

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1810

SPONSOR: Commerce, Economic Opportunities, and Consumer Services Committee and Senator Aronberg

SUBJECT: Student Financial Assistance

DATE: April 16, 2003

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Dormady</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Favorable</u>
2.	<u>Gillespie</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>AED</u>	_____
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Committee Substitute for Senate Bill 1810 creates the "Innovation Florida Scholarships for Developing High-Tech Jobs Program," which provides for annual need-based financial assistance to Florida high school graduates who earn a cumulative grade point average of at least 3.0 on a 4.0 scale and who enroll in a certified degree program at an eligible Florida postsecondary institution within 3 years after graduation from high school. The committee substitute specifies that certified degree programs must address employment in advanced manufacturing, life sciences, information technology, or high-technology logistics. The committee substitute requires scholarship recipients to complete a summer internship and maintain a cumulative grade point average of at least 2.75 on a 4.0 scale in order to receive renewal scholarship awards. The committee substitute also provides a \$30 million appropriation to fund the scholarship program during the 2003-2004 fiscal year.

This committee substitute creates section 1009.892, Florida Statutes.

II. Present Situation:

High-Technology Jobs in Florida

A 2002 report cites that Florida is the fifth-largest high-technology employer in the nation.¹ As of 2001, Florida had more than 238,000 jobs in the high-technology sector. Florida's annual

¹ American Electronics Ass'n & Nasdaq Stock Market, Inc, *CyberEducation 2002: U.S. Education and the High-Technology Industry, A National and State-by-State Overview* (2002), available at http://www.aeanet.org/publications/idmk_CyEd2002_brochure.asp (last visited Apr. 10, 2003).

high-tech payroll in 2000 was approximately \$12.7 billion, and its annual average salary in this sector at that time was more than \$54,000.

Many states are currently trying to establish themselves as centers for high-technology industries, thereby drawing businesses involved in these industries to those states. States employ a variety of methods to attract companies engaged in these businesses. One of the factors that influences companies in their choice of location is the presence of a well-educated workforce in the state. States that have a well-educated workforce will often advertise that fact to high-technology businesses, because businesses are more likely to locate in a state with a pool of qualified workers.

In promotional materials intended to encourage U.S. companies to relocate to Florida, Enterprise Florida, Inc., advertises that Florida has a highly skilled workforce and key industries in the high-technology sector. For example, these promotional materials cite that:

No Floridian lives more than 50 miles from an institution of post-secondary learning. Florida's labor market has been especially strong in high value added businesses and services, including high-tech industries and international trade. There are approximately 240,000 high-tech workers in Florida, the fifth highest in the nation.²

....

Florida has long been at the forefront of technological advances. From the birth of the nation's space program in the 1950s in Cape Canaveral, to work with early laser technology during the 1960s in Central Florida, to the development of the personal computer in Boca Raton in the early 1980s, Florida has played a strong historical role in pushing the technology envelope.

Today, Florida's key industries are continuing to develop new state-of-the-art technologies. Innovative organizations in the following industries are molding the future, and continue to make Florida a key player in the New Economy:³

Information Technology, including:
Information Products & Services
Microelectronics
Telecommunications
Modeling/Simulation/Training
Photonics/Lasers/Remote Sensing
Digital Entertainment
Biomedical Technology
Aviation/Aerospace/Defense
Plastics

² Enterprise Florida, Inc., *Why Florida, Workforce Talent*, at <http://www.eflorida.com/a/default.asp?lev=why§ionid=5&wai=usco> (last visited Apr. 10, 2003).

³ Enterprise Florida, Inc., *Why Florida, Key Industries*, at <http://www.eflorida.com/a/default.asp?lev=why§ionid=9&wai=usco> (last visited Apr. 10, 2003).

Student Financial Assistance

Students seeking federal student aid must apply by completing and submitting the “Free Application for Federal Student Aid” with the United States Department of Education.⁴ This application is used to apply for federal student financial aid, including grants, loans, and work-study. After the application is submitted to the U.S. Department of Education, the department prepares a Student Aid Report, which applies a formula from the Higher Education Act of 1965, as amended, to the information provided in the student aid application and results in the student’s Expected Family Contribution (EFC). The EFC measures the student’s family financial strength and is used to determine eligibility for federal student aid. The student’s EFC is used by the student’s college or university to prepare a financial aid package to help meet the student’s *financial need*. The term “financial need” means the difference between the student’s EFC and the college’s or university’s cost of attendance (which can include living expenses), as determined by the college or university.

In Florida, the term “financial need” is commonly cited as “net financial need” or “demonstrated unmet need.” Under current rules of the Department of Education, the term “net financial need” means “[t]he difference between the student’s cost of education and the expected family contribution and other financial aid resources available to the student to meet this cost” (rule 6A-20.001(21), F.A.C.). The similar term “demonstrated unmet need” is used in several state financial aid programs, including the Florida Public Student Assistance Grant Program (s. 1009.50, F.S.), the Florida Private Student Assistance Grant Program (s. 1009.51, F.S.), and the Florida Postsecondary Student Assistance Grant Program (s. 1009.52, F.S.).

III. Effect of Proposed Changes:

Innovation Florida Scholarships for Developing High-Tech Jobs Program

The committee substitute creates the “Innovation Florida Scholarships for Developing High-Tech Jobs Program,” which provides for need-based scholarships to be paid to Florida high school graduates who enroll in certified degree programs that provide training for certain targeted industries.

Certified Degree Programs and Targeted Industries

For participation in the scholarship program, a certified degree program at a college or university must address the need for support of targeted industries, include an internship component, and be certified by the Department of Education. These targeted industries include:

- *Advanced manufacturing*.—Automotive and electronics, aerospace technology, robotics, and engineering design technology;
- *Life sciences*.—Orthopedics or medical devices, biomedical research or development, pharmaceutical manufacturing, agribusiness, and nanotechnology or molecular manufacturing;

⁴ U.S. Department of Education, *General Student Aid Information*, at <http://www.fafsa.ed.gov/before014.htm> (last visited Apr. 14, 2003).

- *Information technology.*—Informatics, certified network administration, software development, and fiber optics; and
- *High-technology logistics.*—High-technology distribution; efficient and effective flow and storage of goods, services, or information; and intermodal ports.

Eligibility Criteria

The committee substitute specifies that, for a student to be eligible for a scholarship under the program, a student must:

- Be a Florida resident;
- Have earned a standard Florida high school diploma or the equivalent, with certain exceptions (i.e., early admission programs, home education programs, or diploma from non-Florida high school while living with parent who is on a military or public service assignment);
- Have achieved a cumulative grade point average of at least 3.0 on a 4.0 scale or the equivalent in high school courses designated by the department, except for students in home education programs during 11th and 12th grade (who instead must achieve minimum scores on certain standardized tests);
- Be enrolled for at least 6 semester credit hours or the equivalent in a Florida public or private college or university;
- Have not been convicted of a felony unless the student’s civil rights have been restored by the Governor and Cabinet sitting as the Board of Executive Clemency;
- Have applied for a scholarship from the program by high school graduation;
- Demonstrate an unmet need of at least \$100; and
- Accept an initial scholarship within 3 years after high school graduation.

After receiving an initial scholarship, a student may receive an annual “renewal” scholarship for 7 years after high school graduation. To remain eligible for a renewal scholarship, a student must maintain a cumulative grade point average of at least 2.75 on a 4.0 scale or the equivalent in college courses, continue eligibility for financial assistance, and participate in an internship program during at least one summer that the student is enrolled in college.

Amount of Scholarships

The committee substitute provides that a student may receive an annual scholarship for up to 45 semester credit hours or the equivalent for the student’s demonstrated amount of unmet need for the cost of education. An annual scholarship may not exceed the average prior year’s cost of tuition, fees, and assigned books and supplies at state universities or other amounts specified in the General Appropriations Act. The committee substitute provides for graduated amounts of scholarships to be paid to students enrolled for less than full time, as follows:

6 to 8 credit hours	Up to 50 percent of the maximum scholarship
9 to 11 credit hours	Up to 75 percent of the maximum scholarship
12 or more credit hours	Up to 100 percent of the maximum scholarship

If, however, the funds appropriated for the scholarship program are insufficient to pay the maximum allowable scholarship for each eligible applicant, the committee substitute requires that the scholarships be prorated to each applicant using the same percentage reduction.

If funds are available, the committee substitute allows a student to receive a scholarship for enrollment during a summer term. The committee substitute also allows a student's scholarship to transfer from one eligible college or university to another if the student continues to meet the eligibility criteria. The committee substitute prohibits a scholarship from funding remedial or college-preparatory coursework.

Internship Programs

In order to receive an annual renewal scholarship, the committee substitute requires the student to participate in an internship program during at least one summer that the student is enrolled in college. The internship must comprise at least 160 hours and be relevant to at least one of the targeted industries.

The committee substitute authorizes a college or university with a certified degree program to provide grants to employers in the targeted industries which hire students in the certified degree program as part of a summer internship program approved by the institution. The grants are limited to \$500 per student per summer. In addition, employers receiving the grants must pay each student in the internship program wages of at least 120 percent of the federal minimum wage. The current federal minimum wage is \$5.15 per hour. Accordingly, the committee substitute would require employers receiving the grants to pay student interns at least \$6.18 per hour based on the current federal minimum wage.

Funding

The committee substitute specifies that funding for the program shall be specified in the General Appropriations Act. If, however, the funds appropriated are insufficient to pay the maximum allowable award for each eligible applicant, the committee substitute requires that the awards be prorated to each applicant using the same percentage reduction. The committee substitute also provides that, if funds appropriated for the scholarship program are not expended in a fiscal year, up to 20 percent of the amount appropriated does not revert and may be carried forward and used for awards in the following year.

Administration by the Department of Education

The committee substitute provides for the scholarship program to be administered by the Department of Education according to rules and procedures established by the State Board of Education. The department is required to advertise the availability of the scholarship program and must begin to notify educators of the program's criteria and application procedures by January 1 of each year.

The committee substitute provides for the Department of Education to issue scholarships annually. The committee substitute requires the department to advance funds for the scholarships to each student's college or university before the registration period each semester. Within 30

days after the registration period, the committee substitute requires the college or university to certify to the department the eligibility status of each student. Within 60 days after the registration period, the college or university must certify the amount of funds paid to each student and must return any undisbursed scholarship funds to the department.

Although the college or university is not required to reevaluate or revise a student's eligibility status after a drop-and-add period, if the student terminates enrollment during the semester and the college or university permits the student to receive a refund of tuition and fees, the college or university must repay the scholarship to the department.

Each college or university receiving funds under the scholarship program must prepare an annual report, including an annual financial audit of the scholarship funds. The audit must be conducted by an independent certified public accountant or the Auditor General. The annual report must be submitted to the Department of Education by March 1 of each year. If a college or university does not submit its annual report, the department may withhold future payment of scholarships.

The committee substitute authorizes the department to conduct its own annual audit of a college's or university's scholarship funds. If the department requests a refund of overpaid funds, the college or university must repay the funds within 60 days. The committee substitute also allows the department to suspend or revoke a college's or university's eligibility to receive future scholarship payments for noncompliance with these requirements.

The committee substitute authorizes the State Board of Education to adopt rules to administer the Innovation Florida Scholarships for Developing High-Tech Jobs Program.

Appropriation

The committee substitute provides an appropriation of \$30 million from the General Revenue Fund to implement the Innovation Florida Scholarships for Developing High-Tech Jobs Program for the 2003-2004 fiscal year.

Effective Date

The committee substitute provides an effective date of July 1, 2003.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Students with a demonstrated unmet financial need who enroll in a certified degree program for specified targeted industries may receive scholarships for college or university courses.

Public and nonpublic colleges and universities offering degree programs for specified targeted industries which are certified by the Department of Education may provide scholarships to eligible students with funds awarded by the state.

C. Government Sector Impact:

Because the number of scholarships to be awarded under the program is unknown, data is not available to estimate the cost to administer the program for the current or subsequent fiscal years. The committee substitute does not limit the number of scholarships to be offered under the program, but it provides that the costs to be covered by the scholarships may be varied as provided in the General Appropriations Act. The committee substitute provides an appropriation of \$30 million from the General Revenue Fund to implement the scholarship program for the 2003-2004 fiscal year.

VI. Technical Deficiencies:

The committee substitute authorizes a college or university with a certified degree program to provide grants to employers in the targeted industries which hire students in the certified degree program as part of a summer internship program approved by the institution. However, the title of the committee substitute does not appear to provide notice of this provision. The Legislature may wish to amend the committee substitute to provide notice that it authorizes these grants for employers.

VII. Related Issues:**Appropriation for Innovation Florida Technology Scholarships**

Specific Appropriation 54 of the General Appropriations Act for fiscal year 2003-2004 (SB 2500, 1st Eng.) provides a \$10 million appropriation for Innovation Florida Technology Scholarships. However, this appropriation is "contingent on bills enacted during the 2003 legislative session, or an extension thereof, becoming law to increase receipts to the General Revenue Fund." (See proviso relating to the Department of Education preceding Specific Appropriation 12A.)

Forecasting of High Skills/High Wage Jobs

In 2000, the Legislature enacted the Workforce Innovation Act (ch. 2000-165, L.O.F.), which established Workforce Florida, Inc., and the state's workforce system. As part of this system, the Workforce Estimating Conference⁵ is required to analyze the personnel needs of current, new, and emerging industries, including short-term and long-term forecasts of employment demand for jobs by occupation and industry and estimates of the supply of trained and qualified individuals available or potentially available for employment in those occupations, with special focus on occupations and industries requiring high skills and having high entry wages and experienced wage levels (s. 216.136(9)(a)1., F.S.). The Workforce Estimating Conference is required to review data generated through surveys concerning local and regional demands for short-term and long-term employment. Based upon its review of the survey data, the conference is required to make recommendations semiannually to Workforce Florida, Inc., on additions or deletions to lists of locally targeted occupations approved by Workforce Florida, Inc. (s. 216.136(9)(a)2., F.S.).

A High Skills/High Wage committee⁶ in each regional workforce board annually reports to Workforce Florida, Inc. These reports identify the occupations in the region deemed critical to business retention, expansion, and recruitment activities.⁷ The guidelines established by Workforce Florida, Inc., for identifying targeted occupations must include research of the workforce needs of private employers in the region, in consultation with the local chambers of commerce and economic development organizations.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

⁵ The Workforce Estimating Conference, which replaced the Occupational Forecasting Conference, is composed of the Commissioner of Education; the Executive Office of the Governor; the director of the Office of Tourism, Trade, and Economic Development; the director of the Agency for Workforce Innovation; the Chancellor of the State University System; the Executive Director of the State Board of Community Colleges; the chair of the State Board of Nonpublic Career Education; the chair of Workforce Florida, Inc.; the coordinator of the Office of Economic and Demographic Research, or their designees; and professional staff from the Senate and the House of Representatives who have forecasting and substantive expertise. In addition to these designated principals of the conference, nonprincipal participants of the conference include a representative of the Florida Chamber of Commerce and other interested parties. The principal representing the Executive Office of the Governor presides over the conference (s. 216.136(9)(b), F.S.).

⁶ The High Skills/High Wages committee of each regional workforce board is composed of at least five private-sector business representatives appointed in consultation with local chambers of commerce by the primary county economic development organization in the region, as identified by Enterprise Florida, Inc.; a representative of each primary county economic development organization in the region; the regional workforce board chair; the president of each community college in the region; each district school superintendent overseeing workforce development programs in the region; and two representatives from nonpublic postsecondary educational institutions that are authorized individual training account providers in the region, appointed by the chair of the regional workforce board (s. 445.007(7), F.S.).

⁷ Section 445.007(7)(b), F.S.; Postsecondary Educ. Planning Comm'n, *Workforce Development Funding Issues* 16 (Dec. 2000).