HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 935 Community Colleges
SPONSOR(S): Domino and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 670

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Community Colleges & Workforce Committee	5 Y, 0 N	Thomas	Ashworth
2) Education Appropriations Committee	13 Y, 0 N	Hamon	Hamon
3) Education Council			
4)			
5)			

SUMMARY ANALYSIS

HB 935 authorizes Community College Boards of Trustees to increase the fee for capital improvement, technology enhancements, or equipping student buildings. The bill allows an increase of up to 10 percent of tuition for resident students and 10 percent of the sum of tuition and out-of-state fees for nonresident students. The fee for resident students is limited to an increase of $2 per credit hour over the prior year.

The bill requires all community colleges to use the Division of Bond Finance to issue any bond authorized to be financed from the community college capital improvement, technology enhancements, or equipping student building fees.

The bill also changes the amount of the capital improvement fee that may be allocated for child care centers operated 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 purposes is made subordinate to the payment of any bonds secured by the fees.

The increase of the capital improvement fee will result in a fee revenue increase of approximately $14.7 million for the first $2 increase and $36.1 million once the fee has been fully implemented to the 10 percent maximum. The increased cost to the Bright Futures program is approximately $1.3 million for Fiscal Year 2005-2006. The fee increase will impact the Florida Prepaid Program as well. See the FISCAL ANALYSIS for details.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

The bill does not appear to implicate any of the House Principles.

B. EFFECT OF PROPOSED CHANGES:

COMMUNITY COLLEGE FEES

Present Situation

Current law authorizes community college boards of trustees to establish a separate fee for capital improvement, technology enhancements, and equipping student buildings. The fee for college credit programs is capped at $1 per credit hour for residents and must equal or exceed $3 per credit hour for nonresidents. According to information provided by the Department of Education, 27 of the 28 community colleges assess the capital improvement fee.

Currently a maximum of 15 cents per credit hour from the capital improvement fee may be used for child care centers conducted by the community colleges.

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 be financed for the community college capital improvements, technology enhancement or equipping student building fee.

Current language allows the capital improvement fee revenues to be pledged for repayment of debt, including lease-purchase agreements, and for revenue bonds[1]. The terms 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 by new construction and equipment, renovation, or remodeling or educational facilities.

Effect of Proposed Changes

This bill allows the community college board of trustees to establish a capital improvement fee that may not exceed 10% of tuition for residents and 10% of the total tuition and out-of-state fees collected for nonresidents. The fee increased for residents is capped at $2 per credit hour over the prior year.

The bill changes the maximum amount of the capital improvement fee which may be used to support child care centers operated by community colleges. The maximum amount of the capital improvement fee that can be used for child care centers is increased from 15 cents per credit hour to 15% per credit hour. The use of these funds for child care centers is made subordinate to the payment of any bonds secured by the fees. The Department of Education currently has no information 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.

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 enhancement, or equipping student building fee.

The bill places a limit of seven years 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 refunding.

The bill changes the length of time for which a revenue bond may be issued from 20 years to 20 annual maturities. A number of community colleges may jointly request the state to issue a revenue bond which may pledge the fees from each of the colleges to secure the bonds. New language is included as

[1] 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 that state tax revenues.

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. Only the initial series of bonds will be required to be validated.

C. SECTION DIRECTORY:

Section 1. Amends s. 1009.23, F.S., revising provisions relating to the fee for capital improvements, technology enhancements, or equipping student buildings and the use thereof; providing requirements for the issuance and validation of bonds; revising provisions relating to the allocation for child care centers.

Section 2. Provides an effective date of July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None

2. Expenditures:

   Bright Futures:

   An increase of $2 per credit hour over the prior year will result in a higher cost to the state to pay for the Bright Futures Scholarship. The projected cost for Fiscal Year 2005-2006 is $1,282,580.

Florida Bright Futures Costs: 2005-06 Projected Enrollment at Community Colleges				
Average Annual Hours Enrolled at CC		**Enrolled Students**	**Total Hours**	**Cost of Hours x $2**
Florida Academic Scholars (FAS)	26	1,304	33,904	$67,808
Florida Medallion Scholars (FMS)	26	21,912	569,712	$1,139,424
Gold Seal Vocational Scholars (GSV)	23	1,638	37,674	$75,348
Community College Total		**24,854**	**641,290**	**$1,282,580**

Source: Florida Department of Education, Office of Student Financial Assistance

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   See Fiscal Comments.

2. Expenditures:

   See Fiscal Comments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Students without a Bright Futures Scholarship or a Florida prepaid contract may see an increase in their cost of attendance at a community college.

Florida Prepaid Program:

The Florida prepaid program allows Florida families to purchase a tuition plan, a local fee plan and a dormitory plan on an annual basis. The tuition plan includes the matriculation fee, the building and capital improvement fee and the financial aid fee. At the time the beneficiary (student) of the prepaid contract matriculates, the program will pay the community college the actual fees charged during that academic year.

In regard to future prepaid plan purchases, the prices of the contract for future enrollment periods are established annually by the program's actuary, and are based on the historical and current fees approved by the Legislature for these services. HB 935 increases the capital improvement fees and that will be taken into consideration when the prices for prepaid contracts are set by the actuary.

D. FISCAL COMMENTS:

Increased Fee Revenue for Community Colleges:

The increase of the capital improvement fee will result in an additional $14.7 million in fee revenue for the first $2 increase and $36.1 million once the fee has been fully implemented to the 10 percent maximum. This analysis assumes that the 27 community colleges currently imposing the capital improvement fee will continue to do so and the remaining community college not imposing the fee will continue to follow that practice.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: N/A

2. Other: N/A

B. RULE-MAKING AUTHORITY: N/A

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES