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DATE: April 1, 1997

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COLLEGES AND UNIVERSITIES
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB1327

RELATING TO: Student Grant & Loan Program

SPONSOR(S): Colleges & Universities; Representative Gay

STATUTE(S) AFFECTED: Creates s. 240.4027, F.S.

COMPANION BILL(S): CS/SB 1250 by Education and Senator Dudley

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COLLEGES AND UNIVERSITIES YEAS 8 NAYS 2
- (2) EDUCATION APPROPRIATIONS
- (3)
- (4)
- (5)

I. SUMMARY:

This bill creates a program to provide need-based grants or loans of \$500 per student per year. The funding for the grants or loans would be derived from the interest generated from a fee charged to students enrolled in community colleges and state universities. The fee would be refundable if the student graduated or completed attendance at the university.

Due to the varying rate structure of the charge, the amount generated can not be accurately determined. In a conservative estimate, the total state university and community college systemwide amount generated by the charge would be roughly \$18 million. Interest generated from this revenue could be used for grants and loans.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

This is a new program designed to provide additional access to student need based financial aid.

B. EFFECT OF PROPOSED CHANGES:

The proposed legislation would create the Florida Supplemental Student Grant and Loan Program in s. 240.4027, F.S.

The Department of Education would create rules to implement the program. A student would be eligible for a \$500 annual grant or loan. Eligibility would be determined by how much the student needed, based on a nationally recognized system of need analysis, and a ranking system to be established by the Department of Education.

The program would generate funds through a refundable charge every student would pay when registering at a state university or community college. The charge would vary according to how many credit hours a student was taking:

1-5 credit hours	\$10
6 to 11 credit hours	\$15
12 or more credit hours	\$25

A student could receive a refund of the charge with interest, if requested, when the student graduates or if the student certifies that he or she has completed attendance.

The revenue derived will be deposited in the State Student Financial Assistance Trust Fund and the grants and loans would be paid out of the investment income. The principal could only be used if it were needed for student refunds.

Money in the trust fund could remain in the fund from year to year; the bill includes the required statement to that effect, notwithstanding s. 216.301, F.S.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

Rules would have to be created by the State Board of Education to implement this program.

- (2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

The Department of Education would have to administer a new financial aid program and implement some way of investing the revenue derived from the charge to students.

- (3) any entitlement to a government service or benefit?

No.

- b. If an agency or program is eliminated or reduced:

- (1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

None.

- (2) what is the cost of such responsibility at the new level/agency?

None.

- (3) how is the new agency accountable to the people governed?

Not applicable.

2. Lower Taxes:

- a. Does the bill increase anyone's taxes?

No.

- b. Does the bill require or authorize an increase in any fees?

The bill would increase fees for students enrolled in state universities or community colleges.

- c. Does the bill reduce total taxes, both rates and revenues?

No.

- d. Does the bill reduce total fees, both rates and revenues?

See b. Above

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

Students who receive a loan pursuant to this program would be required to repay the loan with interest.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Not applicable.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

Not applicable.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

NOT APPLICABLE

(1) Who evaluates the family's needs?

(2) Who makes the decisions?

(3) Are private alternatives permitted?

(4) Are families required to participate in a program?

(5) Are families penalized for not participating in a program?

b. Does the bill directly affect the legal rights and obligations between family members?

NOT APPLICABLE

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

NOT APPLICABLE

(1) parents and guardians?

(2) service providers?

(3) government employees/agencies?

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

SEE FISCAL COMMENTS

2. Recurring Effects:

SEE FISCAL COMMENTS

3. Long Run Effects Other Than Normal Growth:

NONE.

4. Total Revenues and Expenditures:

SEE FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

NONE.

2. Recurring 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:

Private investment firms may be utilized by the Department of Education to invest the revenue derived from the fees.

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

NONE

D. FISCAL COMMENTS:

Universities and community colleges would incur some operating costs for collecting the student charges and forwarding the revenue to the Department of Education. Keeping track of the total amount paid by each student and the interest accrued to each account would be centrally administered through the Department of Education. The Department of Education may have to be provided additional funding to administer a new financial

aid program of this magnitude. The Department could contract out some of the duties required by this bill which would offset costs.

The total cost of implementing this program is indeterminate at both the institutional and departmental level.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

None.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

None.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

None.

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Two amendments were adopted in the Committee on Colleges and Universities and the bill was made into a committee substitute. The first amendment corrected a bill drafting error to require a student taking between 6 to 11 credit hours per semester to pay \$15. The second amendment struck the provision in the bill requiring students to apply for the Pell Grant. The department would still be required to take into consideration all financial resources available to the student, including the Pell, before awarding a grant or loan.

The changes to the bill caused by the amendments have been reflected in this analysis.

VII. SIGNATURES:

COMMITTEE ON COLLEGES AND UNIVERSITIES:

Prepared by:

Legislative Research Director:

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