

The Florida Senate
PROFESSIONAL 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 Pre-K - 12 Appropriations Committee

BILL: CS/SB 1052

INTRODUCER: Committee on Education Pre-K-12 Appropriations and Senator Wise

SUBJECT: Education Innovation

DATE: March 28, 2007

REVISED: _____

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

I. Summary:

The bill creates the Florida Prepaid Tuition Scholarship Endowment within the State Board of Administration for the purpose of providing a perpetual source of enhanced funding to provide postsecondary education prepaid tuition scholarships for economically disadvantaged youth. The endowment will receive money, subject to appropriation, from the tax on slot machine revenues. Funds for the endowment will be in an amount determined annually by the Legislature in the General Appropriations Act.

Earnings in the endowment shall be transferred by the Board of Administration in the amount appropriated by the Legislature to fund scholarships. Subject to legislative appropriations, the Florida Prepaid College Board shall use the distributions from the endowment to provide prepaid postsecondary tuition scholarships to economically disadvantaged youth.

II. Present Situation:

Florida Prepaid College Program and the Prepaid Tuition Scholarship Program

The Florida Prepaid College Program 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. 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.

Florida Prepaid is the largest program of its type in the nation. 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.

The Florida Prepaid Tuition Scholarship Program was established to provide economically disadvantaged youth with prepaid postsecondary tuition scholarships. The Florida Prepaid College Board administers the program with the assistance and cooperation of the Department of Education to:

- (1) Provide an incentive for economically disadvantaged youth to improve school attendance and academic performance in order to graduate and pursue a postsecondary education.
- (2) Obtain the commitment and involvement of private sector entities by virtue of funding matches with a ratio of 50 percent provided by the private sector and 50 percent provided by the state.
- (3) Purchase prepaid tuition scholarships for students certified by the Department of Education to the direct-support organization who meet minimum economic and school requirements and remain drug free and crime free.

The state provides matching funds for the Florida Prepaid Tuition Scholarship Program in the General Appropriations Act. For fiscal year 2006-07, \$7,975,000 was appropriated to transfer to the Florida Prepaid College Board to match private contributions and purchase scholarships for eligible students. SPB 7098 on Higher Education Appropriations includes an appropriation of \$5,975,000 (\$5,200,000 from General Revenue and \$775,000 from the Student Loan Operating Trust Fund) for this program for fiscal year 2007-08.

Slot Machine Revenue

Amendment 4 to the State Constitution was approved by the voters at the November 2004 General Election (Section 23, Article X). Passage of Amendment 4 authorized the governing bodies of Broward and Miami-Dade counties to hold a county-wide referendum in their respective counties on whether to authorize slot machines within existing, licensed pari-mutuel facilities that have conducted live racing or games in that county during each of the last two calendar years before the effective date of the constitutional amendment [2002 and 2003].

Section 23, Article X, Florida Constitution, authorizes the legislature to tax slot machine revenues, and any such taxes must supplement public education funding statewide. In 2005, the legislature created section 551.106, Florida Statutes, to impose a 50 percent flat tax on slot machine revenue and requires that the taxes be remitted weekly. To comply with the constitutional requirement that all tax revenue collected from slot machine operations be used to supplement public education funding statewide, these tax revenues are initially deposited into the

Pari-mutuel Wagering Trust Fund for immediate transfer to the Educational Enhancement Trust Fund.

Both Broward and Miami-Dade counties held local referendums on whether to authorize slot machines in their respective counties on March 8, 2005. Voters in Broward County approved the measure while voters in Miami-Dade County voted against authorizing slot machines at pari-mutuel facilities in that county. Voters in Miami-Dade County may vote on this issue two years following this initial vote.

III. Effect of Proposed Changes:

The bill creates the Florida Prepaid Tuition Scholarship Endowment within the State Board of Administration for the purpose of providing a perpetual source of enhanced funding to provide postsecondary education prepaid tuition scholarships for economically disadvantaged youth. The endowment will receive money from the tax on slot machine revenues as defined in section 551.106, Florida Statutes. Funds for the endowment will be in amount provided by the Legislature in the General Appropriations Act.

The Department of Education will transfer the appropriated funds to the endowment at the State Board of Administration. The principal in the endowment shall be reserved and accounted for within the endowment and the earnings shall be used, as appropriated by the legislature, for the funding of Florida Prepaid Tuition Scholarships for economically disadvantaged youth as provided in section 1009.984, Florida Statutes. Earnings in the endowment shall be transferred by the Board of Administration in the amount appropriated by the legislature to fund prepaid scholarships. Subject to legislative appropriations, the Florida Prepaid College Board shall use the distributions for the endowment to provide prepaid postsecondary tuition scholarships to economically disadvantaged youth.

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:

None.

C. Government Sector Impact:

Funding for the endowment created by this bill will be as provided in a specific line item in the General Appropriations Act. SPB 7096 on Education Appropriations includes an appropriation of \$20,000,000 in recurring revenue from Education Enhancement Trust Fund. Proceeds from investment of the endowment will be subject to appropriation in future fiscal years to provide more Florida Prepaid Tuition Scholarships for eligible students.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
