

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Higher Education Committee

BILL: CS/SB 158

INTRODUCER: Higher Education Committee and Senators Ring and Gaetz

SUBJECT: Student Financial Assistance

DATE: April 6, 2009

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Matthews	HE	<b>Fav/CS</b>
2.	Pugh	Cooper	CM	<b>Favorable</b>
3.			FT	
4.			HI	
5.				
6.				

**Please see Section VIII. for Additional Information:**

- |                              |  |   |
|------------------------------|--|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="checked" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>                   | Technical amendments were recommended   |
|                              | <input type="checkbox"/>                   | Amendments were recommended             |
|                              | <input type="checkbox"/>                   | Significant amendments were recommended |

**I. Summary:**

In current economic development parlance, “talent” – a highly educated, well-skilled workforce – is considered the key to Florida’s economic success.<sup>1</sup>

CS/SB 158 would create the Sure Futures Postgraduate Scholarship Program, in s. 1009.893, F.S., matching businesses with students who are seeking advanced degrees and employment. A corporate sponsor would provide at least 50 percent of the cost of a scholarship for a student, who would then agree to work for the corporate sponsor for a minimum of 4 years after graduation.

The program would be administered by the Board of Governors (BOG), which would enter into a contract with the Department of Education (DOE) or a state university to provide administrative services for the program. Scholarship sponsors would pay an administrative fee to support the program’s start-up costs and administration. Additionally, a sponsor’s contribution would be matched by state funds if such funds were appropriated.

<sup>1</sup> Roadmap to Florida’s Future: 2007-2012 Strategic Plan for Economic Development. Prepared by Enterprise Florida, Inc. Pages 5-10. Report available at: <http://www.eflorida.com/KnowledgeCenter.aspx?id=3654>.

## II. Present Situation:

### Financial Assistance to Graduate Students

Academic departments within the state universities provide financial assistance to graduate students who serve as teaching assistants or paid interns. Each university board of trustees may waive tuition and out-of-state fees for purposes which support and enhance the mission of the university.<sup>2</sup> Graduate students are eligible to borrow a combined subsidized and unsubsidized federal aggregate loan amount of up to \$138,500, and may also be eligible for private student loans with no aggregate maximum.

Florida scholarship and loan forgiveness programs related to work include:

- The Nursing Student Loan Forgiveness Program in s. 1009.66, F.S., administered by the Department of Health; and
- The Critical Teacher Shortage Student Loan Forgiveness Program in s. 1009.59, F.S., administered by the Department of Education's Office of Student Financial Aid.

### Higher education as an economic development tool

Economic development organizations have begun emphasizing the importance of a well-educated, highly skilled workforce to successful business recruitment and retention. For example, the Florida Chamber of Commerce, in a 2007 update of its New Cornerstone: Foundations for Florida's 21st Century Economy report, wrote:

“Florida’s intellectual infrastructure – workforce skills, education system, and research and development capacity – may be the critical determinant of the State’s competitiveness in the 21st century. Knowledge is the final ingredient that drives innovation, distinguishes products and services, and helps businesses extend their reach globally. The presence of a critical mass of high skilled workers is a powerful attraction for businesses, and is strongly correlated with higher income levels.”<sup>3</sup>

Enterprise Florida, Inc. (EFI), the state’s public-private partner for business recruitment and retention, has as one of its 5-year economic development strategies “building world-class talent.”<sup>4</sup> EFI makes a business case that education has become the fundamental driver for any state’s economic success, and supports investment in education at all levels.<sup>5</sup>

In its most recent long-range strategic plan, the BOG identified certain health care and teaching jobs as “areas of critical need,” where there is a current or potential shortage of workers. Identified in the health-care arena were nursing, pharmacy, and medical technology. Middle- and high-school mathematics; middle- and high-school science; reading; exceptional student education programs; English for speakers of other languages (ESOL); foreign languages; school

<sup>2</sup> Section 1009.26(10), F.S.

<sup>3</sup> New Cornerstone Revisited. Prepared by the Florida Chamber Foundation. Published 2007. Information on page 3-11. Report available at: [http://www.flchamber.com/docs/Foundation/NCREvisited/NewCornerstone\\_Revisited12.07.pdf](http://www.flchamber.com/docs/Foundation/NCREvisited/NewCornerstone_Revisited12.07.pdf).

<sup>4</sup> Roadmap to Florida's Future: 2007-2012 Strategic Plan for Economic Development. Published in November 2006. Prepared by EFI. Information on page 5. Report available at: <http://www.eflora.com/KnowledgeCenter.aspx?id=3654>.

<sup>5</sup> *Ibid.* Information on pages 7-9.

psychologist; and technology education/industrial arts were identified as education areas for critical need.<sup>6</sup>

### III. Effect of Proposed Changes:

Section 1 creates s.1009.893, F.S., the Sure Futures Postgraduate Scholarship Program. The program is designed to match private-sector businesses needing employees who have advanced degrees, with students who are seeking both advanced degrees and employment in an area of critical need identified by the Board of Governors in its most recent strategic plan.

The degrees must be offered by a state university or private college or university that is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools or the Accrediting Council for Independent Colleges and Schools.

The Sure Futures Scholarship Advisory Board would be established to make recommendations to the BOG regarding the implementation and operation of the program. The advisory board would be comprised of the following members:

- The Chancellor of the State University System or his designee;
- Three representatives from state universities appointed by the chancellor to 2-year terms;
- Three representatives from businesses or industries located in Florida and appointed by the chancellor;
- Three representatives from private universities appointed by the Independent Colleges and Universities of Florida;
- Two graduate students who are Sure Futures scholars attending a state university appointed by the chancellor to 1-year terms;
- Two graduate students who are Sure Futures scholars attending private universities appointed by the Independent Colleges and Universities of Florida;
- One representative appointed by the President of the Senate; and
- One representative appointed by the Speaker of the House of Representatives.

The advisory board would recommend:

- Policies and procedures for implementation of the program;
- Policies and procedures for receiving and managing program revenues; and
- A process for the approval of printed materials, marketing, and advertising.

#### **Student Eligibility Provisions**

To be eligible, a student must be admitted as a degree-seeking student into an eligible graduate program by a state university or private college or university that is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools or the Accrediting Council for Independent Colleges and Schools. The student must be classified as a resident for tuition purposes at the time of enrollment or have obtained an undergraduate degree from a Florida college or university, and is not an employee of the scholarship sponsor.

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<sup>6</sup> Board of Governors State University System Strategic Plan 2005-2013. Information on pages 5 and 6 of Appendix II. Report available at: [http://www.flbog.org/about/doc/strategicplan/StrategicPlan\\_05-13.pdf](http://www.flbog.org/about/doc/strategicplan/StrategicPlan_05-13.pdf).

A student would apply for the program to the BOG using a standard application form. An employer would submit a letter of interest to the BOG, and the BOG would notify the employer of the graduate programs that meet the employer's interest, the eligible state and private universities and colleges, and the estimated costs of those programs. Using the information from student applicants and employers, the BOG would match students and potential sponsors.

### **Sponsorships**

To participate in the program, a sponsor would contribute funds to the program in an amount equal to at least 50 percent of the scholarship funds necessary for completion of a degree program from the applicable university, plus an annual payment to cover the administrative costs.<sup>7</sup> Contributions would be made to the BOG in accordance with the BOG's guidelines.

The first \$300,000 in total sponsor fees will be used by the BOG to pay the start-up costs for implementing the program; the program shall be implemented to the extent that it receives sufficient fees. Beginning July 1, 2009, a sponsor's scholarship funds, but not the administrative fee, are eligible to be matched by the state on a dollar-for-dollar basis, to the extent that the Legislature appropriates funds for that purpose. Also, to the extent that the scholarship funds provided by the sponsor and matched by the state are still insufficient to pay the scholar's expenses, the university or college which the scholar is attending may make up the difference through grants or waivers.

A sponsor may establish criteria, including, but not limited to: the degree sought, the state universities at which students may enroll, minimum grade point average, and extracurricular activity requirements.

### **The Contract**

A student selected by a sponsor would sign a contract agreeing to borrow scholarship funds through the program, with a waiver of repayment if a 4-year employment obligation is completed. The scholarship would cover tuition, fees, and books for the degree program; health insurance; and room and board based on the university dormitory and a meal plan rate for each year the student is enrolled full time as a graduate student.

The contract between the student and the sponsor would have to state the terms of the loan, the company's expectation for the scholar's *academic* performance, employment requirements, and potential legal remedies if the terms and conditions of the contract were not met. CS/SB 158 requires the contract to require the scholar to abide by the sponsor's noncompetition, nonsolicitation, and nondisclosure provisions for up to 4 years after completion of the degree. Upon graduation with an advanced degree, a graduate would begin working for the sponsor and would remain employed by the sponsor for a minimum of 4 years, as stipulated in the contract.

CS/SB 158 specifies the following courses of action upon termination of the contract:

- If a sponsor terminates employment of a scholar without cause before the 4-year obligation is completed, the scholar is not required to repay any portion of the scholarship loan, and may be matched with another sponsor to complete the remaining 4-year

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<sup>7</sup> This would be computed based on a pro-rata share of the cost of one scholarship divided by the total number of scholarships offered under the program.

- contracted employment period. Both parties must notify the BOG about the termination. The sponsor will not be reimbursed for any amount paid to the BOG on behalf of the scholar.
- If a sponsor terminates employment of a scholar with cause before the 4-year obligation is completed, the scholar is required to repay a prorated portion of the scholarship, plus 8-percent interest, within 10 years. Again, both parties must notify the BOG of the termination.

### **Accountability and Organizational Provisions**

The BOG is directed to establish a central database of sponsors, the graduate degree programs for which the sponsors are seeking candidates, and student applicants and their profiles, as well as establish a standard application for use by all state universities.

It also must adopt rules to govern loan terms, repayment schedules, and procedures for *waiving*, collecting, settling, and charging off delinquent unpaid and canceled scholarship loan notes. A loan would have to be repaid within 10 years.

Each eligible private college and university must make information about the program available by both hard-copy and electronically. A private college or university may provide additional information or activities, such as providing one-on-one discussions with advisors, conducting seminars on the program, or working with companies in its service area to create scholarships through the program.

State agencies, local workforce boards, chambers of commerce, and Enterprise Florida, Inc., are to promote participation in the program by students and sponsors.

Section 2 provides an effective date of July 1, 2009.

### **Other Potential Implications:**

CS/SB 158 may promote a greater nexus between the business and academic community in matching employers with employees to meet critical needs of the state.

## **IV. Constitutional Issues:**

### **A. Municipality/County Mandates Restrictions:**

None.

### **B. Public Records/Open Meetings Issues:**

None.

### **C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Corporate sponsors would receive no monetary benefit for participating in the program, but would benefit in the long run by having well-trained new employees for 4 years after their graduation from graduate school.

The DOE estimates the cost of a scholarship to be \$15,506.54 per year. The private sponsor would pay one half of that amount, \$7,753.32, with the state paying the remainder, if the Legislature appropriates such funds.

**C. Government Sector Impact:**

The BOG estimates that the program would require one full-time position (communication, marketing, database management, and advisory board support) and one half-time position (administration and data entry) as well as other operational expenses (travel, materials and supplies, etc.), at a recurring cost of \$257,100 per year.

The BOG estimates that the program will require greater resources during its start-up period than in subsequent years. Depending on how long it takes to build up the corporate participation and number of students, the BOG anticipates a 2-3 years start-up period. Initially, the first year of the program would require \$300,924.

**Estimates of recurring and non-recurring program costs**

<b>Expense</b>	<b>Recurring</b>	<b>Non-recurring (first year)</b>	<b>Total</b>
2 Positions	\$167,700		\$167,700
Expense	\$13,400	\$6,824	\$20,224
Operating Capital Outlay	\$1,000	\$2,000	\$3,000
Marketing	\$40,000	\$10,000	\$50,000
Travel	\$15,000	\$5,000	\$20,000
Other Support*	\$20,000	\$20,000	\$40,000
<b>Total</b>	<b>\$257,100</b>	<b>\$43,824</b>	<b>\$300,924</b>

*\*Includes database development, advisory board support, printing, supplies, etc.*

In addition, the BOG estimates a cost of \$65,953 to contract with the Office of Student Financial Assistance in DOE to administer the loan servicing responsibilities.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Higher Education on March 25, 2009:**

- Replaces the proposed Sure Futures Foundation with a directive that the BOG administer the scholarship program;
- Creates the Sure Futures Scholarship Advisory Board to advise the BOG regarding the program;
- Replaces the requirement that the DOE establish a central database of sponsors and applicants, with a requirement that the BOG establish the database;
- Deletes \$300,000 appropriation as a loan to pay for program start-up; and
- Deletes requirement that the Institute of Science and Public Affairs at Florida State University provide staff for administrative support, and instead authorizes the BOG to contract with the DOE or a university for such services.

**B. Amendments:**

None.