

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 547 Stanley G. Tate Florida Prepaid College Program
SPONSOR(S): Higher Education & Career Readiness Subcommittee, Clemons and others
TIED BILLS: None **IDEN./SIM. BILLS:** SB 464

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Higher Education & Career Readiness Subcommittee	14 Y, 0 N, As CS	McAlarney	Bishop
2) Higher Education Appropriations Subcommittee	10 Y, 0 N	Crowley	Lloyd
3) Education Committee			

SUMMARY ANALYSIS

This bill authorizes a state university to transfer Stanley G. Tate Florida Prepaid College Program related Dormitory Residence Plan funds to a qualified nonprofit organization. If the plan's qualified beneficiary is admitted to a state university or Florida College System institution (FCS institution) and finds housing with a qualified nonprofit organization that is approved by the state university, or FCS institution, the state university or FCS institution may transfer to the qualified nonprofit organization the funds associated with dormitory residence. The bill requires that the amount transferred may not exceed the average fees charged for state university or FCS institution dormitory fees.

The bill defines a qualified nonprofit organization as an organization under s. 501(c)(3) of the United States Internal Revenue Code, which provides one or more dormitories, or residency opportunities to students enrolled full-time in a state university or FCS institution, primarily supports students that lack financial resources, and has been approved by the board for inclusion in the plan.

The bill has no state fiscal impact.

The bill has an effective date of July 1, 2019.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

The Florida Prepaid College Board

The Florida Prepaid College Board (Board) manages the Stanley G. Tate Florida Prepaid College Program¹ (Prepaid Plan) and the Florida 529 Savings Plan² (Savings Plan). Both plans are tax-favored 529 college savings plans authorized by Section 529 of the Internal Revenue Code. The Board establishes policy and oversees the investment and financial performance of the programs.³ More than 1.8 million Prepaid Plans have been purchased, and more than 450,000 students have attended college using a Prepaid Plan. The Savings Plan has been ranked among the best-performing college savings plans by SavingforCollege.com.⁴

Direct-Support Organization

The Board⁵ is empowered by the legislature to establish a direct-support organization (DSO)⁶ to administer the Florida Prepaid Tuition Scholarship Program.⁷ The Board created a DSO called the Stanley G. Tate Florida Prepaid College Foundation (Foundation) to administer the program.

Stanley G. Tate Florida Prepaid College Foundation

The Foundation was created in 1990.⁸ The Foundation's mission is to promote the importance of saving for college and to give aspiring students the opportunity to build a better future for themselves through higher education.⁹

Stanley G. Tate Florida Prepaid College Program

The Prepaid Plan is an interest bearing savings plan through which the cost of registration and dormitory residence can be paid in advance of attending a FCS institution or state university.^{10, 11} The beneficiary of the Prepaid Plan is charged a rate lower than the projected corresponding cost at the time of his or her actual enrollment.¹² The funds are invested by the state in a manner that yields enough interest to cover the difference between the prepaid amount and the actual registration and dormitory residence costs.¹³

¹ Section 1009.972(1), F.S.

² *Id.*; 529 Savings Plans are used for many education costs from qualified K-12 expenses to higher education tuition and fees, housing, books, and supplies. Funds can be used at any qualified educational institution nationwide, public, or private.

³ Florida Prepaid College Board, About the Board, <https://www.myfloridaprepaid.com/about-us/> (last visited Feb. 4, 2019).

⁴ Florida Prepaid College Board, Overview, <https://www.myfloridaprepaid.com/about-us/our-history/> (last visited Feb. 4, 2019).

⁵ Section 1009.971, F.S.

⁶ Section 1009.983(1), F.S.

⁷ Section 1009.983(8)(a), F.S.

⁸ Stanley G. Tate Florida Prepaid College Foundation, About the Foundation, <https://www.floridaprepaidcollegefoundation.com/about.aspx> (last visited Feb. 1, 2019).

⁹ Stanley G. Tate Florida Prepaid College Foundation, Mission Statement, <https://www.floridaprepaidcollegefoundation.com/mission-statement.aspx> (last visited Feb. 1, 2019).

¹⁰ Section 1009.98(1), F.S.

¹¹ Prepaid Plans are designed to be used at a state postsecondary institution; however, the funds may be used at any eligible educational institution nationwide; Florida Prepaid, Schools, Private/Out-of-State Universities and Colleges,

<https://www.myfloridaprepaid.com/existing-customers/schools/> (last visited Feb. 1, 2019).

¹² Section 1009.98(1), F.S.

¹³ *Id.*

The Prepaid Plan consists of five types of plans that prepay the tuition, registration fees, the tuition differential fee, and local fees.¹⁴ The plan types include:

1. *2-Year Florida College Plan* (Starting at \$55.42 per month): This plan prepays tuition and most fees for 60 credit hours at any of the 28 FCS institutions.¹⁵
2. *4-Year Florida College Plan* (Starting at \$119.61 per month): This plan prepays tuition and most fees for 120 credit hours at a FCS institution.¹⁶
3. *2 + 2 Florida Plan* (Starting at \$149.45 per month): This plan prepays tuition and most fees for 60 credit hours at a FCS institution and 60 credit hours at a state university.¹⁷
4. *1-Year Florida University Plan* (Starting at \$46.61 per month): This plan prepays tuition and most fees at a state university for one year.¹⁸
5. *4-Year Florida University Plan* (Starting at \$186.28 per month): This plan prepays tuition and most fees for 120 credit hours at a state university.¹⁹

There are three payment options for the Prepaid Plans: monthly, 5-year, and lump sum. The monthly option allows for monthly payments beginning when the contract is signed and lasting through the year the child graduates from high school. The monthly payment depends on the age of the child when the contract is signed. The 5-year option allows for 55 monthly payments over five years, and is dependent on the age of the child when the contract is signed. Both the monthly and 5-year options include a fixed interest fee that is fixed when the contract is signed. The lump-sum option is paid all at once and does not have an interest fee.²⁰

Dormitory Residence Plan

Beneficiaries Attending a State University

The Dormitory Residence Plan (Dormitory Plan) is an optional prepaid college plan that allows for the advance payment of on-campus housing for full-time undergraduate enrollment in a state university.²¹ The Dormitory Plan may be applied to the *2 + 2 Florida Plan*, *1-Year Florida University Plan*, or *4-Year Florida University Plan*.²² The beneficiary must be in the 11th grade or below when the plan is funded.²³ The plan must be funded in two semester (one school year) increments with a maximum of ten semesters (five school years).²⁴ The Dormitory Plan cannot be used in summer semesters.²⁵

The Dormitory Plan is designed to pay for a double-occupancy, air-conditioned dormitory room at a state university²⁶ and qualified beneficiaries have the highest priority housing assignment within the

¹⁴ Florida Prepaid, Prepaid Plans, Plans & Pricing, <https://www.myfloridaprepaid.com/prepaid-plans/plans-and-pricing/#residence-halls> (last visited Feb. 26, 2019).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ Florida Prepaid, Prepaid Plans, Plans & Pricing, What are my Payment Options?, <https://www.myfloridaprepaid.com/prepaid-plans/plans-and-pricing/#residence-halls> (last visited Feb. 26, 2019).

²¹ Section 1009.98(2)(d), F.S.

²² Florida Prepaid, Prepaid Plans, Plans & Pricing, FAQs, What does each plan cover?, <https://www.myfloridaprepaid.com/prepaid-plans/plans-and-pricing/> (last visited Feb. 4, 2019).

²³ Florida Prepaid, Prepaid Plans FAQs, Dormitory Specific Questions, Who is eligible to purchase a University Dormitory Plan?, <https://www.myfloridaprepaid.com/prepaid-plans/faqs/#who-is-eligible-to-purchase-a-university-dormitory-plan> (last visited Feb. 4, 2019).

²⁴ Section 1009.98(2)(d), F.S.

²⁵ Stanley G. Tate Florida Prepaid College Foundation, Project STARS Plan Types, <https://www.floridaprepaidcollegefoundation.com/project-stars-plan-prices.aspx> (last visited Feb. 4, 2019).

²⁶ Florida Prepaid, Prepaid Plans FAQs, Dormitory Specific Questions, What housing expenses are covered?, <https://www.myfloridaprepaid.com/prepaid-plans/faqs/#who-is-eligible-to-purchase-a-university-dormitory-plan> (last visited Feb. 4, 2019).

university residence halls. The state universities determine which dorms are designated for beneficiaries.²⁷ While qualified beneficiaries have the highest priority in the assignment of housing within university residence halls,²⁸ rooms are assigned on a first come, first served basis and there is no guarantee that a room assignment will be available.²⁹ A refund is given when rooms are not available.³⁰ If the beneficiary decides to live off campus, a refund is given equal to the payments made, less any fees, and usage.³¹

Beneficiaries Attending a Florida College System Institution

If a qualified beneficiary chooses to attend a FCS institution instead of a state university, or is not accepted to a state university, the beneficiary may transfer the funds associated with a Dormitory Plan to the FCS institution or related DSO.³² The FCS institution or related DSO must operate a dormitory in order to receive the funds. The funds may not exceed the maximum fees charged for state university dormitories, or the fees charged for FCS institution dormitories or related DSO dormitories, whichever is less.³³

Effect of Proposed Changes

The bill allows a state university or FCS institution to transfer Dormitory Plan funds to qualified nonprofit organizations that provide housing to students. The bill defines a qualified nonprofit organization as an organization under s. 501(c)(3) of the United States Internal Revenue Code, which: 1) provides one or more dormitories, or residency opportunities to students enrolled full-time in a state university or FCS institution, 2) primarily supports students that lack financial resources, and 3) has been approved by the board for inclusion in the plan.

The dormitory fees may not exceed the average fees charged for a state university dormitory residence, or the fees charged for a FCS institution or FCS institution DSO dormitory, whichever is less.

B. SECTION DIRECTORY:

Section 1. Amends s. 1009.98, F.S., authorizing a state university to transfer, or cause to have transferred fees, associated with dormitory residency to an approved, qualified nonprofit organization under certain circumstances; authorizing a FCS institution to transfer, or cause to have transferred fees, associated with dormitory residency to an approved, qualified nonprofit organization under certain circumstances; prohibiting transferred fees from exceeding a specified amount; providing a definition of qualified nonprofit organizations.

Section 2. Provides an effective date of July 1, 2019.

²⁷ Stanley G. Tate Florida Prepaid College Foundation, Project STARS Plan Types, <https://www.floridaprepaidcollegefoundation.com/project-stars-plan-prices.aspx> (last visited Feb. 4, 2019).

²⁸ Section 1009.98(2)(d), F.S.

²⁹ Stanley G. Tate Florida Prepaid College Foundation, Project STARS Plan Types, <https://www.floridaprepaidcollegefoundation.com/project-stars-plan-prices.aspx> (last visited Feb. 4, 2019).

³⁰ The refund is equal to the average dormitory rate for a standard, double-occupancy, air-conditioned dormitory room at the state university the beneficiary is attending.

³¹ Florida Prepaid, Prepaid Plans FAQs, Dormitory Specific Questions, What happens if you do not live in a dormitory?, <https://www.myfloridaprepaid.com/prepaid-plans/faqs/#who-is-eligible-to-purchase-a-university-dormitory-plan> (last visited Feb. 4, 2019).

³² Section 1009.98(2)(d), F.S.

³³ *Id.*

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill would benefit a qualified nonprofit organization by providing them with access to a larger pool of potential residents, thereby increasing the revenue generation of their rental units.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 6, 2019, the Higher Education & Career Readiness Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The amendment:

- Corrected a reference to “state university” that should be “Florida College System institution.”
- Replaced the word “maximum” with “average” to reflect the current practice that the average of state university or FCS institution dormitory fees is the value to be transferred.
- Clarified that a qualified nonprofit organization must be focused on helping students with financial need and is subject to approval by the Board.

The bill analysis is drafted to the committee substitute.