

**The Florida Senate**  
**PROFESSIONAL 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: Commerce Committee

BILL: CS/SB 1222

INTRODUCER: Commerce Committee and Senator Ring

SUBJECT: Student Financial Assistance

DATE: April 10, 2007

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Harkey</u>	<u>Matthews</u>	<u>HE</u>	<b>Favorable</b>
2.	<u>Pugh</u>	<u>Cooper</u>	<u>CM</u>	<b>Fav/CS</b>
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	<u>HI</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

CS/SB 1222 creates the Sure Futures Postgraduate Scholarship Program to match private-sector businesses with students who are seeking advanced degrees and employment. A corporate sponsor would provide a scholarship for a student, who would agree to work for the corporate sponsor for a minimum of 4 years after graduation.

In return, the corporate sponsor becomes eligible for a credit against its corporate income tax liabilities equal to contribution. The maximum corporate income tax credits available the first 2 years of the program shall be \$10 million annually.

CS/SB 1222 establishes the Sure Futures Foundation (foundation) as a non-profit organization and provides for membership and duties of a foundation board to administer the program.

This CS creates section 1009.893 of the Florida Statutes.

**II. Present Situation:**

Academic departments within the state universities provide financial assistance to graduate students who serve as teaching assistants or paid interns. Universities also may waive tuition for certain graduate students, as authorized in the General Appropriations Act (GAA). For FY 2006-2007, the GAA authorizes each university board of trustees to waive tuition and out-of-state fees for purposes which support and enhance the mission of the university, based on policies adopted by the boards of trustees.<sup>1</sup> Graduate students are eligible to borrow a combined subsidized and

<sup>1</sup> General Appropriations Act for Fiscal Year 2006-2007. Specific Appropriation 164. Ch. 2005-25, L.O.F.

unsubsidized federal aggregate loan amount of up to \$138,500, and may also be eligible for private student loans with no aggregate maximum.

Florida Scholarship and Loan Forgiveness Programs related to work include:

- The Medical Education Reimbursement and Loan Repayment Program in s. 1009.65, F.S., administered by the Department of Health;
- The Nursing Student Loan Forgiveness Program in s. 1009.66, F.S., administered by the Department of Health; and
- The Critical Teacher Shortage Student Loan Forgiveness Program in s. 1009.59, F.S., administered by the Department of Education's Office of Student Financial Aid.

Since 2002, a corporate tax credit for donated scholarships has been available in Florida law for low-income youngsters enrolled in eligible K-12 private schools, pursuant to s. 220.187, F.S., but there is no similar program for post-secondary students.

### III. Effect of Proposed Changes:

CS/SB 1222 creates the Sure Futures Postgraduate Scholarship Program to match private-sector businesses needing employees who have advanced degrees, with students who are seeking both advanced degrees and employment. The goals of the program are to provide for a better educated workforce by offering students greater access to advanced degrees, and to recruit and retain Florida's best and brightest graduate students by offering them comprehensive financial assistance and employment.

**Section 1** creates s. 1000.893, F.S., establishing the Sure Futures Foundation (foundation). It requires the foundation to seek non-profit status under s. 501(c)(3) of the Internal Revenue Code. The foundation will be governed by the Sure Futures Foundation Board (foundation board), which will administer the Sure Futures Postgraduate Scholarship Program with guidance from the Board of Governors and the State Board of Education. Duties of the foundation board include:

- Adoption of policies and procedures for implementation of the program;
- Approval of corporate partners and their scholarship criteria;
- Issuance of certificate letters to corporate partners acknowledging their eligibility for corporate tax credits; and
- Establishment of a process for approval of printed materials, marketing, and advertising.

The foundation board will be comprised of the following members:

- The Commissioner of Education as an ex officio member;
- The chair of the Board of Governors as an ex officio member;
- Four state university presidents selected by the State University Presidents' Association to serve 2-year terms;
- Four corporate partners participating in the program, recommended by the Commissioner of Education and selected by the Governor, to serve 2-year terms; and

- One graduate student recommended by the Commissioner of Education and selected by the Governor to serve a 1-year term.

The Commissioner of Education, the chair of the Board of Governors, the university presidents, and the corporate partners may designate specific individuals to represent them at board meetings.

The foundation members shall serve without compensation, but shall be eligible for per diem and travel expenses, pursuant to s. 112.061, F.S., incurred during the performance of their responsibilities.

The state Department of Education (DOE) shall provide administrative support and staff to the foundation.

#### Student eligibility provisions

Under the provisions of CS/SB 1222, the following students are eligible to obtain a list of Florida corporate partners and the graduate degree programs for which the partners are seeking candidates:

- A student in his or her senior year who is an undergraduate student at a state university;
- A student in his or her senior year who is an undergraduate student at an out-of-state university but who would otherwise qualify as a resident for purposes of in-state tuition; and
- A graduate of a state university who intends to pursue a graduate degree program at a state university.

A student must apply through the program to each individual corporate partner using a standard application form, subject to a maximum number of applications a student may submit in a given scholarship cycle. A student selected by a corporate partner will sign a contract agreeing to borrow scholarship funds through the program, with a waiver of payment provision if a 4-year employment obligation is completed. The scholarship will cover tuition, fees, and books for the degree program and room and board based on the university dormitory and meal plan rate for each year the student is enrolled full time as a graduate student.

A student must maintain a minimum grade point average as determined by the corporate partner. If a student is unable to take a full course load during a summer semester, the student may be required by the corporate partner to participate in an internship program. Upon graduation with an advanced degree, a graduate will begin working for the corporate partner and must remain employed by the partner for a minimum of 4 years in Florida, as stipulated in the contract. If a student fails to maintain the required grade point average or the graduate terminates his or her employment before completing the 4-year obligation, a prorated portion of the scholarship will convert to a low-interest loan.

#### Corporate sponsorships and tax credits

To participate in the program, a corporate partner will contribute funds to the program in amounts equal to the scholarship funds necessary for completion of a degree program from the applicable university. Contributions may be made in one lump sum or on an annual basis.

A corporate partner may establish criteria, including, but not limited to: the degree sought, minimum grade point average, and extracurricular activity requirements. A corporate partner may select the state universities at which students may enroll, or it may allow its scholarships to be available for study at any state university.

CS/SB 1222 allows a corporate sponsor to receive a credit against its corporate income tax liability equal to the amount of the scholarship contribution. For the first 2 years of the program, the total tax credits available to corporate partners will be limited to \$10 million per year. Beginning with the third year of the program, as more corporate partners participate, the total tax credits available to corporate partners will be increased. Beginning with the sixth year of the program, a tax credit will be 75 percent of a scholarship contribution; beginning with the eleventh year of the program, a tax credit will be 50 percent of a contribution.

The tax credits expire in 10 years.

If a corporate partner terminates a scholarship employee for reasons other than malfeasance, misfeasance, or nonfeasance prior to the employee's completion of the 4-year obligation, the employee shall not be required to repay the scholarship. A corporate partner is encouraged to establish protocols to retain an employee prior to his or her termination.

#### Accountability and organizational provisions

CS/SB 1222 directs DOE's Office of Student Financial Assistance (OSFA) to establish a central database of corporate partners, the graduate degree programs for which the partners are seeking candidates, and student applicants and their profiles, as well as establish a standard application for use by all state universities.

On an annual basis, DOE is required to establish the amount necessary to cover the costs for degree programs for which corporate partners may make contributions and receive tax credits.

CS/SB 1222 requires each state university to offer students information concerning the program. As deemed appropriate by a university's administration, a university may provide additional information or activities, such as providing one-on-one discussions with advisors, conducting seminars on the program, or working with companies in its service area to create scholarships through the program.

The CS encourages state agencies, local workforce boards, chambers of commerce, and Enterprise Florida, Inc., to promote participation in the program by students and corporate partners.

DOE is given authority to adopt rules to implement the provisions of CS/SB 1222, such as the necessary forms and certification procedures. Also, DOE and the Department of Revenue (DOR) are directed to develop a cooperative agreement to aid in the implementation of the corporate tax credits authorized under the CS.

**Section 2** amends s. 220.02, F.S., to specify the order in which the corporate tax credits associated with the Sure Futures program may be claimed on tax returns.

**Section 3** amends s. 220.13, F.S., to prohibit the double deductions of corporate income tax credits.

**Section 4** appropriates from non-recurring general revenue no more than \$200,000 in FY 2007-2008 to DOE for administrative costs associated with the foundation and the Sure Futures scholarship program.

**Section 5** provides an effective date of July 1, 2007.

#### **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:

CS/SB 1222 creates a corporate tax credit for corporations that contribute scholarships for students in the Sure Futures program. The tax-credit cap is \$10 million in each of the first 2 years of the program, but is silent on the cap for subsequent tax years, except to state that the Legislature shall increase it.

B. Private Sector Impact:

The creation of a new scholarship opportunity for Florida residents to obtain a post-graduate degree could benefit the state's potential workforce by increasing the number of post-graduate degrees awarded. Furthermore, the scholarship's requirement that degree-earners commit to 4 years of employment with their sponsoring corporation in exchange for having their education expenses paid could encourage the retention of higher educated citizens and should strengthen the quality of the state's workforce.

C. Government Sector Impact:

CS/SB 1222 may generate additional revenue for the state universities based on additional students enrolling in graduate programs and obtaining graduate degrees.

OSFA estimates the number of new employees needed to implement the proposed program at 1.5 FTE, a Program Specialist Supervisor I for the full time position and a Program Specialist II for the half- time position. (See chart below.)

<b>Positions</b>			
	Program Specialist Supervisor I 1.0 FTE	Program Specialist II 0.5 FTE	Totals
Salaries and Benefits	\$58,532	\$26,570	\$85,102
Standard #3 Expense	9,915	9,915	19,830
Standard #3 OCO	1,300	1,300	2,600
Standard #3 Human Svcs.	401	401	802
Contracted Services	500	500	1,000
<b>Totals for positions</b>	<b>\$70,648</b>	<b>\$38,686</b>	<b>\$109,334</b>

OSFA estimates \$15,000 to cover first year start-up costs and an annual amount of \$35,000 for maintenance and administrative costs needed for an application, prepared documentation, and advisory sessions and seminars as proposed in this CS.

<b>Administrative Costs</b>	
	Annual Costs
Central Database (start-up costs)	\$15,000
Standard Application (storage)	5,000
Prepared Documentation (distribution, web enhancements, training modules, brochures)	25,000
Advisory Sessions & Seminars (staff training and travel)	5,000
<b>Total Administrative Costs</b>	<b>\$50,000</b>

To the extent that corporations were already providing financial assistance for their employees to obtain graduate degrees, the state could be subsidizing or underwriting that cost to corporations.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

## **VIII. Summary of Amendments:**

None.

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This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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