

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 130

SPONSOR: Senator Lee

SUBJECT: Prepaid College Program

DATE: February 2, 2000

REVISED: 02/08/00 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable</u>
2.	<u>Rhea</u>	<u>Wilson</u>	<u>GO</u>	<u>Fav/1 amendment</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The bill authorizes benefits of the Florida Prepaid College Program to be used for a program leading to diploma or certificate at a public technical center or community college. It also authorizes benefits of a contract to be used at an out-of-state college that does not confer baccalaureate degrees, if it offers degrees and is regionally accredited. The bill also authorizes the program's direct-support organization to use the property, facilities and services, including the investment services, of the Prepaid College Board and provides the board with rulemaking authority regarding the use of property, facilities, and services. The bill also permits the board to invest funds of the direct-support organization that have been allocated for the purchase of advance payment contract scholarships with receipts for advance payment contracts.

This bill amends section 240.551 of the Florida Statutes.

II. Present Situation:

FLORIDA PREPAID COLLEGE PROGRAM

In 1987, the Florida Legislature established the Florida Prepaid College Program to encourage saving for college. 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. The program provides a way for the cost of registration and dormitory residence to be paid before a student enrolls at a state postsecondary education institution.¹ The rate of payment 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 yields at least enough in interest to make up the difference between the prepaid amount and the cost of registration and dormitory residence at the time a student actually enrolls at an institution.

¹Section 240.551, F.S.

PREPAID COLLEGE PLANS

The Florida Prepaid College Board provides advance payment contracts for two separate plans, 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 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.

DIRECT-SUPPORT ORGANIZATIONS

The Florida Prepaid College Board established the Florida Prepaid College Foundation, which is a direct-support organization that is located within the Board's offices, in order to assist in the administration of the Florida Prepaid College Program. There is no general statutory provision that defines direct-support organizations or establishes particular requirements for them. Typically, a direct-support organization is a nonprofit corporation that is created for the purpose of providing administrative support, to raise or invest funds, to operate programs, or to manage properties for a state program. Board members of direct-support organizations often sit on the governmental board which establishes the direct-support organization.

Section 240.551(22)(a)2., F.S., provides that the Florida Prepaid College Board is permitted to establish a direct-support organization for the purpose of receiving, holding, investing, administering property, and making expenditures to or for the benefit of the Florida Prepaid College Program. A direct-support organization established by the Board must be a Florida corporation, be designated as a not-for-profit organization, be incorporated according to statutory provisions, and be approved by the Secretary of State. Additionally, the chair and the executive director of the Florida Prepaid College Board must serve as directors of the direct-support organization and are responsible for appointing three other individuals to serve as directors of the organization.

Current statutory provisions do not permit a prepaid direct-support organization to use the property, facilities, and personal services of the Florida Prepaid College Board, or to make investments with monies invested in the Florida Prepaid College Trust Fund.

III. Effect of Proposed Changes:

This bill changes regulations for the transfer of benefits associated with the Florida Prepaid College Program to an out-of-state postsecondary education institution. It authorizes a qualified beneficiary of the Florida Prepaid College Program to 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 a regional accrediting association. No longer will the institution be required to confer baccalaureate degrees, so out-of-state community colleges will be eligible. 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 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 cover only the number of semester credit hours stipulated in the original contract.

This bill permits a prepaid direct-support organization to use the property, facilities, and personal services of the Florida Prepaid College Board, as well as to make investments with monies

invested in the Florida Prepaid College Trust Fund. Additionally, it provides standard mechanisms to ensure accountability of the direct-support organization to the public. Specifically, the direct-support organization must operate under written contract with the board. The contract must require the board to approve the articles of incorporation and bylaws of the direct-support organization. Additionally, it must require the direct-support organization to submit its annual budget to the board for its approval. The budget is required to comply with rules adopted by the board.

The contract also requires the direct-support organization to obtain an annual financial and compliance audit of its financial accounts and records by an independent certified public accountant. Further, each year the board is required to certify that the direct-support organization is complying with the terms of the contract and in a manner consistent with the goals and purposes of the board, in the best interest of the state. The contract also requires the reversion to the board, or to the state if the board ceases to exist, of moneys and property held by the direct-support organization, if the direct-support organization loses approval or if it ceases to exist.

Other provisions in the bill require the direct-support organization to disclose the distinction between the board and the direct-support organization, to submit the annual audit to the board for review and for the board to submit the audit to the Auditor General. Further, the bill prohibits use of facilities and personal services of the board if the direct-support organization does not provide equal employment opportunities to all persons regardless of race, color, religion, sex, age, or national origin.

The bill makes several technical changes to conform with current bill drafting style.

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:

Qualified beneficiaries will be authorized 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. The benefits may be applied to an out-of-state community college.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:**#1 by Governmental Oversight and Productivity:**

Modifies the type of legal opinion required to be obtained prior to implementation of the program. Currently, an unqualified opinion must be obtained. The amendment provides that an opinion may be qualified.