

# 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.)

Prepared By: Government Efficiency Appropriations Committee

BILL: CS/SB 2236

SPONSOR: Education Committee and Senator Constantine

SUBJECT: Tuition/State Universities and Community Colleges

DATE: March 31, 2005      REVISED: 4/4/05 \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Matthews</u>	<u>O'Farrell</u>	<u>ED</u>	<b>Fav/CS</b>
2.	<u>Gilreath</u>	<u>Johansen</u>	<u>GE</u>	<b>Fav/4 amendments</b>
3.	_____	_____	<u>EA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**Please see last section for Summary of Amendments**

- Technical amendments were recommended
- Amendments were recommended
- Significant amendments were recommended

**I. Summary:**

This committee substitute (CS) substantially implements the Office of Program Policy and Analysis and Government Accountability (OPPAGA) recommendations on providing incentives to encourage certain students to graduate with fewer excess hours by enacting an excess credit hour policy that requires the payment of out-of-state tuition rates for students who take more than 115 percent of the credit hours required for their associate or baccalaureate degree requirements. In addition, the CS implements a tuition rebate of up to \$1,000 for state university students who graduate with less than (3) credit hours in excess of the credit hours required for graduation.

This CS creates the following sections of the Florida Statutes: 1009.286 and 1009.287.

**II. Present Situation:**

*Office of Program Policy and Analysis and Government Accountability (OPPAGA) Report<sup>1</sup>*

<sup>1</sup> *Stronger Financial Incentives Could Encourage Students to Graduate With Fewer Excess Hours*, Office of Program Policy Analysis and Government Accountability, Report No. 04-44, June 2004.

In response to a legislative request to identify financial incentives the Legislature could implement to decrease state higher education funding costs, the Office of Program Policy and Analysis and Government Accountability (OPPAGA) studied policies to encourage students to earn degrees with fewer excess credit hours. In June 2004, OPPAGA issued a report that suggested three (3) ways to reduce state costs:

- Charge the full cost for credit hours in excess of 115 percent of graduation requirements;
- Provide tuition rebates to students who graduate with minimal excess hours; and
- Offer “locked-in” tuition, which requires students who do not graduate within four (4) years to pay higher tuition rates.

During 2002-2003, 78 percent of all students accumulated excess hours. In fact, these students attempted 719,660 credit hours in excess of graduation requirements. The 719,660 excess hours attempted by students in 2002-2003 cost the state \$62 million. However, 20 percent of all students accounted for 57 percent of all credit hours over the minimum graduation requirements.

OPPAGA identified several factors that contribute to students accumulating excess hours:

- Some students change their majors frequently.
- Some students take courses that are not required for graduation.
- Some students may withdraw from or fail courses they enroll in, and may retake such classes.

#### *Increase in cost per credit hour for excess hours*

OPPAGA studied other states that charge students for excess credit hours. In 1994, North Carolina established a policy of charging students 25 percent more for hours in excess of 110 percent of the amount needed for a degree. According to a preliminary report, the average number of credit hours attempted and the average number of hours earned under the policy decreased. In addition, Texas charges a student higher tuition when a student takes 45 hours or more over the number of required hours to graduate.

OPPAGA examined the effects in this state of setting thresholds for higher tuition at 115 percent and 110 percent over the minimum graduation requirements. The fiscal year 2002-2003 graduating class accumulated 337,837 credit hours in excess of 115 percent of their graduation requirements.

Assuming a 120-hour degree program, a student would be able to take up to 18 additional credit hours without exceeding the 115 percent threshold. Again, 20 percent of these students earned 83 percent of the excess credit hours. If students were required to pay the full costs of any credit hours earned in excess of 115 percent of the hours required for graduation, the state could save approximately \$29 million.

Under a policy in which students would pay the full cost of credit hours earned in excess of 110 percent of graduation requirements, the state would save approximately \$37 million. Under this policy, students would be able to take up to 12 additional credit hours over graduation requirements based on a 120-hour program. Again, 20 percent of the students in the 2002-2003 graduation class were taking 74 percent of the 438,344 excess credit hours.

*Tuition rebates*

OPPAGA studied the cash rebate program offered in Texas. Under that program, Texas offers \$1,000 to students who graduate with no more than three (3) attempted hours in excess of the minimum required for earning a degree. The rebate is pro-rated on the basis of the amount of tuition students pay. OPPAGA estimates that if students who are taking credit hours less than 110 percent over the amount required for graduation take less than three (3) credit hours over the requirements, the state could save \$3.5 million.

*“Locked-in” tuition*

Under a locked-in tuition policy, the state would establish a single tuition rate that students entering college would pay over the next four (4) years. The state would establish the tuition rate based on the cost students would pay over a four-year period divided by the number of years for a uniform rate each year. If students do not complete their degrees within the four (4) years, they would be charged the higher tuition rates charged to that year’s newly entering students. Western Illinois University implemented a locked-in tuition policy. Illinois will implement the policy statewide beginning in 2004-2005. The statewide policy will not include fees or room and board expenses.

OPPAGA estimates that a locked-in tuition policy may have a positive effect on the Bright Futures Scholarship Program because scholarship funds are tied to a percentage of tuition. However, OPPAGA indicates that part-time students would pay more under a locked-in tuition policy.

**III. Effect of Proposed Changes:**

This CS substantially implements OPPAGA’s recommendations on providing incentives to encourage students to graduate with fewer excess hours by enacting an excess credit hour policy that requires the payment of out-of-state tuition rates for a student who takes more than 115 percent of the credit hours required for his or her associate or baccalaureate degree requirements. In addition, the CS implements a tuition rebate of up to \$1,000 for students who graduate with less than (3) credit hours in excess of the credit hours required for graduation. The CS does not establish a locked-in tuition policy.

*Increase in cost per credit hour for excess hours*State Universities

Under the CS, an undergraduate student who is enrolled in a state university<sup>2</sup> must pay out-of-state tuition for credit hours taken in excess of 115 percent of the credit hours required to complete the degree program in which he or she is enrolled, regardless of whether the student took those hours while enrolled at a community college, state university, or at any private postsecondary institution if the student received state funds while enrolled at the private

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<sup>2</sup> Pursuant to s. 1000.21(6), F.S., this policy would apply to New College.

postsecondary institution. For the 2004-2005 school year, the resident undergraduate rate for tuition is \$68.16 per credit hour while a nonresident undergraduate student would pay an average out-of-state tuition of \$462.31 per credit hour. Accordingly, a student who takes excess credit hours as outlined above would pay on average \$394.15 more per credit hour for each credit hour taken in excess of 115 percent of the credit hours required to complete his or her degree.

This provision has been crafted to ensure that the excess credit hour requirements are tied to state funding. Accordingly, only credit hours taken at postsecondary institutions for which the student's cost to attend is being funded or subsidized by the state count towards the excess credit hour requirements. Credit hours taken at out-of-state institutions and private postsecondary institutions that do not receive state funds are excluded, since the state does not fund the student's cost to attend these institutions.

Finally, the CS's excess credit hour requirements may adversely impact certain students. Part-time students who work full time have difficulties in completing degree requirements. By the nature of their schedules and the course schedules of the institution at which they are enrolled, these students may routinely take more courses than are required for their graduation requirements. In addition, some universities deny credit hours for courses taken at another institution. The CS penalizes these students because the university may require them to retake a potentially similar course to meet their graduation requirements.

#### Community Colleges

Likewise, the CS additionally imposes the same 115 percent excess credit hour threshold imposed on students in the state universities on students enrolled in a baccalaureate degree program at a community college.

Community college students who take more than 115 percent of the credit hours required to earn an associate degree are required to pay out-of-state tuition rates. For the 2004-2005 school year, a resident student at a public community college would pay \$45.45 per credit hour while a nonresident would pay \$136.40 per credit hour.<sup>3</sup> Accordingly, a student would incur an additional \$90.95 per credit hour for each hour taken above the 115 percent threshold.

The CS exempts up to 24 credit hours taken by a community college student while enrolled at a community college if the credit hours apply to the student's baccalaureate degree. This provision is designed to encourage students to continue taking lower level courses at the community college rather than at the state university where costs per credit hour are greater.

Finally, the CS's excess credit hour requirements may adversely impact certain students. Part-time students who work full time have difficulties in completing degree requirements. By the nature of their schedules and the course schedules of the institution at which they are enrolled, these students are slightly more likely than full-time students to take more courses than are required for their graduation requirements. In addition, some community colleges deny credit hours for courses taken at another institution. The CS penalizes these students because the

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<sup>3</sup> These fee amounts include the community college technology fee. In addition, the listed fees may not be representative of the fees charged for workforce education at the postsecondary level.

community college may require them to retake a potentially similar course to meet their graduation requirements.

*Tuition rebates*

In addition, the CS implements a tuition rebate program where a student who has received a baccalaureate degree from a state university in this state may be eligible to receive a rebate from the state of 50 percent of any tuition fees paid for all undergraduate credit hours up to \$1,000 if the student graduates with three (3) or less credit hours in excess of the amount of hours required for graduation. Any portion of a tuition fee that has been paid by a person or entity other than the student or his or her parent is not eligible for the rebate.

The CS further provides that the State Board of Education must develop a form for students to use to apply for the rebate. Students may only apply for the rebate after they have completed the baccalaureate degree.

Finally, entitlement to the rebate is contingent upon legislative appropriation of funding for the year in which a student qualifies for the rebate.

*Effective date*

The CS would take effect July 1, 2005.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

*Board of Governors; Art. IX, Section 7 of the State Constitution*

Article IX, Section 7 of the State Constitution provides that the Board of Governors shall operate, regulate, control, and be fully responsible for the management of the whole university system. The courts have not interpreted this provision with respect to the extent of the powers and duties of the Board of Governors. A lawsuit was filed on December 21, 2004, against the Board of Governors and the State Board of Education seeking a declaratory action, among other things, regarding the Board of Governor's

powers and duties with respect to the state university system. The results of this lawsuit may have an impact on the CS with respect to the state universities.

**V. Economic Impact and Fiscal Note:**

**A. Tax/Fee Issues:**

If students continue to take excess credit hours at the same rate they did in FY 2002-03, at FY 2004-05 tuition rates, tuition revenues would increase by \$108 million.

If student behavior changes and all excess credit hours are eliminated, tuition revenues would decrease by \$23 million. However, this reduction would be more than offset by the \$59 million reduction in expenditures associated with offering these courses.

In addition, if student behavior changes and some or all excess credit hours are eliminated, any reduction in revenues may be offset by tuition paid by new students for whom space has been made available due to students moving through the institution more quickly.

**B. Private Sector Impact:**

*Increase in cost per credit hour for excess hours*

Students who take more than 115 percent of the credit hours required for graduation or a degree would incur additional expenses for those credit hours in excess of the CS's requirements.

*Tuition rebate*

Students who are taking credit hours less than three (3) credit hours over the requirements, would reduce their costs.

**C. Government Sector Impact:**

*Increase in cost per credit hour for excess hours*

If students ceased taking credit hours earned in excess of 115 percent of the hours required for graduation, the state would avoid net costs of \$36 million through the reduction in revenues and expenditures associated with offering the course hours. Alternatively, if there is no change in credit hours, expenditures will not change, but tuition revenues will be increased by \$108 million.

*Tuition rebate*

If students who were taking credit hours at less than 110 percent over the amount required for graduation in FY 2002-03, take less than three (3) credit hours over the requirements, the state would incur a net loss of \$4 million.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

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

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## VIII. Summary of Amendments:

### **Barcode #320220 by Government Efficiency Appropriations:**

Changes the required payment for exceeding the excess credit hour policy from the out-of-state tuition rate to 75 percent over the in-state tuition rate. (WITH TITLE AMENDMENT)

### **Barcode #524904 by Government Efficiency Appropriations:**

Changes the excess hours percentage from 115% to 120% of required hours for the enrolled degree program.

### **Barcode #321956 by Government Efficiency Appropriations:**

Exempts certain hours from being calculated for graduation and the excess credit policy:

- Hours earned through accelerated programs
- Hours earned through internship hours
- Medical or personal hardship withdrawals
- Hours for a dual major
- Hours taken by military personnel
- Hours taken for certificate programs
- Remedial and english as a second language credit hours

This amendment also requires the college/university to notify their students of the excess hours policy as they reach the required number of hours needed.

### **Barcode #530160 by Government Efficiency Appropriations:**

Changes application of this new policy to incoming Freshmen for the Fall 2005 school year and beyond. (WITH TITLE AMENDMENT)