

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA**

June 18, 2009

SUBJECT: Addendum to the Agreement between the Florida Prepaid College Board and the Board of Governors

PROPOSED BOARD ACTION

Approve Addendum to the Agreement between the Florida Prepaid College Board and the Board of Governors.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Section 7(d), Article IX, Florida Constitution

BACKGROUND INFORMATION

On February 26, 2009, the Board approved entry into an Agreement with the Florida Prepaid College Board that is intended to establish predictability in funding to the universities on Prepaid Contracts purchased prior to July 1, 2009, and provide certainty to the Prepaid College Board and the State of Florida with respect to the commitments made to those contract holders. Specifically, the Agreement establishes a base rate for registration fees and tuition differential fees and provides for annual increases, compounded annually, based upon the actuarial reserve level of the Prepaid College Trust Fund. For registration fees and the tuition differential fees, if the actuarial reserve is less than 7.5% of the expected liabilities of the Trust Fund, the annual increase is 6.0%. If the actuarial reserve is equal to or greater than 7.5% and less than 10.0%, the annual increase is 6.25%. If the actuarial reserve is 10.0% or greater, then the increase is 6.5%. The Agreement was contingent upon legislative approval and enactment of legislation authorizing the Prepaid Board to make these payments.

During session, the Legislature passed Senate Bill 1696 amending section 1009.98(10), Florida Statutes, which revised the sliding scale as follows: if the actuarial reserve is less than 5% of the expected liabilities, the Prepaid Board shall pay the universities 5.5% above the base rate for registration fees and for the tuition differential in the preceding fiscal year; if the actuarial reserve level is between 5% and 6%, the board shall pay 6%; if the actuarial reserve level is between 6% and 7.5%, the board shall pay 6.5%; and if the actuarial reserve level is equal to or greater than 7.5%, the board shall pay 7%. In light of these statutory revisions, the original Agreement needs to be amended to be consistent with the authority granted to the Prepaid Board to make these payments to the universities.

Supporting Documentation Included: Addendum to Agreement

Facilitators/Presenters:

Governor Sheila McDevitt