

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: Higher Education Committee

BILL: SB 1222

INTRODUCER: Senator Ring

SUBJECT: Student Financial Assistance

DATE: March 26 2007 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Matthews	HE	Favorable
2.	_____	_____	CM	_____
3.	_____	_____	FT	_____
4.	_____	_____	HI	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill 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 partner for a minimum of 4 years after graduation.

The bill establishes the Sure Futures Foundation as a non-profit organization and provides for membership and duties of a foundation board to administer the program.

This bill creates section 1009.893 of the Florida Statutes.

II. Present Situation:

Academic departments within the universities provide financial assistance to graduate students who serve as teaching assistants or paid interns. Universities may also waive tuition for certain graduate students, as authorized in the General Appropriations Act (GAA). For fiscal year 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.¹ Graduate students are eligible to borrow a combined subsidized and 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:

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

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 DOE/OSFA.

III. Effect of Proposed Changes:

The bill creates the Sure Futures Postgraduate Scholarship Program to match private sector businesses that need 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.

The bill establishes the Sure Futures Foundation and 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, 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; 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 a specific individual to represent them at board meetings.

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.
- 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 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. It may be prudent to define the terms of the loan in the contract in the event of default to avoid litigation.

To participate in the program a corporate partner will donate funds to the program in amounts equal to the scholarship funds necessary for completion of a degree program from which it wishes to employ graduates. Donations 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 and 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.

The bill provides that a corporate sponsor will receive a credit on its corporate income tax equal to the amount of the donation. For the first two years of the program, the total tax credits available to corporate partners will be limited to \$10 million per year, minus the costs associated with administering the program. Beginning with the third year of the program, as more corporate partners participate, the total tax credits available to corporate partners will be increased. However, the bill does not define the increase in tax credits available. Beginning with the sixth year of the program, a tax credit will be 75 percent of a donation and, beginning with the eleventh year of the program, a tax credit will be 50 percent of a donation.

The bill does not amend s. 220.02(8), F.S., to provide for the order in which the tax credit should be claimed against the corporate income; does not amend s. 220.13(1)9a), F.S., to provide for the customary add back of the amount of the credit so that the taxpayer does not receive both a deduction and a credit for the contribution. For credits of this nature, the Department of Revenue (DOR) reports that it is generally able to rely on a certification letter from the entity that received the donation. The bill does not provide for such a certification which would provide DOR assurance that the taxpayer actually made the donation and that the taxpayer is entitled to the credit that is claimed against the corporate income tax.

If a corporate partner terminates an 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.

The bill directs the former Division of Colleges and Universities of the Department of Education 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. The reference to the Division of Colleges and Universities is obsolete; the Board of Governors of the State University system now performs the functions of that former division. The bill directs the division to establish a standard application for use by all state universities. On an annual basis, the department is required to establish the amount necessary to cover the costs for degree programs for which corporate partners may make donations and receive tax credits.

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

The bill will take effect 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:

The bill provides that corporate partners will be eligible for a tax credit for their donations. However, the bill does not amend the income tax code in ch. 220, F.S., to provide for such an exemption. Additionally, the bill provides for an unidentified increase in the amount of tax credit available. For the first year of implementation, the tax credit is capped at \$10 million.

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 four 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:

The bill creates an initial tax credit cap at \$10 million. The amount of tax revenue that the state would not collect is indeterminate at this time.

This bill will probably generate additional revenue for the state universities based on additional students enrolling in graduate programs and obtaining graduate degrees.

The Office of Student Financial Assistance (OSFA) in the Department of Education 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.

Positions			
	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 Services	401	401	802
Contracted Services	500	500	1,000
Totals for positions	\$70,648	\$38,686	\$109,334

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 bill.

Administrative Costs	
	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
Total Administrative Costs	\$50,000

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.

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

VIII. Summary of Amendments:

None.

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