

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: Education Appropriations Committee

BILL: SB 670

SPONSOR: Senator Jones

SUBJECT: Community College Fees for Capital Improvements

DATE: April 12, 2005 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Woodruff	O'Farrell	ED	Fav/1 Amendment
2.	Bryant	Newman	EA	Favorable
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

Please see last section for Summary of Amendments

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

I. Summary:

The bill revises the maximum authorized fee amount a community college can charge for capital improvements, technology enhancements or equipping student buildings to 10 percent of tuition for resident students or 10 percent of the sum of tuition and out-of-state fees for nonresident students. The bill limits any potential increase to \$2 per credit hour over the prior year.

The bill also changes the amount of the capital improvement fee that may be allocated for child care centers conducted by community colleges. A maximum of 15 percent of the capital improvement fee revenue may be allocated for child care centers. The use of these funds for child care centers is made subordinate to the payment of any bonds secured by the fees.

The bill requires all community colleges to use the Division of Bond Finance of the State Board of Administration to issue any bond authorized to be financed from the community college capital improvements, technology enhancements, or equipping student buildings fee.

Language is added to the statutes which describes how costs associated with baccalaureate degree programs at community colleges are to be calculated and funded.

This bill substantially amends the following sections of the Florida Statutes: subsection 1009.23(11) relating to community college student fees, and section 1011.83 relating to the financial support of community colleges.

II. Present Situation:

Community College Student Fees: Section 1009.23, F.S., authorizes community college boards of trustees to charge certain fees. Fees are charged for college credit instruction leading to an associate in arts degree, an associate in applied science degree, an associate in science degree, and for noncollege credit college-preparatory courses as specified in statute. Currently, the authorized fees and the state average amount of the charge per credit hour are:

- Tuition \$ 50.52
- Out-of-state \$148.94
- Financial aid \$ 2.50
- Capital improvement/technology enhancement/equipping student buildings \$0.98
- Student activity and service \$ 4.64
- Technology \$ 0.60
- User fees (lab fees, parking, library, facility and equipment use, etc.) which shall not exceed the cost of the services provided and shall only be charged to persons receiving the service.

The estimated state average community college resident tuition and required fees for 2003-04 for a full time equivalent (FTE) student placed Florida 37th in the nation at \$1,688. The national average was estimated at \$2,155¹.

As shown above, in addition to charging tuition, each community college board of trustees has the discretion to charge certain local fees and, if the board chooses to assess a fee, it has the authority to set the fee within a statutory range. The discretionary fees include an activity and service fee which may not exceed 10 percent of the tuition fee, a financial aid fee which may not exceed 5 percent of the tuition fee, a technology fee which may not exceed \$1.80 per credit hour, and a fee for capital improvements, technology enhancements, or equipping student buildings which may not exceed \$1.00 per credit hour. A maximum of 15 cents per credit hour from the capital improvement fee may be used for child care centers conducted by the community college.

One community college does not presently assess the capital improvement fee. The other twenty seven colleges charge the maximum fee of \$1.00. Information is not available as to the number of colleges using capital improvement fee funds for child care services or the amount of such funds utilized for that purpose.

For the fiscal year 2004-2005, capital improvement fee revenue is estimated to total \$9.3 million for credit and non-credit programs. Community colleges may choose whether or not to use the Division of Bond Finance of the State Board of Administration to issue any bond authorized to

¹ Department of Education information based on a Washington state five year tuition study.

be financed from the community college capital improvements, technology enhancements, or equipping student buildings fee.

A community college may also assess user fees and fines.

Bright Futures Scholarships include the cost of certain local fees in determining how much the award is worth. Academic Scholarships include the entire cost of local fees. Medallion and Gold Seal Scholarships pay 75 percent of the cost of tuition and fees for students attending public universities and community colleges.

Florida Prepaid College Program contracts allow the purchaser the option to include the payment of local fees in the price of the contract.

For Fiscal Year 2004-2005, the sum of the technology fee and the average resident tuition fee was established as \$45.45 per credit hour in the General Appropriations Act. The sum of the technology fee and the average nonresident tuition fee was established as \$136.40 per credit hour.

Current language allows the capital improvement fee revenues to be pledged for repayment of debt, including lease-purchase agreements, and for revenue bonds². The term of the revenue bonds may not exceed 20 years, are not to exceed the useful life of the asset being financed and may be bonded only for new construction and equipment, renovation, or remodeling of educational facilities.

Financial Support of Community Colleges: Currently no provisions in statute address how community colleges are to be funded for students enrolled in baccalaureate degree programs. The financial support of community colleges section of law refers only to participation in the Community College Program Fund by each approved community college and to funding for workforce education programs.

III. Effect of Proposed Changes:

Capital Improvement Fee: The Bill revises the maximum amount a college may charge for the capital improvement fee for college-credit programs to 10 percent of tuition for resident students or 10 percent of the sum of tuition and out-of-state fees for nonresident students. Increases are limited to \$2 per credit hour over the prior year and estimates are that it would take 2 years for the full increase to be implemented. The Department of Education estimates the increased cost for college credit students will approximate \$3.33 per credit hour after two to three years.

The bill changes the maximum amount of the capital improvement fee which may be used to support child care centers operated by community colleges. Currently, 15 cents per credit hour may be spent for that purpose. The bill would allow a maximum of 15 percent of the capital

² Section 11(d), Article VII of the Florida Constitution states: Revenue bonds may be issued by the state or its agencies without a vote of the electors to finance or refinance the cost of state fixed capital outlay projects authorized by law, and purposes incidental thereto, and shall be payable solely from funds derived directly from sources other than state tax revenues.

improvement fee revenue to be allocated for child care centers conducted by community colleges. The use of these funds for child care centers is made subordinate to the payment of any bonds secured by the fees.

The result of an increase in the capital improvement fee will be to increase the cost to the student attending a community college which chooses to raise the fee. To the extent the state is paying for the student to attend the college through a Bright Futures Scholarship or other state aid program, that cost will be borne by the state.

The bill requires community colleges to use the Division of Bond Finance of the State Board of Administration to issue any bond authorized to be financed from the community college capital improvements, technology enhancements, or equipping student buildings fee. Presently, colleges have a choice of whether or not to use the Division of Bond Finance.

Several changes are made to the existing language about the bonding of the capital improvement fee revenue. A limit of seven years is placed on how long the fee may be pledged as a dedicated revenue source for repayment of debt, including lease-purchase agreements. This restriction applies to the original term, renewals, extensions, and refundings.

Terminology is also changed in respect to revenue bonds. The length of time for which a revenue bond may be issued is changed from 20 years to 20 annual maturities as a technical term of art change. A number of community colleges may jointly request the state issue a revenue bond which may pledge the fees from each of the colleges to secure the bonds. New language is included as a covenant with the holders of such revenue bonds that the state will not take any action to adversely affect the rights of such bond holders and providing that only the initial series of bonds would be required to be validated. Finally, the use of these funds for child care centers is made subordinate to the payment of any bonds secured by the fees.

Financial Support of Community Colleges: Language is added to require community colleges to fund the nonrecurring costs related to the initiation of a new baccalaureate degree without new state appropriations, unless special grant funds are designated by the State Board of Education and funded by the Legislature for that purpose. A community college may not accept students into a new program unless the college has received a recurring appropriation for that purpose. Funding for community colleges is to be as follows:

- as a community college for workforce education programs and for lower-division-level college credit courses and programs funded in the Community College Program Fund.
- As a baccalaureate-degree-level institution for upper-division-level courses and programs. State support of for these programs is to be limited to 85 percent of the amount of state support per full-time-equivalent student in a comparable state university program. Further, funds appropriated for baccalaureate degree programs may only be spent for that purpose.

The effective date of the bill is 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:

None.

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

Should a community college board of trustees choose to change the capital improvement fee assessment, there will be increased revenue to the institution. There are 254,946 actual fee paying full time equivalent (FTE) students in the community college system for the 2004-2005 academic year. For each \$1.00 increase in the fee, \$7,648,380 would be generated statewide. Because not all community colleges may decide to increase the amount of the fee, and a per credit hour charge might vary by institution, it is not known how much revenue the fee will actually generate.

B. Private Sector Impact:

To the extent that the local fees are paid from private resources (the student or the parent), the increase in the capital improvement fee will increase the cost to the student of attending a community college. Most community college students do not have a Bright Futures Scholarship and are dependent upon non-state resources to pay their tuition. These resources include federal financial aid, prepaid tuition contracts, savings plans, loans, and out-of-pocket payments. If the capital improvement fee is increased to 10 percent of tuition for residents and nonresidents, the estimated total revenues would be \$43.5 million, which would be an increase of \$34.2 million. However, the bill phases in the increase over a two-year period. The Department of Education estimates that increasing the capital improvement fees for credit and non-credit courses by \$2 in the first year would result in total fee revenue of \$26.3 million. This would be an increase of \$17 million, most of which would be paid by the student. The Department of Education estimates the increased cost for college credit students will approximate \$3.33 per credit hour after two to three years.

The present amount of the capital improvement fee allowed to be used for child care is \$.15 per credit hour or \$1.4 million. Changing the allowance to 15 percent of the total capital improvement fee revenue would provide \$6.3 million. This is a potential increase of \$5.1 million which might be used to support child care centers conducted by community colleges.

Should a community college increase the capital improvement fee there might be a fiscal impact on Prepaid Tuition Plans which include coverage of local fees. While this might not affect current holders of a plan, future purchasers of local fee coverage plans may pay a higher price to cover the local fees.

C. Government Sector Impact:

To the extent that a Florida Bright Futures Scholarship includes paying for the local fees charged by a community college or university, increases in those fees results in a higher cost to the state to pay for the scholarship. A Bright Futures Academic Scholarship entirely pays for tuition and certain local fees. Medallion Scholarships and Gold Seal Scholarships cover only 75 percent of the cost of tuition and fees. Therefore, in the latter two programs, 25 percent of any increase would be passed on to the student while 75 percent would be added to the cost of the Bright Futures Scholarship. Most Bright Futures Academic and Medallion scholars do not attend community colleges. The proposed increase in the community college capital improvement fee should not affect the majority of Bright Futures recipients. The House and Senate Appropriations bills have contingent amounts in both bills for this increase in Bright Futures (Senate \$1 million, House \$1.2 million).

The state acts as guarantor for contracts sold through the Florida Prepaid College Program. Prepaid contracts may include coverage of local fees. To the extent that the increases in local fees exceed the earnings of the prepaid trust fund, the fund's surplus will be reduced and increase the possibility that the state may have to provide supplemental funding at some point in the future.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

Barcode 045150 by Education:

Deletes Section 2 of the bill which relates to the financial support of community colleges. The sole remaining subject of the bill relates to the community college capital improvement fee.

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