

1989

## Session Law 89-316

Florida Senate & House of Representatives

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**H 808 GENERAL BILL/CS by Appropriations; Crotty (Similar CS/S 93, Compare H 1548, S 44, S 982)**

**Prepaid Postsecondary Educ. Program; revises provisions re Fla. Prepaid Postsecondary Education Expense Program; revises definition of qualified beneficiary; revises provisions re comprehensive investment plan; authorizes Prepaid Postsecondary Education Expense Board to establish direct support organization & provides requirements thereof; provides for endorsement of insurance coverage & issuance thereof; revises provisions re refunds, etc. Amends 240.551. Effective Date: 07/05/89.**

03/15/89 HOUSE Prefiled  
 03/22/89 HOUSE Referred to Higher Education; Appropriations  
 04/04/89 HOUSE Introduced, referred to Higher Education; Appropriations -HJ 79; On Committee agenda—Higher Education, 04/06/89, 1:15 pm, 214-C—For referral to subcommittee  
 04/06/89 HOUSE Subreferred to Subcommittee on Planning and Programs  
 04/10/89 HOUSE On subcommittee agenda—Higher Education, 04/12/89, 4:30 pm, 16-HOB  
 04/12/89 HOUSE Subcommittee Recommendation: Favorable  
 04/13/89 HOUSE On Committee agenda—Higher Education, 04/17/89, 8:30 am, 214-C  
 04/17/89 HOUSE Preliminary Committee Action by Higher Education: Favorable with 2 amendment; Comm. Report: Favorable with 2 amendment(s) by Higher Education -HJ 233; Now in Appropriations -HJ 233  
 04/24/89 HOUSE Subreferred to Subcommittee on Education  
 05/08/89 HOUSE On Committee agenda—Appropriations, 05/10/89, 8:00 am, 21-HOB  
 05/10/89 HOUSE Preliminary Committee Action by Appropriations: Favorable as a CS  
 05/12/89 HOUSE Comm. Report: CS by Appropriations, placed on Calendar -HJ 486; CS read first time -HJ 484  
 05/24/89 HOUSE Placed on Special Order Calendar  
 05/30/89 HOUSE Read second time; Read third time; CS passed; YEAS 115 NAYS 0 -HJ 789  
 05/30/89 SENATE In Messages  
 05/31/89 SENATE Received, referred to Higher Education; Appropriations -SJ 619  
 06/02/89 SENATE Withdrawn from Higher Education; Appropriations; Substituted for CS/SB 93; CS passed; YEAS 35 NAYS 0 -SJ 890  
 06/02/89 Ordered enrolled  
 06/20/89 Signed by Officers and presented to Governor  
 07/05/89 Approved by Governor; Chapter No. 89-316

**NOTES:** Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

STORAGE NAME: h0808-f.he  
DATE: June 14, 1989

HOUSE OF REPRESENTATIVES  
COMMITTEE ON HIGHER EDUCATION  
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: CS/HB 808

RELATING TO: Postsecondary Education: Revising provisions relating to the Florida Prepaid Postsecondary Education Expense Program

SPONSOR(S): Committee on Appropriations & Representative Crotty

EFFECTIVE DATE: Upon Becoming Law

DATE BECAME LAW: July 5, 1989

CHAPTER #: 89-316, Laws of Florida

COMPANION BILL(S): None (Similar S 0982)

OTHER COMMITTEES OF REFERENCE: (1) Appropriations  
(2)

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I. SUMMARY:

A. PRESENT SITUATION:

In 1987, the Legislature created the Florida Prepaid Postsecondary Education Expense Program to foster "timely financial planning for postsecondary attendance and to encourage employer participation in such planning through program contributions on behalf of employees and the dependents of employees." Through the program, attendance at one of Florida's state universities or community colleges could be paid in advance and fixed at a guaranteed level for the duration of undergraduate enrollment. From last fall through the early part of this year, some 60,000 contracts were purchased during the program's first enrollment period. The program provides for the purchase of three plans: a community college plan, a university plan, and a dormitory residence plan.'

B. EFFECT OF PROPOSED CHANGES:

CS/HB 808 revises the definition of "qualified beneficiary" to include a nonresident who is the child of a noncustodial parent residing in the state at the time of purchase of the contract.

CS/HB 808 requires the board to submit its comprehensive investment plan to the State Board of Administration for approval.

CS/HB 808 provides for the establishment of a direct support organization that is "organized and operated exclusively to

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receive, hold, invest, and administer property and to make expenditures to or for the benefit of the program."

CS/HB 808 provides for refunds that may exceed the amount paid into the fund if a beneficiary is awarded a scholarship, in the event of the death or total disability of the beneficiary, or if an advance payment contract is converted from one plan to another of lesser value. House Bill 308 stipulates that dormitory residence plans may be purchased only in conjunction with a university plan.

CS/HB 308 removes the prohibition against refunding the principal paid after a beneficiary has completed more than fifty percent of the credit hours contracted. It allows the board not to refund beneficiaries who fail to complete a full school year. Finally, it allows the board to refund purchasers the principal for unattended years even if the beneficiary has completed more than fifty percent of the credit hours of the contract.

CS/HB 808 would allow the inclusion of authorized Securities and Exchange Commission investment advisers as product providers for the program.

CS/HB 808 would, in the event of discontinuance of the program, obligate the state to honor the contract of any beneficiary who is within five years of enrollment, rather than within one year of such enrollment.

CS/HB 808 would change the due date for the board's annual financial report from November 15 to March 1 of the following year.

C. SECTION-BY-SECTION ANALYSIS:

None

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

See Appropriations Consequences

2. Recurring or Annualized Continuation Effects:

See Appropriations Consequences

3. Long Run Effects Other Than Normal Growth:

None

4. Appropriations Consequences:

CS/HB 808 would be implemented from existing revenues. The implementation of the provisions of this bill does not

require additional administrative funds for the Prepaid Tuition Board.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None

2. Recurring or Annualized Continuation Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None

2. Direct Private Sector Benefits:

None

3. Effects on Competition, Private Enterprise, and Employment Markets:

None

D. FISCAL COMMENTS:

The fiscal implications of the establishment of a direct support organization are uncertain.

The addition of Section 240.551(2)2., F.S., makes the prepaid policy consistent with the university system policy about non-resident tuition. An exact fiscal impact is not determinable.

The creation of Section 240.551(5)(i), F.S., provides that the Board may create a direct support organization to receive contributions from individuals, organizations or businesses for the purpose of granting prepaid tuition plans to needy students.

The bill provides that the beneficiary receives the lesser of the principal plus interest or the current cost of registration fees if he receives a scholarship, dies or is totally disabled, or converts the plan from university to a community college. The higher refund level does not affect the actuarial soundness of the fund.

III. LONG RANGE CONSEQUENCES:

CS/HB 308 is consistent with the State Comprehensive Plan, which

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states:

187.201(1)(b)17.b. Maintain and strengthen the current pattern of matriculation from community colleges to universities.

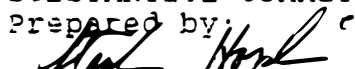
IV. COMMENTS:

CS/HB 803 is consistent with the Higher Education Committee Mission Statement, which states, "Develop and apply creative public sector management techniques."

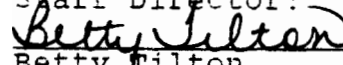
V. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:

  
\_\_\_\_\_  
Stephen Hopkins

Staff Director:

  
\_\_\_\_\_  
Betty Filton

SECOND COMMITTEE OF REFERENCE:

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Terry Hatch

Staff Director:

Dr. James A. Zingale

REVISED: May 8, 1989

BILL NO. CS/SB 93 & 982

DATE: April 5, 1989

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SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. Harris <i>[Signature]</i>	Cohen <i>[Signature]</i>	1. <u>HE</u>	<u>FAV/CS</u>
2. _____	_____	2. <u>AP</u>	_____
3. _____	_____	3. _____	_____
4. _____	_____	4. _____	_____

SUBJECT: Florida Prepaid Postsecondary Education Expense Program

BILL NO. AND SPONSOR: CS/SB 93 & 982 by Higher Ed. and Senator Ros-Lehtinen

I. SUMMARY:

A. Present Situation:

Section 240.551, F.S., creates the Florida Prepaid Postsecondary Education Expense Program. Through this program, state community college and university tuition and state university dormitory fees can be fixed at a guaranteed level by prepayment of tuition and dormitory fees in a lump sum or in scheduled installments. A beneficiary is an individual who is enrolled in this program by the purchase of a contract.

Prepaid postsecondary education expense plans may also be applied to qualified accredited independent colleges and universities located and chartered in Florida under specified conditions, but they may not be applied to any out-of-state postsecondary institution.

Section 240.551(6), F.S., authorizes the Florida Prepaid Postsecondary Education Expense Board to provide for refunds upon termination of a prepaid postsecondary education expense contract but limits the amount of such refunds to the purchase price of the contract. Refunds do not include interest income. Contracts may be terminated for any reason at the request of the contract purchaser or by the board in the case of default by the contract purchaser.

Section 240.551(2)(e), F.S., requires an individual to be a Florida resident to be defined as a "qualified beneficiary."

Current law does not authorize the Prepaid Postsecondary Education Expense Board to endorse an insurance carrier to provide coverage for contract purchasers or beneficiaries.

Current law requires the Florida Prepaid Postsecondary Education Expense Board to submit an annual report to the presiding officers of the Legislature and State Board of Education by November 15.

Section 240.551(7), F.S., specifically authorizes plans for prepayment of university and community college tuition but does not provide a plan for prepayment of combined community college/university tuitions for students who attend a community college before admission to a state university.

Section 240.551(7)(c), F.S., provides for prepayment of dormitory fees. Purchase of a dormitory plan is optional and limited to individuals also purchasing a university tuition prepayment plan.

Section 240.551(8), F.S., authorizes the Prepaid Postsecondary Education Expense Board to contract for the provision of various professional, marketing, administrative, and consultant services.

Section 240.551(14), F.S., entitles any qualified beneficiary who is within one year of enrollment in a postsecondary institution to exercise complete contract benefits if the state terminates the Prepaid Postsecondary Education Expense Program.

**B. Effect of Proposed Changes:**

The proposed legislation would make a series of substantive and technical changes, as follows:

Section 240.551(2), F.S., would be amended to expand the definition of a "qualified beneficiary" to include a non-resident who is the child of a non-custodial parent residing in Florida at the time a contract is purchased on behalf of the child.

Section 240.551(5), F.S., would be amended to authorize the Florida Prepaid Postsecondary Education Expense Board to endorse an insurance carrier to provide group coverage for contract purchasers and beneficiaries.

Section 240.551(5), F.S., would be further amended to change the date of submission of the annual report to March 1.

Section 240.551(6), F.S., would be amended to provide for refunds in excess of the purchase price of a contract in the following circumstances:

- (1) If a beneficiary is awarded a scholarship to a state postsecondary institution, a refund will be paid to the contract purchaser in an amount equal to the original purchase price of the contract plus 5 percent compounded interest, or the current tuition at the institution, whichever is less.
- (2) If a beneficiary dies or is permanently disabled, a refund will be made to the contract purchaser in an amount equal to the purchase price of the contract plus 5 percent compounded interest, or current state institution rates, whichever is less.
- (3) If a contract is converted or "downgraded" from a university plan to a community college plan or community college plus university plan, or if a community college plus university plan is converted to a community college plan, a refund will be made to the contract purchaser. The refund will be equal to the value of the original contract minus the value of the contract after conversion.

Section 240.551(7), F.S., would be amended to delete ambiguous language and clarify that purchase of dormitory fee prepayment plans are optional and may only be purchased in conjunction with university tuition prepayment plans.

Section 240.551(8), F.S., would be amended to clarify the board's authority to contract for the services of investment advisers registered with the Securities and Exchange Commission.

Section 240.551(14), F.S., would be amended to entitle any qualified beneficiary within five years of enrollment in an eligible institution to exercise complete contract benefits if the state terminates the Florida Prepaid Postsecondary Education Expense Program.

**II. ECONOMIC IMPACT AND FISCAL NOTE:**

**A. Public:**

There would be a positive economic impact for the public if this legislation were enacted. Currently, if a contract is



terminated, the purchaser is eligible for a refund which may not exceed the purchase price of the contract, less a \$50 cancellation fee per contract terminated. Under the provisions of this bill, refunds made if a beneficiary (a) dies or is disabled, (b) receives a scholarship to attend a state institution, or (c) "downgrades" a contract, would be in an amount in excess of the original contract purchase price.

**B. Government:**

The enhanced refund policies provided by this bill would increase the attractiveness of the Florida Prepaid Postsecondary Education Expense Program to potential participants. Increased program participation would result in a net increase in the trust fund.

The number of contract purchasers who would qualify for a refund if the proposed legislation were enacted is indeterminate. Assuming, arbitrarily, that five percent of beneficiaries might request a refund and assuming the prepaid contracts purchased were four-year university tuition contracts and paid in full at the beginning of the contract term, the estimated cost to the Prepaid Postsecondary Education Expense Trust Fund to provide refunds as required by this bill would be \$4,176,715 paid over the next 18 years.

Proj. Enroll. <u>Year</u>	Assume <u>5% of FTIC</u>
1989	\$ 5,663
1990	14,303
1991	34,361
1992	74,617
1993	109,955
1994	128,098
1995	164,533
1996	201,662
1997	245,853
1998	271,007
1999	298,182
2000	363,324
2001	390,355
2002	320,292
2003	344,449
2004	372,631
2005	395,929
2006	<u>441,501</u>
	<u>\$4,176,715</u>

At the conclusion of the initial enrollment period, the total face value of contracts sold was approximately \$250 million. The trust fund is presently earning 9.726 percent interest on investments.

Several private corporations which have expressed interest in contributing to this program have conditioned such contributions upon the creation of a direct-support organization and a mechanism to allow for deposit of private contributions in a separate fund. The creation of a direct-support organization should serve to further enhance private contributions.

**III. COMMENTS:**

**IV. AMENDMENTS:**

None.