

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 263 CS Florida Prepaid College Program
SPONSOR(S): Meador
TIED BILLS: **IDEN./SIM. BILLS:** SB 550

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Colleges & Universities Committee	9 Y, 0 N	Davis	Tilton
2) Education Appropriations Committee	17 Y, 0 N	Hammock	Hamon
3) Education Council	8 Y, 1 N, w/CS	Davis	Cobb
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

The bill renames the Florida Prepaid College Program as the Stanley G. Tate Florida Prepaid Scholarship Program. The bill also 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 requires any advertisement disseminated by an eligible for-profit independent college or university that references Florida Prepaid Scholarship Program to contain a disclaimer.

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.¹

Florida Prepaid 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.²

Florida Prepaid is the largest program of its type in the nation. As of June 2005, the program has sold 1,052,080 contracts.³ 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.⁴

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.

Stanley G. Tate was the founding chairman of the Florida Prepaid College Board. The head of Tate Enterprises, Mr. Tate is a lifelong businessman and civic leader. His civic involvements include more than 20 years as Councilman and Mayor of Bay Harbor Islands Florida. He is a member of the Florida Council and was a member of the Judicial Qualifications Commission for the State of Florida for 16 years. Mr. Tate served as the Senior Advisor and Chairman of the Advisory Board for the Resolution Trust Corporation under President Bush, and was nominated to serve in Washington, D.C., as the interim President of the Resolution Trust Corporation under the Clinton administration.

¹ See s. 1009.97, F.S.

² See s. 1009.98, F.S.

³ Florida Prepaid College Board

⁴ See ss. 1009.971 and 1009.973, F.S.

Mr. Tate is also actively involved in community and charitable organizations. He currently serves as Trustee of the Executive Committee of Mount Sinai Medical Center and Trustee of St. Thomas University. He is a member of the Board of Miami Jewish Home and Hospital for the Aged, Miami-Dade Community College Foundation, United Way of Dade County Trustees, and Vice Chairman of the Board of Directors of Easter Seals of Miami-Dade.

Mr. Tate has earned numerous awards and honors, including the United Way Dorothy Shula Award for Community Involvement and Volunteerism, the Miami-Dade Commission on Ethics and Public Trust Arete Award, Volunteer Advocate of the Year, and the Florida Student Association Distinguished Service Award. Mr. Tate was selected as one of "The Twelve Good Men of 2004" by the Board of the Ronald McDonald House.

Mr. Tate's primary achievement in civic involvement is his effort in sponsoring and supporting the Florida Prepaid College Program. He was instrumental in helping write the legislation that created the program and served as Chairman of the program for 18 years from its inception in 1987. He has spent many years advocating public policy to make college affordable for every family in Florida. Under Mr. Tate's leadership, the Florida Prepaid College Program has grown to be the largest and most successful program of its kind in the country. Mr. Tate was also the founding chairman of the Florida Prepaid College Foundation to provide the opportunity for a college education to low-income children at risk of dropping out of school through Project STARS.

Effect of Proposed Changes

The bill renames the Florida Prepaid College Program the Stanley G. Tate Florida Prepaid College Program.

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.

The bill also requires that advertisements disseminated by an eligible for-profit institution that reference the Florida Prepaid College Program state the following: "While the benefits of a Florida Prepaid College contract may be utilized at this institution, the Florida Prepaid College Board does not endorse any particular college or university."

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

C. SECTION DIRECTORY:

Section 1: Amends s. 1009.97, F.S., renaming the Florida Prepaid College Program the Stanley G. Tate Florida Prepaid College Program.

Section 2: Amends 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, requiring certain advertisements referencing the Florida Prepaid College Program to contain a disclaimer, and conforming to the renaming of the Florida Prepaid College Program.

Section 3: Amends s. 732.402, F.S., to conform to the renaming of the Florida Prepaid College Program.

Section 4: Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

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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

On April 10, 2006, the Education Council adopted an amendment to HB 263. The bill was reported favorable with a Council Substitute (CS). The CS renames the Florida Prepaid College Program the Stanley G. Tate Florida Prepaid College Program. The CS requires any advertisement disseminated by an eligible for-profit independent college or university that references the program to contain a disclaimer.