

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1151 Stanley G. Tate Florida Prepaid College Program
SPONSOR(S): Postsecondary Education & Workforce Subcommittee, Anderson
TIED BILLS: None. **IDEN./SIM. BILLS:** None.

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Postsecondary Education & Workforce Subcommittee	16 Y, 0 N, As CS	Dixon	Kiner
2) Education & Employment Committee			

SUMMARY ANALYSIS

The bill transitions the effective period for the amount paid by the Florida Prepaid College Board to state universities on behalf of qualified beneficiaries of advance payment contracts within the Prepaid Florida Program from 2009 -2010 to 2022-2023. Additionally, it extends the applicability of the contracts to those purchased before July 1, 2034.

The bill also removes obsolete language in regards to the differential fee amount paid for the 2012-2013 fiscal year.

The bill does not have a fiscal impact.

The bill has an effective date of July 1, 2024.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Stanley G. Tate Florida Prepaid College Program

Background

The Stanley G. Tate Florida Prepaid College Program (Prepaid Program) was created to assist families to prepay the future cost of college tuition through advance payment contracts (Prepaid Plans).¹ At the time of purchase, Prepaid Plans guarantee the future payment of certain costs associated with attendance at a postsecondary institution.² Additionally, the benefits, in some cases, can be utilized at in-state private institutions and at out-of-state public and private colleges and universities that are able to accept Title IV funding (i.e., federal student aid).³

The administration of the prepaid program is overseen by the Florida Prepaid College Board (board).⁴ In its role as the administrator of the trust fund, the board is responsible for managing it in a financially sound manner, ensuring stability based on actuarial principles.⁵ Over the past 30 years, the board has managed the largest and most successful prepaid program among similar initiatives enabling more than 561,000 students to attend college using the prepaid plans.⁶

The Florida Prepaid Program

Families can choose from several plans allowing them to prepay the cost of college tuition, the tuition differential fee, registration fees, and local fees at a price that is less than the expected future cost.

These plans include:⁷

- 4-Year Florida University Plan
- 2 + 2 Florida Plan
- 4-Year Florida College Plan
- 2-Year Florida College Plan
- 1-Year Florida University Plan

Fees Associated with Postsecondary Institutions

The costs associated with attending a postsecondary institution encompass tuition and various fees designed to contribute to the overall operational expenses of the institution.⁸ One such fee, known as the tuition differential fee, is charged by 11 of the 12 state universities. The tuition differential fee is intended to promote improvements in the quality of undergraduate education and provide financial aid to undergraduate students who exhibit financial need.⁹

¹ Section 1009.98(1)-(2), F.S.

² *Id.*

³ Section 1009.98(3), F.S.

⁴ Section 1009.971(1), F.S.

⁵ Section 1009.971(4)(f), F.S.

⁶ Florida Prepaid, *Our History*, <https://www.myfloridaprepaid.com/about-us/our-history/> (last visited Jan. 15, 2023).

⁷ Florida Prepaid, *Plans and Pricing*, <https://www.myfloridaprepaid.com/prepaid-plans/plans-and-pricing/> (last visited Jan. 16, 2024); see also Rule 19B-4.001, F.A.C.; Florida Prepaid College Board, Final Master Contract, at s. 4.02-4.07 (2021) available at <https://www.flrules.org/gateway/reference.asp?No=Ref-13896>.

⁸ Florida Prepaid, *All About Florida College and State University Fees*, <https://www.myfloridaprepaid.com/existing-customers/tuition-and-fees/> (last visited Jan. 16, 2024).

⁹ Section 1009.24(16), F.S.; see also Final Master Contract, at s. 1.39 and State University System of Florida, *Tuition and Required Fees* (2023-2024), available at <https://www.flbog.edu/wp-content/uploads/2023/07/2023-2024-SUS-Tuition-and-Fees-Report-PDF-1.pdf>.

By statute, for the 2012-2013 fiscal year, the base rate for the tuition differential fee was established at \$37.03 per credit hour.¹⁰ In subsequent years, the statute requires this base rate to be adjusted based on the amount assessed for the tuition differential in the preceding year. The adjustments are as follows:¹¹

- If the actuarial reserve¹² is less than 5 percent of the expected liabilities of the trust fund, the board pays the state universities 5.5 percent above the base rate for the tuition differential fee in the preceding fiscal year.
- If the actuarial reserve is between 5 percent and 6 percent of the expected liabilities of the trust fund, the board pays the state universities 6 percent above the base rate for the tuition differential fee in the preceding fiscal year.
- If the actuarial reserve is between 6 percent and 7.5 percent of the expected liabilities of the trust fund, the board pays the state universities 6.5 percent above the base rate for the tuition differential fee in the preceding fiscal year.
- If the actuarial reserve is equal to or greater than 7.5 percent of the expected liabilities of the trust fund, the board pays the state universities 7 percent above the base rate for the tuition differential fee in the preceding fiscal year.

Qualified beneficiaries of Prepaid Plans purchased before July 1, 2007, are exempt from paying any tuition differential fee.¹³

Effective with the 2009-2010 academic year and thereafter, in addition to the differential fees, other fees are paid by the board to any state university on behalf of a qualified beneficiary of the Prepaid Plan, whose contract was purchased before July 1, 2024. Among these fees are:

- Registration Fee:¹⁴
 - If the actuarial reserve is less than 5 percent of the expected liabilities of the trust fund, the board will pay the state universities 5.5 percent above the amount assessed for registration fees in the preceding fiscal year.
 - If the actuarial reserve is between 5 percent and 6 percent of the expected liabilities of the trust fund, the board shall pay the state universities 6 percent above the amount assessed for registration fees in the preceding fiscal year.
 - If the actuarial reserve is between 6 percent and 7.5 percent of the expected liabilities of the trust fund, the board shall pay the state universities 6.5 percent above the amount assessed for registration fees in the preceding fiscal year.
 - If the actuarial reserve is equal to or greater than 7.5 percent of the expected liabilities of the trust fund, the board shall pay the state universities 7 percent above the amount assessed for registration fees in the preceding fiscal year, whichever is greater.
- Local Fees: The board is required to pay the state universities 5 percent above the amount assessed for local fees in the preceding fiscal year.¹⁵

Regardless of the specific amount assessed for registration fees, tuition differential, local fees, or dormitory fees, the board's payment to a state university on behalf of a qualified beneficiary, covered by a Prepaid Plan purchased before July 1, 2024, cannot exceed 100 percent of the total fees charged by the state university.¹⁶ The board will pay state universities the actual amount assessed for the registration fees, the tuition differential, local fees and dormitory fees for Prepaid Plans purchased on or before July 1, 2024.¹⁷

¹⁰ Section 1009.98(10)(b), F.S.

¹¹ Section 1009.98(10)(b)2., F.S.

¹² Section 1009.98(10)(a)1. "Actuarial reserve" means the amount by which the expected value of the assets exceeds the expected value of the liabilities of the trust fund.

¹³ Section 1009.98(10)(b)5., F.S.

¹⁴ Section 1009.98(10)(b)1., F.S.

¹⁵ Section 1009.98(10)(b)3., F.S.

¹⁶ Section 1009.98(10)(c) and (d), F.S.

¹⁷ Section 1009.98(10)(f), F.S.

Regardless of credit hours used for fee assessment, the board's payment for Prepaid Plans purchased before July 1, 2024, cannot exceed the actual number of credit hours taken by the qualified beneficiary at the state university.¹⁸

Effect of Proposed Changes

The bill transitions the effective period for the amount paid by the Florida Prepaid College Board to state universities on behalf of qualified beneficiaries of advance payment contracts within the Prepaid Florida Program from 2009-2010 to 2022-2023. Additionally, it extends the applicability of the contracts to those purchased before July 1, 2034.

The bill clarifies that the base rate is the amount assessed.

The bill also removes obsolete language in regards to the differential fee amount paid for the 2012-2013 fiscal year.

B. SECTION DIRECTORY:

Section 1: Amends s. 1009.98, F.S.; revising the definition of the term "tuition differential"; beginning in a specified academic year, revising which advanced contracts certain provisions apply to.

Section 2: Establishes an effective date.

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:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

¹⁸ Section 1009.98(10)(e), F.S.
STORAGE NAME: h1151a.PEW
DATE: 1/26/2024

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 January 25, 2024, the Postsecondary Education & Workforce Subcommittee adopted an amendment and reported the bill favorably as a committee substitute. The amendment is a technical amendment to replace “base rate” with “amount assessed” throughout the bill.

The bill analysis is drafted to the committee substitute adopted by the Postsecondary Education & Workforce Subcommittee.