



Council for Lifelong Learning

Florida Prepaid College Program

Fact Sheet

September 2001

<p>1. What is the Florida Prepaid College Program?</p>	<p>The Florida Prepaid College Program (Florida Prepaid) allows Floridians to purchase prepayment contracts for postsecondary education that lock in the cost of tuition, registration fees, local fees, and housing at the time the contract is purchased.</p>
<p>2. Who can purchase a contract for a named beneficiary?</p>	<p>Anyone over the age of 18 may purchase a contract—a parent, a grandparent, business, trust, church or organization. The purchaser does not have to live in Florida or be related to the beneficiary.</p>
<p>3. Are there restrictions governing the beneficiary of a contract?</p>	<p>A contract beneficiary must be a Florida resident under the age of 21 who has not entered 12th grade. Nonresident children who have a resident parent are also eligible.</p> <p>The beneficiary of a Local Fee Contract or a Dormitory Contract must be in the eighth grade or lower.</p>
<p>4. How is a contract purchased?</p>	<p>Applications can be requested through the Florida Prepaid College Program at 1-800-552-GRAD. Persons interested in purchasing a contract should complete the application form and mail it with the non-refundable \$42 application fee to the Florida Prepaid College Program. Contracts must be purchased during the enrollment period, generally beginning in October of each year.</p>
<p>5. What types of contracts are offered?</p>	<p>Florida Prepaid offers three types of contracts: tuition contracts, local fee contracts, and dormitory contracts. Tuition contracts cover matriculation, capital improvement, building, and student financial aid fees. Local fee contracts cover community college student activity fees and state university health, athletic, and activity and service fees. Dormitory contracts cover one to five years of dormitory residence. These contracts are used in conjunction with three types of programs: the four-year university plan, the 2+2 community college/university plan, and the two-year community college plan.</p>
<p>6. What types of payment plans are available?</p>	<p>There are three types of payment options: a single, lump-sum payment; a monthly payment plan providing for equal payments each month until the child enters college; or the five-year installment plan of 55 equal monthly payments. The five-year plan is only available for students who are in 8th grade or an earlier grade at the time of purchase. Payments can be made via automatic clearing-house (ACH) or remitted through</p>

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	payroll deductions.
7. How do prepaid benefits work at a public institution in Florida?	The state locks in the basic cost of tuition, registration fees, local fees, and housing at the time of the purchase of the contract. When the beneficiary enrolls in a public postsecondary institution, the state pays for the fees covered in the contract, regardless of the actual cost of those fees at the time of attendance.
8. How do prepaid benefits work at a private, in-state institution?	The program allows the use of prepaid benefits at 34 private colleges and universities in Florida. If a student decides to enroll in an eligible private institution, Florida Prepaid will transfer to that institution an amount not to exceed the redemption value of the contract at a state postsecondary institution.
9. Can prepaid benefits be used at an out-of-state institution?	A student may also use prepaid benefits at an eligible out-of-state college or university. The out-of-state institution must be regionally accredited, not for profit, and confer degrees. Florida Prepaid will transfer to that institution an amount not to exceed the redemption value of the contract at a postsecondary institution.
10. Can prepaid benefits be used to obtain an applied technology diploma or a vocational certificate?	A student may also use prepaid benefits to obtain an applied technology diploma or a vocational certificate at a vocational-technical center or community college in Florida. Florida Prepaid will transfer to the vocational-technical center or community college an amount that does not exceed the redemption value of the original contract at a postsecondary institution. If the cost of the fees charged by the vocational-technical center or community college is less than the cost of the fees charged by a state postsecondary education institution, the amount transferred may not exceed the actual cost of the fees charged by the institution.
11. Are there any tax benefits associated with the Florida Prepaid College Program?	Yes. Earnings generated from a contract purchased under the Florida Prepaid College Program are tax deferred. The earnings are taxed against a beneficiary's gross income once they are used to pay for a beneficiary's higher education expenses.
12. What happens if a beneficiary receives a scholarship such as Bright Futures?	<p>If the beneficiary of a prepaid contract receives a scholarship, the contract benefits are provided for in the following manner:</p> <ul style="list-style-type: none"> • If the scholarship received must be used for payment of registration fees for which the prepaid benefits are intended, the scholarship is used for such purposes. Moneys paid for the prepaid contract may be refunded to the purchaser in semester installments, coinciding with semesters in which the beneficiary is enrolled in a postsecondary institution, in an amount not exceeding

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	<p>current rates at a state postsecondary institution.</p> <ul style="list-style-type: none"> • If the scholarship received does not require that award moneys be used for registration fees, then the prepaid contract benefits will be used for such purposes. The scholarship recipient may receive the proceeds from the scholarship to use for other educational expenses. This is the process used for students who are beneficiaries of a prepaid contract and who also receive a Bright Futures scholarship. The prepaid benefits pay the fees for which the contract was purchased, and the student still receives the full value of the Bright Futures award amount to pay for any remaining educational expenses, including living expenses. <p>In either instance, the purchaser also has the option to transfer the contract to a brother, sister, stepbrother, stepsister, half-brother or sister, or adopted brother or sister of the original beneficiary rather than receive the refund.</p>
<p>13. Are there any other conditions under which a purchaser may receive a refund?</p>	<p>There are several conditions that may arise where a purchaser is eligible for a refund. They are as follows:</p> <p>Voluntary and Involuntary Cancellation: A purchaser may choose to cancel the plan and withdraw his or her money at any time. The amount refunded to the purchaser for contracts that are voluntarily terminated or involuntarily terminated, either by virtue of fraud or by failure to make payment, is the amount paid into the contract less a fee if applicable.</p> <p>Conversion from one plan to another: In the event a prepaid plan is converted to a plan of a lesser value, the purchaser is entitled to a refund equal to the difference in what was paid for the original contract and what would have been paid had the lesser contract been purchased in the beginning. The beneficiary must notify the board prior to changing plans in order to be eligible for a refund.</p> <p>Death or Disability: In the event of a death or total disability of the beneficiary, the purchaser will be refunded an amount not to exceed the redemption value of the contract at a state postsecondary institution.</p> <p>Dormitory Refund: If a beneficiary is unable to use his or her dormitory contract</p>

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	<p>benefits due to an insufficient supply of campus housing, the purchaser will be refunded the actual value of dormitory rates at the given institution at the time of the application for dormitory space. If the beneficiary chooses not to apply for dormitory space, the purchaser will be refunded the purchase price of the contract less a termination fee.</p>
<p>14. Can a prepaid contract be purchased without naming a beneficiary?</p>	<p>Advanced payment contracts may be purchased without naming a beneficiary <u>only</u> for the purposes of awarding scholarships. This may be done in two ways:</p> <ul style="list-style-type: none"> • An organization may purchase scholarships through the Florida Prepaid College Foundation. Scholarship contracts purchased through the foundation may provide for prepaid fees required to obtain an associate or baccalaureate degree, plus up to an additional 12 hours of prepaid fees if college prep instruction is needed. In order to be eligible to receive a scholarship purchased in this manner, a student must meet certain economic and academic requirements and must remain drug-free and crime-free. • Certain organizations may also purchase contracts directly during the enrollment period for scholarships without naming a beneficiary. Eligible organizations must be 501(c)(3) organizations and must operate a scholarship program that has been approved by the Prepaid Board. The purchasing organization chooses the beneficiary (the scholarship recipient).
<p>15. Is the contract financially guaranteed?</p>	<p>Yes. The Florida Prepaid College Program is financially guaranteed by the State of Florida.</p>
<p>16. What are the applicable statutes and rules?</p>	<p>Section 240.551, F.S. -- Florida Prepaid College Program Subtitle 19B, FA.C. -- Florida Prepaid Postsecondary Expense Board</p>
<p>17. Where can I get additional information?</p>	<p>Florida Prepaid College Program 1-800-552-GRAD www.floridaprepaidcollege.com</p> <p>The Florida House of Representatives Committee on Colleges & Universities (850) 488-3711</p>