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 1580

SPONSOR: Education Committee and Senator Aronberg

SUBJECT: Innovation Florida Scholarships

DATE: March 10, 2004 REVISED: _____ _____ _____ _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Woodruff	O'Farrell	ED	Favorable/CS
2.			CM	
3.			GO	
4.			AED	
5.			AP	
6.				

I. Summary:

The Committee Substitute for SB 1580 creates the "Innovation Florida Scholarships for Developing High-Tech Jobs Program," which provides for annual need-based financial assistance scholarships to Florida high school graduates. To qualify, a student must earn a cumulative grade point average of at least 3.0 on a 4.0 scale and, unless the student is enlisting in the United States Armed Forces directly out of high school, to enroll in a certified degree program at an eligible Florida postsecondary institution within 3 years after graduation from high school. The certified degree program must address employment in advanced manufacturing, life sciences, information technology, or high-technology logistics. The Committee Substitute requires a scholarship recipient to complete a summer internship before the start of the senior year in college and to 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 appropriates $30,000,000 for fiscal year 2004-2005 and also provides for annual appropriations to support the program.

The Committee Substitute creates section 1009.892 of the Florida Statutes.

II. Present Situation:

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 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.

[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).

Many states are currently trying to establish themselves as centers for high-technology industries, thereby drawing businesses involved in these industries to their state. States employ a variety of methods to attract companies engaged in these businesses. One of the factors that influence 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. Encouraging the study of academic disciplines related to high-tech industries at a state's universities and colleges is one approach to ensure the presence of a qualified and educated workforce for those industries within the state.

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&sectionid=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&sectionid=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;

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

- *Life sciences.*—Orthopedics or medical devices, biomedical research or development, pharmaceutical manufacturing, agribusiness, and nanotechnology or molecular manufacturing;
- *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 a non-Florida high school while living with a 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;
- Apply for the Pell Grant. The Pell Grant entitlement is then considered when conducting an assessment of the financial resources available to each student. The evaluation of the student's unmet need must demonstrate a remaining unmet need of at least $100.
- 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 before the student's senior year in college.

For a student who enlists in the United States Armed Forces immediately after completion of high school, the 3-year eligibility period for the initial award begins upon separation from active duty. For a student receiving the award who enlists in the United States Armed Forces, the remainder of the 7-year eligibility commences upon the date of separation from active duty.

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 before the student begins the senior year 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 directs 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, awards are to 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

appropriate shall not revert but 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 college or university is required 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 31 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 administration of the program. 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 appropriates $30 million from the General Revenue Fund to implement the Innovation Florida Scholarships for Developing High-Tech Jobs Program for the 2004-2005 fiscal year.

Effective Date

The effective date of the Committee Substitute is July 1, 2004.

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 who receive an Innovation Florida Scholarship pay less for their postsecondary education than they would have paid without the scholarship. The amount of savings per student cannot be determined until the number of students who qualify and the amount of the student's unmet need is known.

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.

Participating industries may receive from the state $937,250, which is one-fourth of the students in one summer of internships at a price of $500 per intern.

C. Government Sector Impact:

The Committee Substitute appropriates $30,000,000 from General Revenue for the 2004-2005 fiscal year.

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.

To calculate a general number of awards and students however, the Department estimates that tuition and fees at a state university for the 2003-04 academic year was $2,876. Adding $1,000 for "books and supplies" and $125 as one-fourth of the cost of a summer internship payment to the employer, the estimated cost per student totals $4,001 per year as a potential maximum amount if the student demonstrates that level of un-met need. Dividing the $30,000,000 by $4,001, would result in funding for 7,498 students per year with all students receiving the maximum need based award and without having to prorate the award amount.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.