

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 2884

SPONSOR: Education Committee and Senator Carlton

SUBJECT: State Universities/Incentive Funds

DATE: March 31, 2004 REVISED: _____

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

I. Summary:

CS/SB 2884 creates a program to provide incentive funding for state universities that develop degree programs at their universities in targeted critical areas. It also requires university boards of trustees to provide each student with a billing statement every semester that details the cost to the state and university of the student's education.

The bill requires each university board of trustees to develop a proposal for a block tuition and fee policy. The proposals are required to be submitted to the Board of Governors, the Governor, the President of the Senate and the Speaker of the House of Representatives by December 15, 2004.

The bill also requires each university board of trustees to establish a policy, beginning in 2004-2005, that students who (1) have earned more than 115 percent of the number of credit hours they need to graduate or (2) are not seeking a degree would have to pay the full cost of their education per credit hour, with some exceptions.

CS/SB 2884 amends the Florida Bright Futures Scholarship Program to eliminate the eligibility of students who are enrolled full time in the early admission program of an eligible postsecondary education institution. The bill also amends the Trust for University Major Gifts, giving authority to the Board of Governors and revising provisions regarding donations, including match amounts.

The bill designates the Student Union Building at the University of North Florida as the "James E. "Jim" and Linda King, Jr., Student Union Building" and the proposed entrance pavilion at the John and Mabel Ringling Museum of Art at Florida State University as the "John M. McKay Visitors' Pavilion."

This bill creates a new section 1011.901 of the Florida Statutes, amends sections 1009.24, 1009.531, and 1011.94 of the Florida Statutes, and creates two undesignated sections of Florida law. The Division of Statutory Revision will determine whether these undesignated sections are included in the Florida Statutes or remain as laws.

The bill will take effect July 1, 2004.

II. Present Situation:

Board of Governors

Article IX, Section 7 of the Florida Constitution provides that the state will have a single state university system comprised of all public universities. It establishes a board of governors to govern the state university system as a whole. Under the constitution, the Board of Governors (BOG) must “operate, regulate, control and be fully responsible for the management of the whole university system.” The BOG’s management is subject to the power of the legislature to appropriate for the expenditure of funds, and the board must account for expenditures as provided by law.

University Boards of Trustees

As noted above, Article IX, Section 7 of the Florida Constitution provides that the state will have a single state university system comprised of all public universities. It provides that a board of trustees must administer each public university and that the powers and duties of the boards of trustees are established by the BOG.

Current tuition structure

Percentage of actual costs paid by state residents; current payment per credit hour

Currently, the state substantially underwrites the cost of tuition for students who are residents of Florida. Based on the university tuition established in the 2003-2004 General Appropriations Act, a non-resident undergraduate student pays tuition of \$328.74 per credit hour, while a Florida resident undergraduate student pays tuition of \$63.41 per credit hour. The amount of tuition that a Florida resident undergraduate pays typically amounts to approximately 20-25 percent of the total cost of their education. Nonresident students are, by law, required to pay 100 percent of the cost of their education.

Credit hours payable currently

Data provided by OPPAGA¹ indicate that the 2001-2002 graduating class accumulated 347,482 credit hours over 115 percent of their degree requirements, costing the state approximately \$30 million. Overall, 20 percent of the students accounted for 82 percent of all credit hours earned over the 115 percent standard. Data for the 2002-2003 graduating class were similar – the 2002-

¹ OPPAGA Report No. 03-31, Voluntary Bright Futures Scholarship Testing Program Would Reduce Costs.

2003 graduating class accumulated 337,837 credit hours over 115 percent of their degree requirements, costing the state approximately \$30 million if the 2001-2002 cost per credit hour figures are used.²

Bright Futures Scholarship Program; Full-Time Early Admission Students

Full-time early admission students skip their senior year of high school to attend a postsecondary education institution. Pursuant to s. 1009.25(2)(a), F.S., they are not required to pay any tuition or fees for their attendance at the postsecondary institution during the early admission year. Accordingly, providing Bright Futures Scholarship funding to these students results in a double funding of their education for the early admission year. It is estimated that approximately 300 early admission students qualified for Bright Futures Scholarships during the 2002-2003 academic year, with an attendant cost of approximately \$500,000 for the state.

Trust Fund for University Major Gifts

The Trust Fund for University Major Gifts, created in s. 1011.94, F.S., is designed to provide donors with an incentive in the form of matching grants for donations for the establishment of permanent endowments and sales tax exemption matching funds received pursuant to applicable law. The funds must be invested, with the proceeds of the investment used to support libraries and instruction and research programs as defined by the State Board of Education under current law. The matches are subject to appropriation. Currently, not all gifts to institutions are being matched, and a waiting list for match funds exists.

Agency for Workforce Innovation

The Agency for Workforce Innovation is a state agency that is responsible for implementing policy dealing with workforce development programs, welfare transition, unemployment compensation, workforce information services and labor market information.

Workforce Florida, Inc.

Workforce Florida, Inc. was created with the passage of the Workforce Innovation Act of 2000. A board appointed by the Governor oversees and monitors the administration of the state's workforce policy, programs and services carried out by the 24 business-led regional workforce boards and the Agency for Workforce Innovation. Direct workforce services are provided at nearly 100 centers with locations in every county in the state.

Enterprise Florida, Inc.

Enterprise Florida, Inc. (EFI) is the public-private partnership responsible for leading Florida's statewide economic development efforts. EFI's mission is to diversify Florida's economy and create better-paying jobs for its citizens by supporting, attracting and helping to create businesses in innovative, high-growth industries. EFI was formed in July 1996 and replaced the state's Commerce Department.

² Source: OPPAGA, 3/30/04.

Designation of university buildings; living namesakes

Section 267.062, F.S., requires approval in law before naming a state building or other facility for a living person. Accordingly, if a university wishes to name a building or facility after a living person, the designation must be approved by the Legislature.

III. Effect of Proposed Changes:

Section 1

CS/SB 2884 amends s. 1009.531, F.S., regarding the Bright Futures Scholarship Program. The bill eliminates the double funding provided under current law for students enrolled full time in the early admission program at an eligible postsecondary education institution.

Section 2

CS/SB 2884 creates a program for incentive funding, payable to university boards of trustees, for developing degree programs at their universities in targeted critical areas.

Incentive funding for degrees in critical areas

Subject to appropriation, the BOG is directed to annually allocate an amount specified in the General Appropriations Act as incentive awards to individual university boards of trustees for establishing programs, policies and procedures that lead to increased degree production in academic areas deemed critical to the state's future job growth.

Targeted critical areas in fiscal year 2004-2005

The bill provides that academic areas deemed critical for the 2004-2005 fiscal year are teaching, nursing, engineering and information technology.

Allocation of incentive awards in fiscal year 2004-2005

The bill requires the BOG to identify the specific academic disciplines and the appropriate courses that articulate to targeted career areas by July 15, 2004. It also provides that, before allocating any appropriated incentive funds, the BOG must establish a base from the number of full-time equivalent (FTE) students enrolled during 2003-2004 in the upper-division and graduate-level courses taken by students seeking degrees in targeted academic areas. By August 15, 2004, the BOG must develop a methodology for allocating any appropriated awards for the 2004-2005 fiscal year based on a prorated share of the increase in the number of full-time equivalent students enrolled in these courses. Funds appropriated but not awarded by the end of the fiscal year will revert to the General Revenue Fund unallocated.

Targeted critical areas during 2005-2006 and thereafter

BOG is required to consult with the Agency for Workforce Innovation, Workforce Florida, Inc., and Enterprise Florida, Inc., to develop, by October 1, 2004, a multiyear forecasting mechanism for identifying occupations in areas that may require an increase in the number of undergraduate and graduate degrees awarded.

By October 1 of each year, the forecasting must identify occupations with the largest unmet growth rates and highest wage potential for subsequent years.

By November 1, 2004, the BOG must develop a methodology for allocating awards beginning in the 2005-2006 fiscal year, based on increasing undergraduate and graduate degree production in academic disciplines linked to targeted critical areas. Any appropriated funds that are not allocated by the end of the fiscal year will revert to the General Revenue Fund unallocated.

By December 1 of each year, the BOG must report to the Governor, the President of the Senate, and the Speaker of the House of Representatives about the details of the implementation of the section, including any university successes or barriers to such implementation.

Section 3

Requirement to provide students information about the cost of education

The bill requires each university board of trustees to provide every student who is charged tuition and fees a billing statement at the beginning of each semester that identifies the amount of funds the state and the university are paying on behalf of the student. State funding to the university and state-supported financial assistance must be itemized in the statement.

The billing statement may be transmitted to the student by email, web page, or other electronic means. A sample of the billing statement format must be submitted to the BOG for review and approval before August 15 of each year.

Block tuition and fee policy

The bill requires each university board of trustees to develop a proposal to establish a block tuition and fee policy in order to decrease the time required for students to earn their degrees. The proposals cannot increase costs to students or the state for students participating in the Bright Futures Scholarship Program or the Florida Prepaid College Program. The proposals must be submitted to the Board of Governors, the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 15, 2004.

Costs for students not seeking degrees

The bill requires each university board of trustees to establish a policy, beginning in the 2004-2005 academic year, that would require students who are not seeking degrees to pay the full cost of instruction per credit hour. The bill defines "students who are not seeking degrees" as

students who have not been formally admitted to the university as undergraduate, graduate, or professional students.

The bill provides a number of exemptions to the required policy. Students in the following categories will not be required to pay the full cost of instruction:

- Students who provide documentation that the courses they seek to enroll in are required for professional licensure, certification, or recertification,
- Active duty military personnel,
- Retired military personnel within 2 years after retirement, and
- Full-time employees of state agencies or political subdivisions of the state when the employee's tuition and fees are paid by the state agency or political subdivision for the purpose of taking job-related courses.

Credit hours generated by students covered under this provision, excluding those students who are subject to an exemption, must be identified separately by the universities in reporting FTE student enrollments.

Each policy must be provided to the BOG for review and submission to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

Costs for students who have taken more than 115 percent of required courses

The bill requires each university board of trustees to establish a policy, beginning in the 2004-2005 academic year, that will require students who are in excess of the number of credit hours needed to graduate by more than 15 percent to pay the full cost of instruction per credit hour.

The bill provides a number of exemptions for the following types of credit hours earned by those students:

- Credit hours earned through an acceleration mechanism identified in s. 1007.27
- Credit hours earned in remedial courses
- Credit hours earned in military science courses
- Credit hours required to achieve a dual major
- Credit hours required to achieve teacher certification that are not credited toward the student's first baccalaureate degree
- Credit hours taken by active duty military personnel
- Credit hours in courses from which a student must withdraw due to medical or personal hardship reasons.

The policies must specifically *include*, however:

- credit hours for courses taken at the university from which the student is seeking a degree, including:
 - repeated courses and failed courses, except as provided in s. 1009.285, F.S., and
 - courses that are dropped after the university's advertised last day of drop and add.

- All credit hours earned at another institution and accepted for transfer.

Credit hours generated by students covered under this provision, excluding those credit hours that are subject to an exemption, must be identified separately by the universities in reporting FTE student enrollments.

Each policy must be provided to the BOG for review and submission to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

Section 4

The bill amends s. 1011.94, F.S., to make changes to conform the Trust Fund for University Major Gifts provisions with s. 1000.21(6), F.S., which defines New College as a state university for purposes of the education code. It also revises the section to make conforming changes to reflect the creation of the BOG as the entity responsible for management of the state university system. In particular, the bill provides that the BOG will administer the allocation of funds to universities to match gifts.

The bill revises the purposes for which a donation must be made to require that the donation must be used to support university priorities as established by the university boards of trustees. It revises the donation levels available for matches in the section as well as corresponding state matching grant amounts.

The bill restricts bundled gifts to a maximum of \$1 million and a maximum match of fifty percent. This provision avoids the practice of bundling gifts to attain a higher state matching grant.

CS/SB 2884 also provides a maximum amount of matching funds for any single gift in a given year at \$3 million and caps the overall matching funds for any single gift at \$15 million, payable over 5 years in equal amounts, subject to availability of funds.

The bill provides that implementation of the matching program is contingent upon legislative appropriation. The section's changes apply to new gifts and pledges made after July 1, 2005.

The bill eliminates the authority of the State Board of Education to authorize any university to encumber the state match from unexpended funds in a university operating budget. It also eliminates pro rata distribution for state matching funds, effectively requiring complete gifts to be funded. The state matching funds are provided on a first-come, first-served basis.

Section 5

The bill designates the student union building at the University of North Florida as the "James E. "Jim" and Linda King, Jr., Student Union Building." The university is also authorized to erect suitable markers for the building.

James E. "Jim" King was first elected to the Florida House of Representatives in 1986 and served in that body until 1999, at which time he was elected to the Florida Senate. During his

distinguished career in the Florida House of Representatives, he served as the Majority Leader as well as in numerous other leadership positions. He also served as the Majority Leader of the Florida Senate, from 2000-2002, and was elected President of the Senate in 2002. He has been the recipient of numerous public service and business related awards from a variety of organizations in Florida. President King received an A.A. from St. Petersburg Junior College in 1959, a B.S.B.A. from Florida State University in 1961, and an M.B.A. from Florida State University in 1962. He served in the U.S. Coast Guard from 1962 to 1968.

Section 6

The bill designates the proposed entrance pavilion at the John and Mabel Ringling Museum of Art at the Florida State University Center for Cultural Arts in Sarasota as the "John M. McKay Visitors' Pavilion." The university is also authorized to erect suitable markers for the building.

A native Floridian, John M. McKay has dedicated his life to serving the people of the state of Florida. Mr. McKay is a 1971 graduate of Florida State University who was elected to the Florida Senate in 1990 and served consecutive terms until 2002. He served as President of Senate in 2001-2002. During his successful tenure in the Senate, Senator McKay received numerous awards for his leadership and dedication to improving life in Florida. In addition, Senator McKay was instrumental in passing legislation that created the affiliation between the John and Mable Ringling Museum of Art and Florida State University.

The bill will take effect 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:

Resident students³ who are not degree-seeking or who have earned more than 15 percent over the number of credits they need for graduation will bear a substantial cost burden, as they will be required to pay, instead of the approximately 20-25 percent of the total cost of education required to pay instate tuition, the full 100 percent cost of the education. The total cost will vary by student, depending on the number of credit hours taken. Based on the university tuition established in the 2003-2004 General Appropriations Act, an out-of-state undergraduate student pays tuition of \$328.74 per credit hour, while a Florida resident undergraduate student pays tuition of \$63.41 per credit hour.

C. Government Sector Impact:*Bright Futures program/early admission students*

The bill's changes could have saved the state approximately \$500,000 in the 2002-2003 fiscal year; however, the actual future savings to the state from these changes are not determinable, due to the variable number of early admission students participating in Bright Futures.

Requirement to provide billing statement to students

The cost of this requirement is not currently determinable, but because universities generally provide students with billing statements every semester, the incremental additional cost of adding the newly-required information should be small. Initial administrative costs will likely be incurred as schools tie in additional data files to add required information to billing statements.

Incentive funding for developing targeted degree programs

It is not possible to determine the fiscal impact of this program, because (1) it is specifically subject to annual appropriation by the Legislature, (2) it is not known how many universities would develop programs to meet the incentive funding criteria, and (3) the size of the incentive awards to be made by the BOG are not known or stipulated in the bill. All of these variables will vary the section's fiscal impact.

Impact of requirement that students who earn more than the number of credit hours needed for graduation and non-degree-seeking students bear full cost of education

As noted above, an OPPAGA analysis of the 2002-2003 graduating class found that they accumulated 337,837 credit hours over 115 percent of their degree requirements, costing the state approximately \$30 million (using the 2001-02 cost per credit hour). OPPAGA further found that 20 percent of the students earned 83 percent of all those credit hours above the 115 percent standard. Under the bill, students taking in excess of 115 percent of their required course credits will be denied the benefits of reduced tuition, which –

³ Current law requires non-resident students to pay 100% of the cost of instruction. S. 1009.22(10), F.S.

based on 2001-02 costs per credit hour – could result in a cost savings to the state of \$30 million annually.

Building designations

The universities will incur costs of erecting suitable markers for the building, which typically cost approximately \$250 each.

VI. Technical Deficiencies:

Section 4 of the bill, which contains the new subsection (7) of s. 1011.94, F.S., provides that any gift already approved by the BOG and on the pending list before July 1, 2004, is eligible for state matching funds at the rate applicable when the gift was approved. The next sentence provides that the section's changes would be effective for new gifts and pledges made after July 1, 2005. It may be helpful to conform these dates to ensure that no confusion will arise regarding the match amounts for gifts made between July 1, 2004 and July 1, 2005.

Also in Section 4 of the bill, language changes to paragraph (5)(c) of s. 1011.94, F.S., provide that private donations of at least \$700,000 may be used to designate certain endowed chairs; the revised language also refers to a match amount of 50 percent. Because the paragraph only establishes a minimum amount of \$700,000 for these donations, however, gifts in amounts higher than \$700,000 (e.g., of \$1 million or more) may be made in this regard, which would be eligible for match amounts at a higher percentage. Accordingly, it may be helpful to omit the reference to the specific match amount included in the revised language of the paragraph.

VII. Related Issues:

None.

VIII. Amendments:

None.