

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Education Committee

BILL: CS/SB 550

INTRODUCER: Education Committee and Senator Baker

SUBJECT: Florida Prepaid College Program

DATE: March 21, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Brown</u>	<u>Matthews</u>	<u>ED</u>	<u>Fav/CS</u>
2.	_____	_____	<u>EA</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill renames the Florida Prepaid College Program as the “Stanley G. Tate Florida Prepaid College Program.”

This bill expands the Florida Prepaid College Program to authorize the transfer of prepaid benefits to a private college or university that:

- Is for-profit;
- Is located and chartered in Florida;
- Is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools or the Accrediting Council for Independent Colleges and Schools; and
- Confers degrees as defined in s. 1005.02, F.S.

Under current law, only similar not-for-profit institutions are eligible for the transfer of a prepaid contract.

This bill provides flexibility to the Florida Prepaid College Board and the direct-support organization to approve prepaid tuition scholarship programs.

This bill extends prepaid tuition scholarships to students with disabilities.

Advertisements which are distributed by eligible for-profit independent colleges or universities are required to contain a disclaimer statement regarding endorsement.

This bill substantially amends section 1009.98 of the Florida Statutes.

II. Present Situation:

Florida Prepaid College Program, History and Application

Part IV of Chapter 1009, F.S., provides for the Florida Prepaid College Board Program.

The Florida Prepaid College Plan began in 1987, and the Legislature created the Florida Prepaid College Program in 2002 to provide a mechanism by which the cost of tuition and dormitory residence may be paid in advance of enrollment in a state postsecondary institution at a rate lower than that projected at the time of the student's actual enrollment.¹ The Legislature required the Florida Prepaid College Board to establish a minimum of two independent plans, a community college plan and a university plan.² The program currently authorizes advance payment contracts for the following:

- A four year university tuition plan, which covers 120 university undergraduate credit hours;
- A two + two tuition plan, which covers 60 credit hours each of community college and university undergraduate credit hours; and
- A two year community college tuition plan, which covers 60 community college credit hours.

University credit hours may be used at a community college and vice versa. Additional plans which may be purchased include local fee plans and dormitory plans.³

The Florida Prepaid College Plan is classified in the Internal Revenue Code as a Section 529 college savings plan. Under current law, although contributions are not tax-deferred, earnings on 529 plans grow tax-deferred, and withdrawals for qualified college expenses are tax-free. Florida has more families participating in 529 plans than any other state. As of January 2006, about 1.1 million plans have been sold.⁴

Florida prepaid college funds are generally used at community colleges and universities. Section 1009.98(3), F.S., however, authorizes the transfer of benefits, to private and out-of-state colleges, universities, and career centers in certain instances. Specifically, a qualified beneficiary⁵ is authorized to apply the benefits of an advance payment contract to:

- An independent college or university that is located and chartered in Florida, is not-for-profit, is accredited by the Commission on Colleges of the Southern Association of

¹ s. 1009.98(1), F.S.

² s. 1009.98(2), F.S.

³ See the Florida Prepaid College Plan website at: <http://www.florida529plans.com/prepaid/index.html>

⁴ *College Bound*, Florida Prepaid College Board, p. 2 (Winter Issue, January 2006).

⁵ A qualified beneficiary is defined as: a resident of the state at the time a purchaser enters into an advance payment contract on behalf of the resident; a nonresident who is the child of a noncustodial parent who is a resident of this state at the time that the parent enters into an advance payment contract on behalf of the child; or regarding advance payment contracts provided through direct support organizations scholarships, a graduate of an accredited high school in this state who is a resident of this state at the time he or she is designated to receive the benefits of the advance payment contract. See s. 1009.97(3)(f), F.S.

- Colleges and Schools or the Accrediting Council for Independent Colleges and Schools, and that confers degrees as required by law;⁶
- 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 law, or a career center operated by a district school board.

The amount of the transfer of prepaid benefits may not exceed the redemption value of the advance payment contract at a state postsecondary institution.⁷

Financial Feasibility of the Plan

Current law provides that if the Florida Prepaid College Program is determined to be financially infeasible, the state is authorized to discontinue the program. In this event, the state will act as guarantor for the benefits of all contracts for qualified beneficiaries who are within five years of enrollment in a postsecondary institution.⁸ All other contract holders would receive a refund of the amount paid plus prevailing interest.⁹

III. Effect of Proposed Changes:

This bill renames the Florida Prepaid College Program as the “Stanley G. Tate Florida Prepaid College Program.” Stanley G. Tate co-founded the Florida Prepaid College Foundation and currently serves as its Chair.

This bill extends the authority for students to apply prepaid dollars to not-for-profit private institutions, to those independent colleges and universities that are for-profit.

For-profit institutions that qualify under this bill will be subject to the same accrediting standards required for not-for-profit independent institutions to receive prepaid funds. Specifically, the for-profit private college or university must:

- Be located and chartered in Florida;
- Be accredited by the Commission on Colleges of the Southern Association of Colleges and Schools or the Accrediting Council for Independent Colleges and Schools; and
- Confer degrees as defined in s. 1005.02, F.S.

⁶ Section 1005.02(7), F.S., defines a degree to mean any educational credential that is generally taken to signify satisfactory completion of the requirements of an undergraduate, graduate, academic, educational, or professional program of study or any honorary credential conferred for meritorious recognition. At the undergraduate level, an institution may not award a degree for a program unless it includes a general education component as established by rule and at least 60 semester hours or 90 quarter hours of study or the equivalent.

⁷ An advance payment contract is a contract entered into by the Florida Prepaid Board and a purchaser for the prepaid plan and must include various terms and conditions as set out in s. 1009.98(4), F.S.

⁸ s. 1009.98(8), F.S.

⁹ *Id.*

Based on the bill's requirements, it is estimated that an additional 16 independent for-profit colleges and universities would be eligible to receive prepaid funds. These eligible institutions are:

- Art Institute of Ft. Lauderdale, Inc.;
- Art Institute of Tampa, Inc.;
- The College of Business and Technology;
- Florida Career College;
- Florida Metropolitan University;
- Florida National College;
- Florida Technological College;
- Golf Academy of the South;
- International Academy of Design and Technology;
- Keiser College;
- Key College;
- Miami University of Art and Design;
- New England Institute of Technology at Palm Beach;
- Orlando Culinary Academy;
- Schiller International University; and
- Webster College.¹⁰

This bill provides flexibility to the Florida Prepaid College Board and the direct-support organization to approve prepaid tuition scholarship programs.

This bill extends prepaid tuition scholarships to students with disabilities.

Advertisements which are distributed by eligible for-profit independent colleges or universities are required to contain a disclaimer statement regarding endorsement.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

¹⁰ Branch campuses count as one institution for purposes of this analysis.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Students who are qualified beneficiaries will have greater options regarding choice of postsecondary education.

C. Government Sector Impact:

The Florida Prepaid College Program indicates that there is no fiscal impact on the program as the transfer is limited to the redemptive value of the advance payment contract at a state postsecondary institution.

VI. Technical Deficiencies:

None.

VII. Related Issues:

There is an incorrect cross-reference to s. 1004.02(2), F.S., in s. 1009.98(3)(c), F.S. It is recommended that the reference be deleted.

VIII. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
