

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 263

Florida Prepaid College Program

**SPONSOR(S):** Meador

**TIED BILLS:**

**IDEN./SIM. BILLS:** SB 550

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| <b>REFERENCE</b>                      | <b>ACTION</b> | <b>ANALYST</b> | <b>STAFF DIRECTOR</b> |
|---------------------------------------|---------------|----------------|-----------------------|
| 1) Colleges & Universities Committee  | 9 Y, 0 N      | Davis          | Tilton                |
| 2) Education Appropriations Committee | 17 Y, 0 N     | Hammock        | Hamon                 |
| 3) Education Council                  |               | Davis          | Cobb                  |
| 4) _____                              | _____         | _____          | _____                 |
| 5) _____                              | _____         | _____          | _____                 |

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**SUMMARY ANALYSIS**

The bill removes a restriction on the types of postsecondary educational institutions at which a qualified beneficiary may use his or her benefits under the Florida Prepaid College Program (Florida Prepaid). The bill deletes the requirement that an accredited independent college or university in the state of Florida be not-for-profit in order to be eligible for the transfer of benefits.

The bill appears to have no fiscal impact on state or local government and a positive fiscal impact on the private sector. See the FISCAL ANALYSIS section for further details.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

Safeguard individual liberty- The bill removes the restriction that an accredited independent college or university in the state of Florida be not-for-profit to be eligible for the transfer of benefits, thereby expanding the number of choices available to beneficiaries of the Florida Prepaid College Plan.

### B. EFFECT OF PROPOSED CHANGES:

#### **Background**

The Florida Prepaid College Program (Florida Prepaid) is a state program created to encourage families to save for the expenses of higher education. It was established in 1987 to allow Florida residents to pay the cost of higher education in advance at a fixed level and with statutory state guarantee.<sup>1</sup>

The program allows the purchaser to establish an account for a beneficiary (the student) and to lock in the future cost of a two-year community college program, a four-year university program, or a combination of two years of each. Local fee and dormitory plans may be purchased in addition to the tuition plans. Account holders may make lump sum or periodic payments. Prices are based on the beneficiary's age and actuarial assumptions about rates of tuition, fee, and dormitory cost inflation and investment return.<sup>2</sup>

Florida Prepaid is the largest program of its type in the nation. As of June 2005, the program has sold 1,052,080 contracts.<sup>3</sup> Florida Prepaid is administered by the Florida Prepaid College Board (the Board), which is administratively housed in the State Board of Administration (SBA). The SBA provides administrative and investment services and approves the Board's Comprehensive Investment Strategy. Otherwise, the Board operates independently.<sup>4</sup>

Currently, a qualified beneficiary may apply the benefits of an advance payment contract toward:

- An independent college or university that is located and chartered in Florida that is not-for-profit, that is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS) or the Accrediting Council for Independent Colleges and Schools (ACICS), and that confers degrees in accordance with s. 1005.02, F.S.;
- An out-of-state college or university that is not-for-profit and is accredited by a regional accrediting association and that confers degrees; or
- An applied technology diploma program or career certificate program conducted by a community college listed in s. 1004.02(2), F.S., or a career center operated by a district school board.

#### **Effect of Proposed Changes**

The bill removes the requirement that an accredited independent college or university in the state of Florida be not-for-profit to be eligible for the transfer of Florida Prepaid benefits. The not-for-profit requirement remains in effect for out-of-state colleges and universities.

According to Department of Education and Florida Prepaid representatives, removing the not-for-profit requirement would make at least 17 additional institutions eligible for the transfer of benefits.

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<sup>1</sup> See s. 1009.97, F.S.

<sup>2</sup> See s. 1009.98, F.S.

<sup>3</sup> Florida Prepaid College Board

<sup>4</sup> See ss. 1009.971 and 1009.973, F.S.

The bill provides an effective date of July 1, 2006.

C. SECTION DIRECTORY:

Section 1: Amends paragraph (a) of subsection (3) of s. 1009.98, F.S., deleting the requirement that an accredited independent college or university in the state of Florida be a not-for-profit institution to be eligible for transfer of benefits.

Section 2: Provides an effective date of July 1, 2006.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

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

2. Expenditures:

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

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

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

2. Expenditures:

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

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill appears to have a positive fiscal impact on the private sector. The transfer of benefits to an accredited for-profit institution provides contract purchasers with increased flexibility and may increase enrollment at such institutions.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to spend funds or to take any action requiring the expenditure of funds.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### **IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES**