours available under a scholarship, the cooperating organizations currently are authorized to name a substitute beneficiary for the prepaid contract with unused credit hours, or the organization may obtain a refund of the amount paid for the unused portion of the prepaid contract.

CS/HB 281 authorizes purchasers of advance payment contracts for prepaid tuition scholarships to receive a refund equal to the redemption value of the unused portion of the advance payment contract, if the refund is used exclusively to fund the purchase of additional prepaid scholarships.

This bill does not appear to have a fiscal impact on state government.

The effective date provided is upon becoming law.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

The Florida Prepaid Tuition Scholarship Program provides prepaid plan scholarships to economically disadvantaged youth who remain crime free and drug free. The Florida Prepaid Tuition Scholarship Program is operated by the Florida Prepaid College Foundation, Inc., (the "Foundation") a private sector, tax-exempt 501(c)(3) organization. The Foundation provides scholarships in conjunction with other private sector foundations and organizations through a matching program whereby the other private sector organizations provide 50 percent of the cost of scholarships for such students. The remaining 50 percent of the cost is provided by the Foundation, through an annual appropriation and the monies provided by escheated prepaid contracts. The Foundation buys prepaid contracts from the Florida Prepaid College Board in cooperation with other private sector organizations.

In addition to the Florida Prepaid Tuition Scholarship Program, other tax exempt organizations may purchase prepaid contracts from the Florida Prepaid College Board to provide scholarships through scholarship programs which have been approved by the Board.¹

If a scholarship recipient fails to use all of the credit hours available under a scholarship, the cooperating organizations have three options for dealing with the unused credit hours available under the prepaid contract:

1. The organization may allow the prepaid contract to expire, at which time the escheated funds are transferred to the Foundation to provide additional prepaid tuition scholarships.²
2. The organization may obtain a refund for the amount that was originally paid for the unused portion of the prepaid contract.³
3. The organization may name a substitute beneficiary for the prepaid contract. The process of changing the beneficiary on such contracts may involve changing the beneficiary on a series of prepaid contracts used for scholarships to a new scholarship recipient.

¹ Section 1009.98(9), F.S.

² Section 1009.98(4)(k), F.S.

³ Section 1009.98(5), F.S.

Students enrolled at a state university and who are beneficiaries of prepaid tuition contracts that were in effect prior to July 1, 2007, and which remain in effect, are exempt from payment of the tuition differential that is assessed by eligible state universities.⁴ Recipients of prepaid tuition scholarships who attend state universities and who are named as substitute beneficiaries, pursuant to option three described above, for existing prepaid contracts that were purchased prior to July 1, 2007, are not required to pay the tuition differential at state universities.⁵

Effect of Proposed Changes

CS/HB 281 authorizes purchasers of advance payment contracts for prepaid tuition scholarships to receive a refund equal to the redemption value of the unused portion of the advance payment contract, if the refund is used exclusively to fund the purchase of additional prepaid scholarships. The proposed change provides an additional option for the cooperating organizations, which may reduce the administrative difficulties and costs associated with the current process of naming a substitute beneficiary.

Recipients of prepaid tuition scholarships that are purchased after July 1, 2007, who attend state universities, are subject to payment of the tuition differential unless the state university waives the tuition differential for that student.⁶

B. SECTION DIRECTORY:

Section 1. Amends s. 1009.98, F.S., providing that a purchaser of an advance payment contract may receive a refund of the unused portion of the contract under certain circumstances.

Section 2. Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

⁴ Section 1009.24(16)(c), F.S.

⁵ Telephone conversation with Prepaid staff (March 13, 2009).

⁶ Section 1009.24(16)(e), F.S., authorizes a state university to waive the tuition differential for students who meet the eligibility requirements for the need-based Florida public student assistance grant program.

CS/HB 281 may reduce the administrative difficulties and costs of using the remaining, unused credit hours available on prepaid contracts that have been purchased as prepaid tuition scholarships to provide additional prepaid tuition scholarships. The refund for the unused portion of the contract would be used exclusively to fund additional scholarships under the Florida Prepaid Tuition Scholarship Program or other scholarship programs which have been approved by the Florida Prepaid College Board and operated by private sector, tax exempt organizations. Recipients of prepaid tuition scholarships that are purchased after July 1, 2007, who attend state universities, are subject to payment of the tuition differential unless the state university waives the tuition differential for that student.

D. FISCAL COMMENTS:

None

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require a city or county to expend funds or to take any action requiring the expenditure of funds.

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

This bill does not appear to reduce the percentage of state tax shared with counties or municipalities.

2. Other:

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

On March 3, 2009, the State Universities & Private Colleges Policy Committee adopted a Proposed Committee Substitute to HB 281 and reported the bill favorably as a committee substitute. The differences between the CS and the bill are:

- CS/HB 281 authorizes purchasers of advance payment contracts for prepaid tuition scholarships to receive a refund equal to the redemption value of the unused portion of the advance payment contract, if the refund is used exclusively to fund the purchase of additional prepaid scholarship. HB 281 required the Foundation to aggregate the unused semester credit hours on prepaid tuition scholarship purchased in separate pools for each donor organization and permitted the Foundation to reissue the aggregated unused student credit hours as prepaid tuition scholarships.