

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 795 CS                      Student Financial Assistance  
**SPONSOR(S):** Flores  
**TIED BILLS:**                              **IDEN./SIM. BILLS:** SB 1750

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Colleges &amp; Universities Committee</u>	<u>9 Y, 1 N, w/CS</u>	<u>Hatfield</u>	<u>Tilton</u>
2) <u>Education Appropriations Committee</u>	<u>15 Y, 2 N</u>	<u>Hammock</u>	<u>Hamon</u>
3) <u>Education Council</u>	<u>9 Y, 0 N, w/CS</u>	<u>Hatfield</u>	<u>Cobb</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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### SUMMARY ANALYSIS

HB 795 CS creates the First Generation Matching Grants Program (program) for undergraduate students who demonstrate financial need and whose parents have not earned a baccalaureate degree. The bill requires that applicants meet certain eligibility requirements to be eligible to receive a grant.

The bill requires appropriated funds for the program to be allocated by the Office of Student Financial Assistance (OSFA) to match private contributions on a dollar-for-dollar basis; 50 percent of the allocated funds must be reserved for state universities and the remaining 50 percent for community colleges. The House Proposed General Appropriations Bill (HB 5001, Specific Appropriation 79) provides an appropriation of \$14,000,000 for the program.

Each participating state university and community college is required to establish an application process, determine student eligibility for initial and renewal awards in conformance with the eligibility requirements each applicant must fulfill, identify the amount awarded to each recipient, and notify recipients of the amount of their awards. The bill also requires annual reports by each participating institution.

The bill also creates a limited number of exemptions from paying out-of-state fees at a community college or state university and requires the Department of Education (DOE) to administer the exemption program, develop an application form, and establish deadlines and guidelines for student participation. A student who meets certain requirements may be eligible for one of the exemptions.

For the 2006-2007 academic year, the DOE must distribute the exemptions: to the first 1,500 students currently enrolled in a community college or state university who have a cumulative grade point average of at least 2.0 and who submit an application to the DOE and meet the eligibility criteria; and to the top 500 students in academic performance in Florida public high schools who submit an application to the DOE and meet the eligibility criteria. Beginning in the 2007-2008 academic year the DOE must distribute no more than 500 new exemptions to the top 500 students in academic performance in Florida public high schools who submit an application to the DOE and meet the eligibility criteria. The DOE must issue the exemptions by August 31 of each year and notify the student and the postsecondary institution in which the student is enrolled.

In order for a student to retain the exemption, the bill requires a student to complete at least 12 semester credit hours or the equivalent in the previous academic year and maintain at least a 2.0 cumulative grade point average.

The bill prohibits the exemption from being used for remedial courses, graduate level courses, or professional courses.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government—The bill creates the First Generation Matching Grant Program to provide financial aid to undergraduate students with financial need whose parents have not earned college degrees. In creating this program, the bill provides duties of state universities and community colleges participating in the program. The bill also provides for a limited number of exemptions from paying out-of-state fees at a community college or state university and requires the Department of Education (DOE) to administer the exemption program.

Safeguard individual liberty—The bill provides for grants to be awarded to eligible applicants to cover the annual cost of attendance at a state university or community college. Recipients of this grant have the ability to attend a state university or community college where previously this may not have been possible. The bill also provides a more affordable education to those students who apply and receive an out-of-state fee exemption. Those who previously could not afford a postsecondary education may now be able to attend a community college or state university if they receive an exemption.

Empower families—The bill provides for grants to be awarded to eligible applicants to cover the annual cost of attendance at a state university or community college. This may benefit families who do not have the financial means to send a family member to college if a family member is awarded a grant under this program. The bill also provides a more affordable education to those students who apply and receive an out-of-state fee exemption. This may benefit families who do not have the financial means to send a family member to college at out-of-state prices.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Background**

On January 11, 2006 Governor Bush announced his Access and Diversity Initiative (Initiative). According to the Governor's January 11<sup>th</sup> Press Release, the purpose of the Initiative is to provide incentives to traditionally underrepresented students seeking an education in Florida's State University System. The Initiative includes recommendations by the Governor for increased funding for need based financial aid, the creation of a new scholarship program titled the First Generation Matching Grants, and the creation of an Access and Diversity Commission (Commission).

In addition to the announcement of the Initiative, the Governor also signed Executive Order 06-05 creating the 17-member Commission. The Executive Order provides for the Commission to meet in conjunction with the Student Affairs Committee of the Florida Board of Governors to evaluate issues surrounding disadvantaged and traditionally underrepresented students and advocate and make recommendations concerning the following:

- Specific accountability and performance measures regarding traditionally underrepresented and economically disadvantaged students for the Board of Governors and state universities to include in their strategic plans or performance evaluations.
- Need-based financial aid: Enhanced public and private need-based aid and financial assistance and, specifically, increased funding for Florida Student Assistance Grants (FSAG).
  - According to the Governor's Press Release, the Governor plans to recommend a \$35.8 million increase in need-based funding through FSAG and will also recommend an additional \$1.1 million in funding for need-based financial aid at Florida's four Historically Black Colleges and Universities.

- College Board Partnership: Additional funding for the College Board Partnership to expand services that enhance student college readiness for traditionally underrepresented students. Services include AP, PSAT and SAT teacher training; college admission test preparation; SAT preparation; tutoring programs to help students transition into college and family information on colleges.
  - According to the Governor's Press Release, the Governor plans to recommend an increase in funding for the state's partnership with the College Board from \$7.1 million to \$10.1 million.
- Stanley Tate Project STARS Scholarship Program: Additional funding for the STARS Program, which provides prepaid scholarships for at-risk, low-income students who remain drug and crime-free, stay in school and work with a mentor.
  - According to the Governor's Press Release, the Governor plans to recommend an increase in funding for this program by \$4 million, for a total of \$10 million. These state funds combined with private donations will provide an additional 2,090 scholarships, which pay for tuition at state universities and community colleges.
- College Reach-Out Program (CROP): Increased funding for CROP to provide additional after-school and weekend counseling and tutorial services, to increase participation in AP classes, to provide transportation to classes for dually enrolled students, and to purchase computers to provide increased access to the Florida Virtual School.
  - According to the Governor's Press Release, the Governor will recommend a \$1 million increase in funding for the CROP program. The funding will expand counseling and tutorial services, serving an additional 1,654 individuals, for a total of 10,200 students. It will also help expand after-school and Saturday programs, provide transportation to classes for dually enrolled students and assist in the purchase of computers to provide access to the Florida Virtual School across the 38 CROP post-secondary institutions.
- First Generation Matching Grants: The establishment of this program will provide scholarships to full-time students who are Florida residents, are the first in their families to attend college, and have demonstrated a financial need.
  - According to the Governor's Press Release, this \$6.5 million program will provide a dollar-for-dollar match for private donations to state universities
- University Presidents' Focus on Achievement Mentoring Partnership: Expanding mentoring to target low income middle school students and matching them with local campus compact mentors trained by Volunteer Florida Foundation. The purpose is to encourage economically disadvantaged and traditionally underrepresented students to pursue post-secondary goals and prepare these students for state university enrollment.

Executive Order 06-05 requires the Commission to present a Final Report on its findings and recommendations to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Board of Governors by June 30, 2006. At such time the Commission will also disband.

### **Effect of Proposed Changes**

The bill creates the First Generation Matching Grant Program (program), one of the seven initiatives addressed by the Governor's Executive Order. The program is created to enable each state university and community college to provide donors with a matching grant incentive for contributions that will create grant-based student financial aid for undergraduate students who demonstrate financial need and whose parents have not earned a baccalaureate degree.

The bill requires appropriated funds for the program to be allocated by the Office of Student Financial Assistance (OSFA) to match private contributions on a dollar-for-dollar basis. Matching funds must be generated through contributions pledged for the purpose of this program and not for any other state matching program. Pledged contributions are not eligible for matching prior to the actual collection of the total funds. The bill requires that 50 percent of the allocated funds be reserved for state universities and the remaining 50 percent for community colleges. Within this allocation, OSFA must reserve a proportionate allocation for each state university and community college on the basis of full-time equivalent enrollments. Funds that remain unmatched as of December 1 must be reallocated to state universities and community colleges that have remaining unmatched private contributions for the program on the basis of full-time equivalent enrollments.

The bill provides that payment of the state matching grant is to be transmitted to the president of each participating institution or his or her representative in advance of the student registration period.

Each participating state university and community college must establish an application process, determine student eligibility for initial and renewal awards in conformance with the eligibility requirements each applicant must meet, identify the amount awarded to each recipient, and notify recipients of the amount of their awards.

In order to be eligible to receive a grant from this program, the bill requires an applicant to:

- Be a resident for tuition purposes pursuant to s. 1009.21, F.S.
- Be a first-generation college student. For the purposes of this program, a student is considered "first-generation" if neither of the student's parents, as defined in s. 1009.21(1), F.S., earned a college degree at the baccalaureate level or higher.
- Be accepted at a state university or community college.
- Be enrolled for a minimum of six credit hours per term as a degree-seeking undergraduate student.
- Have demonstrated financial need by completing the Free Application for Federal Student Aid.

The bill requires that the award amount be based on the student's need assessment after any scholarship or grant aid, including, but not limited to, a Pell Grant or a Bright Futures award, has been applied. No award may exceed the institution's estimated annual cost of attendance for comparable undergraduate students attending the institution.

Each participating institution must report the eligible students to whom grant moneys are disbursed each academic term to OSFA by the date they establish. Institutions are also required to certify the amount of funds disbursed to each student and remit undisbursed funds to OSFA by June 1 of each year.

The bill also requires an annual report by each participating institution to be submitted to the Executive Office of the Governor, the Speaker of the House of Representatives, and the President of the Senate. Each community college must also report to the State Board of Education and each state university must also report to the Board of Governors. The annual report must include eligibility requirements for recipients, the aggregate demographics of recipients, retention and graduation rates of recipients, and a delineation of funds awarded to recipients.

The bill requires that the program be implemented as specifically funded.

#### Out-of-state fee exemption

The bill also creates a limited number of exemptions from paying out-of-state fees at a community college or state university. A student who meets all of the following requirements may be eligible for one of the exemptions:

- Has resided in Florida with a parent for at least 3 consecutive years immediately preceding the date the student received a high school diploma, or its equivalent, and has attended a Florida public high school for at least 3 consecutive years during such time.
- Has been accepted by and enrolls in a community college or state university within 12 months of receiving the high school diploma.
- Has submitted an application for the exemption to the Department of Education (DOE), in the manner prescribed by the DOE by the deadline established by the DOE.

For the 2006-2007 academic year, the DOE is required to distribute the exemptions in the following manner:

- To the first 1,500 students currently enrolled in a community college or state university who have a cumulative grade point average of at least 2.0 and who submit an application to the DOE and meet the eligibility criteria.
- To the top 500 students in academic performance in Florida public high schools who submit an application to the DOE and meet the eligibility criteria.

Beginning with the 2007-2008 academic year, the DOE can issue up to 500 new exemptions per year to the top 500 students in academic performance in Florida public high schools who submit an application to the DOE and meet all eligibility criteria.

The bill provides that in order for a student to retain the exemption, a student must complete at least 12 semester credit hours, or the equivalent, in the previous academic year and maintain at least a 2.0 cumulative grade point average.

The DOE is required to administer the exemption program, develop an application form, and establish deadlines and guidelines for student participation. The DOE must issue the exemptions by August 31 of each year and must notify the student and the community college or state university in which the student is enrolled.

The bill prohibits the exemption from being used for remedial courses, graduate-level courses, or professional-level courses.

The effective date of the bill is July 1, 2006.

#### C. SECTION DIRECTORY:

**Section 1:** Creates s. 1009.701, F.S., which creates the First Generation Matching Grant Program to provide financial aid to undergraduate students with financial need whose parents have not earned a baccalaureate degree; providing for appropriation, allocation, and distribution of funds; providing student eligibility requirements; providing the basis for the amount of awards; and providing duties of institutions participating in the program

**Section 2:** Creates s. 1009.255, F.S., providing an out-of-state fee exemption; providing eligibility criteria; providing for distribution of the exemption; limiting participation in the program; requiring the Department of Education to administer the exemption program; and prohibiting use of the exemption for certain purposes.

**Section 3:** Provides an effective date of July 1, 2006.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

Please see FISCAL COMMENTS.

2. Expenditures:

Please see FISCAL COMMENTS.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill does not appear to have a fiscal impact on local government revenues.

2. Expenditures:

The bill does not appear to have a fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill requires matching funds; therefore, there will be an impact on the private sector as universities and community colleges will need donations to be made for the First Generation Matching Program in order to receive any funding from the state.

The bill provides for grants to be awarded to eligible applicants to cover the annual cost of attendance at a state university or community college. Recipients of this grant have the ability to attend a state university or community college where previously this may not have been possible.

In addition, students who, in the past, may have been unable to afford a postsecondary education will have expanded educational opportunities if they receive one of the out-of-state fee exemptions.

D. FISCAL COMMENTS:

*First Generation Matching Grant Program*

The House Proposed General Appropriations Bill (House Bill 5001, Specific Appropriation 79) provides an appropriation of \$14,000,000 for the program.

*Out-of-state fee exemption*

Students who previously may not have enrolled in a state university or community college due to the expense may now attend if they receive an out-of-state fee exemption because of the reduced cost to such students; therefore, these institutions may experience an increase in tuition and fee revenues. However, to the extent a student may have attended a state university or community college paying the out-of-state fees, an institution could experience a loss in tuition and fee revenues.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a city or county to spend funds or to take any action requiring the expenditure of funds.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

#### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 7, 2006, the Colleges and Universities Committee adopted amendments to HB 795. The bill was reported favorably with a Committee Substitute. The Committee Substitute differs from the original bill in the following ways:

- Extends the First Generation Matching Grant Program to include community colleges.
- Provides for allocation of funds by the Office of Student Financial Aid instead of the Board of Governors due to the addition of community colleges.
- Requires a 50-50 split in allocated funds between the 28 community colleges and 11 state universities. Within each 50-percent allocation a proportionate allocation is reserved for each state university and community college on the basis of full-time equivalent enrollments.
- Provides for any unmatched funds as of December 1 to be reallocated to state universities and community colleges that have remaining unmatched funds.
- Removes duplicative Pell Grant eligibility requirement.
- Clarifies that any award from the program will be issued after other aid has been applied.
- Requires participating institutions to fulfill certain reporting requirements.

The Committee Substitute also revises provisions relating to the determination of a student's residency status for tuition purposes by extending residency status to any student, other than a nonimmigrant alien within the meaning of federal law, who meets the following criteria:

- Has resided in Florida with a parent for at least 3 consecutive years immediately preceding the date the student received a high school diploma or its equivalent.
- Has attended a Florida high school for at least 3 consecutive years during such time.
- Has filed an affidavit with the institution of higher education stating that the student has filed an application to legalize his or her immigration status or will file such application as soon as he or she is eligible to do so.

On April 10, 2006, the Education Council adopted an amendment to HB 795. The bill was reported favorably with a Council Substitute. This Council Substitute differs from the previous Committee Substitute by removing the provisions relating to the determination of a student's residency status for tuition purposes and creating a new section of law that provides a limited number of exemptions from paying out-of-state fees at a community college or state university. The Council Substitute requires the Department of Education (DOE) to administer the exemption program and provides that a student who meets all of the following requirements may be eligible for one of the exemptions:

- Has resided in Florida with a parent for at least 3 consecutive years immediately preceding the date the student received a high school diploma, or its equivalent, and has attended a Florida public high school for at least 3 consecutive years during such time.
- Has been accepted by and enrolls in a community college or state university within 12 months of receiving the high school diploma.
- Has submitted an application for the exemption to the Department of Education (DOE), in the manner prescribed by the DOE by the deadline established by the DOE.

The Council Substitute provides that for the 2006-2007 academic year only, the DOE must distribute the exemptions to the first 1,500 students currently enrolled in a community college or state university who have a cumulative grade point average of at least 2.0 and who submit an application to the DOE. For the 2006-2007 academic year and each year thereafter, the DOE must distribute the exemptions to the top 500 students in academic performance in Florida public high schools who submit an application and meet the eligibility criteria. The DOE must issue the exemptions by August 31 of each year and notify the student and the postsecondary institution in which the student is enrolled.

In order for a student to retain the exemption, the Council Substitute requires a student to complete at least 12 semester credit hours or the equivalent in the previous academic year and maintain at least a 2.0 cumulative

grade point average. The Council Substitute prohibits use of the exemption for remedial courses, graduate level courses, or professional level courses.