

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 1507

Tuition Rates at Community Colleges and State Universities

**SPONSOR(S):** Altman

**TIED BILLS:**

**IDEN./SIM. BILLS:** SB 2862

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Postsecondary Education</u>	<u>6 Y, 2 N</u>	<u>Barnhill</u>	<u>Tilton</u>
2) <u>Schools &amp; Learning Council</u>	<u></u>	<u>Tilton</u>	<u>Cobb</u>
3) <u>Policy &amp; Budget Council</u>	<u></u>	<u></u>	<u></u>
4) <u></u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

**SUMMARY ANALYSIS**

HB 1507 provides that it is the intent of the Legislature to discourage undergraduate students from exceeding the number of credit hours required to complete the students' respective degree programs and that, accordingly, a student will be required to pay 75 percent more than the in-state tuition rate for any credit hours taken in excess of the hours required to complete the degree program in which the student is enrolled.

This bill requires a student enrolled in a community college to pay 75 percent more than the in-state tuition rate for credit hours taken in excess of 120 percent of the credit hours required to earn an associate degree. This requirement does not apply to a maximum of 24 credit hours taken at a community college that apply to a student's baccalaureate degree.

This bill requires an undergraduate student who is enrolled in a state university to pay 75 percent more than the in-state tuition rate for credit hours taken in excess of 120 percent of the credit hours required to complete the degree program in which the student is enrolled, regardless of whether the student took those hours while enrolled at a community college, state university, or at any private postsecondary institution if the student received state funds while enrolled at the private postsecondary institution.

This bill requires a student enrolled in a baccalaureate program at a community college to pay 75 percent more than the in-state tuition rate for credit hours in excess of 120 percent of the number of credit hours required to complete the degree program in which the student is enrolled, regardless of whether the student took those hours while enrolled at a community college, state university, or at any private postsecondary institution if the student received state funds while enrolled at the private postsecondary institution.

Credit hours earned under certain circumstances will not be calculated as hours required to earn a degree. These include: college credit earned through an acceleration mechanism; credit hours earned through an internship program; credit hours required for certification, recertification, or certificate degrees; credit hours in courses from which a student withdrew due to reasons of medical or personal hardship; credit hours required to achieve a dual major; credit hours in remedial or ESOL courses; credit hours taken by active duty military personnel; and credit hours earned in military science courses..

This bill has an indeterminate impact on both state revenues and expenditures. Please see FISCAL ANALYSIS, section II.

The Committee on Postsecondary Education adopted two amendments on March 27, 2007. Please see AMENDMENTS, section IV.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

**Ensure lower taxes** – The bill requires students at community colleges and state universities to pay 75% more than the in-state tuition rate for certain credit hours taken in excess of 120 percent of the number of hours required to complete the degree program in which the student is enrolled.

### B. EFFECT OF PROPOSED CHANGES:

#### Present Situation

Excess hours are costly to both the state and students who take credit hours in excess of what is required to complete the students' respective degree programs. Students who take excess hours may also limit access opportunities for other students. Since 2004, the Office of Program Policy Analysis & Government Accountability (OPPAGA) has studied excess hours at state universities and community colleges to identify financial incentives the Legislature could mandate to help decrease state higher education funding costs by encouraging students to earn degrees with fewer excess hours.

In 2004, OPPAGA studied the excess hours accumulated by students graduating from state universities in 2002-03.<sup>1</sup> According to OPPAGA Report 04-44, the Fiscal Year 2002-2003 graduating class from state universities accumulated 438,344 in credit hours over 110% of their degree requirements, with 20% of the graduates taking about 74% of these credit hours. If students were required to pay the full cost of the excess credit hours, the state could save approximately \$37 million annually under a 110% threshold.

In addition, OPPAGA Report 04-44 found that the Fiscal Year 2002-2003 graduating class from state universities accumulated 337,837 credit hours in excess of 115% of their degree requirements. A small proportion (20%) of these students earned 83% of the excess credit hours. If students were required to pay the full costs of these excess credit hours, the state could save approximately \$29 million under a 115% threshold.

OPPAGA Report 04-44 identified several options used by other states that the Legislature could consider to reduce the costs of excess hours. These options included:

- Charging higher tuition for excess hours;
- Providing tuition rebates for students who graduate with few excess hours; and
- Offering "locked-in" tuition to encourage students to graduate in four years.

In 2005, OPPAGA was asked to determine the extent to which students take excess hours at the community college level and identify options for reducing these hours. In response to this request, OPPAGA analyzed courses taken over a six-year period by a cohort of 14,015 students who earned an AA, AS, or AAS degree from a Florida community college in 2001-2001.<sup>2</sup> Students who did not appear to earn enough credit hours to graduate, all remedial courses, and graduates who transferred between institutions or earned more than one degree were excluded from the OPPAGA analysis. As a result, the cohort used by OPPAGA represented approximately 39% of all 2001-02 community college graduates. The cohort of 14,015 community students examined by OPPAGA accumulated 293,714 excess hours.

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<sup>1</sup> See *Stronger Financial Incentives Could Encourage Students to Graduate with Fewer Excess Hours*, Office of Program Analysis & Government Accountability, Report 04-44, June 2004.

<sup>2</sup> See *Excess Hours at Community Colleges Warrant Attention by the Department of Education and the Legislature*, Office of Program Analysis & Government Accountability, Report 05-30, April 2005

OPPAGA Report 05-30 found that approximately 97% of the community college students in the cohort of 2001-02 graduates accumulated at least one excess hour and 61% accumulated hours that exceeded 120% of degree requirements. The report further found that a relatively small percentage of students in the cohort (20%) accounted for almost half (47%) of the total excess hours and 68% of the hours in excess of the 120% standard. Less than 9% of the excess hours of students in the cohort resulted from dropped or failed courses. The report found that the state paid approximately \$30 million for the excess hours students in the cohort attempted, while the students paid \$16.2 million in tuition. Excess hours taken by students who exceeded 120% of degree requirements cost the state \$26.6 million.

Based on interviews with community college administrators, OPPAGA Report 05-30 concluded that the main causes of excess hours at the community college level were student characteristics (such as age, marital status, employment status, English language proficiency, and educational preparedness) and inadequate academic advising. In addition, the report found that some students take community college courses that will satisfy upper division requirements, which causes excess hours to be taken at the community college level.

OPPAGA report 05-30 recommended that all community colleges strengthen their advising such as providing career counseling to help incoming students select appropriate majors and developing plans for the courses the students would need to take for those majors. OPPAGA also recommended that community colleges examine other ways to reduce excess hours such as examining schedules to ensure that they do not impede students from getting required courses in the proper sequence and, when appropriate, helping students to access and complete coursework on line. In addition, the report recommended that the Legislature consider providing institutional and student-based financial incentives including:

- Instituting higher tuition rates for students who accumulate excess hours above some level established by the legislature; and
- Creating a shared savings incentive program in which community colleges retain a portion of the cost savings associated with a reduction in excess hours.

In 2006, OPPAGA issued a progress report to inform the Legislature of actions taken in response to Report 04-44.<sup>3</sup> Report 06-58 found that while public postsecondary institutions have taken steps to reduce time to graduation and excess hours, it is too early to draw conclusions on their effectiveness. OPPAGA analyzed the records of 37,424 students receiving bachelor degrees from state universities in Fiscal Year 2004-2005 and found that they attempted 780,769 credits in excess of graduation requirements. While over three-quarters of students accumulated some excess hours, most excess hours were earned by a relatively small number of students. Twenty percent of the students accounted for over one-half (58%) of all credit hours over the minimum graduation requirements. The report noted that the percentage of graduates with excess credit hours and the average number of excess credit hours students accumulated upon graduation from a state university remained about the same from 2001-02 to 2004-05. The 780,769 excess hours that students took in Fiscal Year 2004-05 cost the state \$62 million and increased student tuition and fees by \$71 million.

## **Effects of Proposed Changes**

### **Community Colleges – Associate Degree**

Effective with freshmen enrolled in the fall semester or term 2007 and all freshmen thereafter, community college students who take more than 120 percent of the credit hours required to earn an associate degree are required to pay 75 percent more than the in-state tuition rate. For the 2006-2007 school year, a resident student at a public community college would pay \$54.92 per credit hour. Using the 2006-2007 tuition rates, a student who takes excess credit hours as outlined above would pay on

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<sup>3</sup> See *Excess Hours Cost State \$62 Million Annually; University Actions May Help Address Problem*, Office of Program Analysis and Government Accountability, Report 06-58, August 2006

average \$41.19 more for each credit hour taken in excess of 120 percent of the credit hours required to complete his or her degree.

This bill exempts up to 24 credit hours taken by a community college student while enrolled at a community college if the credit hours apply to the student's baccalaureate degree. This provision is designed to encourage students to continue taking lower level courses at the community college rather than at the state university where costs per credit hour are greater.

The excess credit hour requirements proposed by this bill may adversely impact certain students. Students who work may experience problems scheduling the courses needed for their major and may sign up for classes they do not need in order to keep their status as full-time students. Students need to retain this status to be eligible for federal financial aid, to be covered under their parents' health insurance policies, and to be classified as dependents for income taxes. Part-time students may also experience scheduling problems, especially when they cannot take courses in the proper sequence.<sup>4</sup> In addition, the bill may penalize transfer students to the extent a community college does not accept for transfer the credit hours for courses taken at another institution and requires the student to take a similar course(s) to satisfy graduation requirements.

### State Universities

Effective with freshmen enrolled in the fall semester or term 2007 and all freshmen thereafter, an undergraduate student who is enrolled in a state university must pay 75 percent more than the in-state tuition rate for credit hours taken in excess of 120 percent of the credit hours required to complete the degree program in which he or she is enrolled, regardless of whether the student took those hours while enrolled at a community college, state university, or at any private postsecondary institution if the student received state funds while enrolled at the private postsecondary institution. For the 2006-2007 school year, the resident undergraduate rate for tuition is \$73.77 per credit hour. Using the 2006-2007 tuition rates, a student who takes excess credit hours as outlined above would pay on average \$52.33 more for each credit hour taken in excess of 120 percent of the credit hours required to complete his or her degree.

The excess credit hour requirements proposed by this bill may adversely impact certain students. Students who work may experience problems scheduling the courses needed for their major and may sign up for classes they do not need in order to keep their status as full-time students. Students need to retain this status to be eligible for federal financial aid, to be covered under their parents' health insurance policies, and to be classified as dependents for income taxes. Part-time students may also experience scheduling problems, especially when they cannot take courses in the proper sequence. In addition, the bill may penalize transfer students to the extent a state university does not accept for transfer credit hours for courses taken at another institution and requires the student to take a similar course(s) to satisfy graduation requirements.

### Community Colleges – Baccalaureate Degree

Effective with freshmen enrolled in the fall semester or term 2007 and all freshmen thereafter, an undergraduate student who is enrolled in a baccalaureate degree program at a community college must pay 75 percent more than the in-state tuition rate for credit hours taken in excess of 120 percent of the credit hours required to complete the degree program in which he or she is enrolled, regardless of whether the student took those hours while enrolled at a community college, state university, or at any private postsecondary institution if the student received state funds while enrolled at the private postsecondary institution. Tuition at community colleges for baccalaureate degrees is limited by proviso in Specific Appropriation 139 of the General Appropriations Act<sup>5</sup> to no more than 85 percent of the cost of the tuition at the state university closest to the community college. If the tuition was at the

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<sup>4</sup> OPPAGA Report 05-30

<sup>5</sup> General Appropriations Act, 2006.

maximum for the 2006-2007 school year, the rate for tuition would be \$62.70 per credit hour. Using the 2006-2007 tuition rates, a student who takes excess credit hours as outlined above would pay on average \$47.03 more for each credit hour taken in excess of 120 percent of the credit hours required to complete his or her degree.

The excess credit hour requirements proposed by this bill may adversely impact certain students. Students who work may experience problems scheduling the courses needed for their major and may sign up for classes they do not need in order to keep their status as full-time students. Students need to retain this status to be eligible for federal financial aid, to be covered under their parents' health insurance policies, and to be classified as dependents for income taxes. Part-time students may also experience scheduling problems, especially when they cannot take courses in the proper sequence.<sup>6</sup> In addition, the bill may penalize transfer students to the extent a state university does not accept for transfer credit hours for courses taken at another institution and requires the student to take a similar course(s) to satisfy graduation requirements.

### Exceptions

Credit hours earned under the following circumstances are not calculated as hours required to earn a degree:

- College credits earned through an acceleration mechanism (e.g. dual enrollment, advanced placement)
- Credit hours earned through internship programs;
- Credit hours required for certification, recertification, or certificate degrees;
- Credit hours in courses from which a student must withdraw due to reasons of medical or personal hardship;
- Credit hours taken by active-duty military personnel;
- Credit hours required to achieve a dual major undertaken while pursuing a degree;
- Credit hours in remedial courses and English as a Second Language; and
- Credit hours earned in military science courses (e.g., R.O.T.C.).

### Notification

This bill requires postsecondary educational institutions to implement a process for notifying students regarding this additional cost for credit hours over 120 percent of graduation or degree requirements. Students must be notified upon their initial enrollment and again upon reaching the number of credit hours required to complete the degree program. The notice must include a recommendation for those students intending to earn credit hours beyond those required for their enrolled degree program to meet with their academic advisor.

## C. SECTION DIRECTORY:

Section 1. Creates s. 1009.286, requiring students to pay 75 percent more than the in-state tuition rate for credit hours in excess of a specified number of credit hours required to complete a degree program; providing for notification of students by a postsecondary institution; and providing applicability.

Section 2. Provides an effective date of July 1, 2007.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

Please refer to Fiscal Comments.

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<sup>6</sup> OPPAGA Report 05-30

2. Expenditures:

Please refer to Fiscal Comments.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill does not appear to impact local government revenues.

2. Expenditures:

This bill does not appear to impact local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Students who take more than 120 percent of the credit hours required for graduation or a degree would incur additional expenses for those credit hours in excess of the required credit hours for graduation.

D. FISCAL COMMENTS:

This bill may increase the revenues of state universities and community colleges by the additional fees paid by students taking hours in excess of 120 percent required for graduation or a degree.

On May 26, 2005, the Revenue Estimating Conference reviewed a similar bill and estimated that for university students the similar legislation would cause an increase in tuition revenues of roughly \$13,272,030. The Conference then estimated that for community college students the similar legislation would cause an increase in tuition revenues of roughly \$6,040,253. Due to increases in tuition rates since 2005, it is anticipated that there will be a greater revenue impact for this bill.

The implementation of this bill may impact the expenditures of state universities and community colleges. The costs associated with the implementation of the provisions of this bill are unknown.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

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

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

This bill does not reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Line 55 of the bill references "college credits earned through an **accelerated** mechanism identified in s. 1007.27." Section 1007.27, F.S., identifies a number of "articulated acceleration mechanisms." Staff recommends an amendment to replace "accelerated" with "articulated acceleration".

#### D. STATEMENT OF THE SPONSOR

No statement submitted.

#### IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

The Committee on Postsecondary Education adopted two amendments on March 27, 2007. Representative Altman's first amendment changes the intent of the Legislature from *discouraging* undergraduate students from exceeding the number of credit hours required to complete the degree program to *encouraging* undergraduate students to complete their degree program in the most efficient way possible. The legislative intent is also expanded to include providing access to additional college courses.

Representative Altman's second amendment reduces the additional percent of tuition a student must pay on credit hours taken in excess of 120 percent of graduation requirements from 75 percent to 50 percent. This amendment applies to students enrolled in both community colleges and state universities.