

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Higher Education Committee

BILL: CS/SB 320

INTRODUCER: Higher Education Committee and Senator Constantine

SUBJECT: Postsecondary Tuition and Fees

DATE: March 21, 2008 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Harkey	Matthews	HE	Fav/CS
2.			HI	
3.				
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

University Tuition Differential

The bill would revise the eligibility criteria for state universities authorized by the Board of Governors to establish a uniform maximum undergraduate tuition differential, which does not exceed 30 percent of tuition, to require only that the institution have research awards or expenditures from externally awarded contracts and grants of at least \$100 million per year, as reported by the National Science Foundation Survey of Research and Development Expenditures at Universities and Colleges. Accordingly, these universities would no longer have to meet the 2005 Carnegie Classifications as a research university with very high research activity to qualify for the tuition differential.

Excess Credit Hours

The bill requires each freshman entering postsecondary education as a first-time college, degree-seeking student in the 2008 fall semester and all first-time college degree-seeking freshmen thereafter to pay 50 percent per credit hour above the normal in-state tuition rate for credit hours in excess of 150 percent of those required for the degree.

This bill amends section 1009.24, Florida Statutes, and creates section 1009.286, Florida Statutes.

II. Present Situation:

University Tuition Differential

The 2007 Legislature authorized the Board of Governors of the State University System to establish a tuition differential for research universities that meet the criteria for Funding Level 1 or Level 2 under s. 1004.635(3), F.S.¹ The tuition differential is a supplemental fee that the Board of Governors could authorize research universities to charge for the purpose of improving undergraduate instruction and support services.

The Board of Governors may establish a tuition differential for Level 1 institutions that does not exceed 40 percent of tuition. Level 1 institutions are defined as meeting the following criteria:

- The number of nonprofessional doctoral degrees² awarded each year must exceed 250, and at least 25 percent of the nonprofessional doctoral degrees must be in a mathematics, science, technology, engineering, or a health-related discipline;
- The number of postdoctoral appointees reported in the most recent National Science Foundation/National Institutes of Health Survey of Graduate Students and Postdoctorates in Science and Engineering must exceed 200;
- The 4-year undergraduate graduation rate must equal 40 percent or higher;
- Expenditures from externally awarded contracts and grants must be a minimum of \$100 million per year;
- The university must have a proven track record of securing patents and licenses leading to products in the marketplace over the last five years;
- At least 75 percent of the entering freshmen each academic year who are classified as residents for tuition purposes must be eligible to receive Florida Bright Futures Scholarships; and
- The Basic Classification of the university, according to the 2005 Carnegie Classifications, must be as a research university with very high research activity.

Currently, Florida State University and the University of Florida meet the criteria for Level 1.

The Board of Governors may establish a tuition differential that does not exceed 30 percent of tuition for all institutions that qualify as Level 2. Level 2 institutions are defined to meet the following criteria:

- Expenditures from externally awarded contracts and grants must be a minimum of \$100 million per year; and
- The Basic Classification of the university, according to the 2005 Carnegie Classifications, must be as a research university with very high research activity.

¹ ch. 2007-225, L.O.F.

² The statute specifies that for purposes of this program, nonprofessional doctoral degrees do not include degrees awarded in law, medicine, dentistry, and veterinary medicine.

The University of South Florida meets the criteria for Level 2.

The maximum tuition differential established by the Board of Governors for Level 1 institutions must be at least 30 percent greater than the maximum tuition differential established by the board for Level 2 institutions. The growth of tuition plus the differential cannot exceed 15 percent for any fiscal year. Revenue generated by the tuition differential must be spent solely for improving the quality of direct undergraduate instruction and support services. The tuition differential is exempt from payment under the Bright Futures Scholarship Program and does not apply to prepaid contracts issued before July 1, 2007. The differential does not apply to any student who is in attendance, and is continuously enrolled, at the institution before July 1, 2007. Finally, the differential may be waived for need-based students.

Although the tuition differential law passed in 2007, the three eligible institutions agreed to delay imposing the tuition differential for one year.

Cost for Excess Credit Hours

In 2006, the Office of Program Policy and Government Accountability (OPPAGA) released a report on the cost of excess hours taken by students. According to the report:³

- Most students attending the state's public universities graduate with credit hours in excess of graduation requirements, which increase state higher education costs;
- In 2004-05 FY, these excess hours cost the state \$62 million;
- Florida public postsecondary institutions have taken steps to reduce time to graduation and excess hours. Because these strategies have been implemented relatively recently, it is too early to draw conclusions on their effectiveness;
- The percentage of graduates with hours in excess of 115 percent of graduation requirements varies by university; and
- Similar to the findings for the 115 percent threshold, the percentage of graduates with hours in excess of 120 percent of the graduation requirement also varies considerably by institution.

In 2004, OPPAGA issued a report in response to a legislative request to identify financial incentives the Legislature could implement to decrease state higher education funding costs.⁴ OPPAGA studied policies to encourage students to earn degrees with fewer excess credit hours. The report suggested three ways to reduce state costs:

- Charge the full cost for credit hours in excess of 115 percent of graduation requirements;
- Provide tuition rebates to students who graduate with minimal excess hours; and
- Offer "locked-in" tuition, which requires students who do not graduate within four years to pay higher tuition rates.

³ *Excess Hours Cost State \$62 Million Annually; University Actions May Help Address Problem*, Office of Program Analysis and Government Accountability, Report No. 06-58, August 2006.

⁴ *Stronger Financial Incentives Could Encourage Students to Graduate with Fewer Excess Hours*, Office of Program Analysis and Government Accountability, Report No. 04-44, June 2004.

During 2002-2003, 78 percent of all students accumulated excess hours. In fact, these students attempted 719,660 credit hours in excess of graduation requirements. The 719,660 excess hours attempted by students in 2002-2003 cost the state \$62 million. However, 20 percent of all students accounted for 57 percent of all credit hours over the minimum graduation requirements. OPPAGA identified several factors that contribute to students accumulating excess hours:

- Some students change their majors frequently.
- Some students take courses that are not required for graduation.
- Some students may withdraw from or fail courses they enroll in, and may retake such classes.

OPPAGA studied other states that charge students for excess credit hours. In 1994, North Carolina established a policy of charging students 25 percent more for hours in excess of 110 percent of the amount needed for a degree. According to a preliminary report, the average number of credit hours attempted and the average number of hours earned under the policy decreased. In addition, Texas charged a student higher tuition when a student takes 45 hours or more over the number of required hours to graduate.

OPPAGA examined the effects in this state of setting thresholds for higher tuition at 115 percent and 110 percent over the minimum graduation requirements. The 2002-2003 FY graduating class accumulated 337,837 credit hours in excess of 115 percent of their graduation requirements.

Assuming a 120-hour degree program, a student would be able to take up to 18 additional credit hours without exceeding the 115 percent threshold. Again, 20 percent of these students earned 83 percent of the excess credit hours. If students were required to pay the full costs of any credit hours earned in excess of 115 percent of the hours required for graduation, the state could save approximately \$29 million.⁵

Under a policy in which students would pay the full cost of credit hours earned in excess of 110 percent of graduation requirements, the state would save approximately \$37 million. Under this policy, students would be able to take up to 12 additional credit hours over graduation requirements based on a 120-hour program. Again, 20 percent of the students in the 2002-2003 graduation class were taking 74 percent of the 438,344 excess credit hours.⁶

III. Effect of Proposed Changes:

University Tuition Differential

The bill revises the eligibility criteria for state universities approved by the Board of Governors to establish a tuition differential that does not exceed 30 percent of tuition. The requirement for the university to be recognized as a research university with very high research activity under the 2005 Carnegie Classification is eliminated. The bill requires that the institution have research awards or expenditures from externally awarded contracts and grants of at least \$100 million per year, as reported by the National Science Foundation Survey of Research and Development Expenditures at Universities and Colleges. The new eligibility criteria provide two alternative

⁵ *Id.*

⁶ *Id.*

measures of research activity—the total of research awards or the research expenditures reported by the National Science Foundation survey. Research awards often are provided over a period of years; it is unclear how such awards would be audited or counted as indicators of an annual volume of research. The National Science Foundation Survey of Research and Development Expenditures at Universities and Colleges is a survey of expenditures only, not awards.

The 2006-2007 research expenditures of state universities submitted to the National Science foundation are as follows⁷:

University of Florida	\$314,090,000
University of South Florida	\$190,087,000
Florida State University	\$132,850,000
University of Central Florida	\$ 78,354,000
Florida International University	\$ 67,604,000
Florida Atlantic University	\$ 21,587,000
Florida Agricultural and Mechanical University	\$ 15,579,000
Florida Gulf Coast University	\$ 7,855,000

The bill retains the prepaid tuition contract exemption for contracts in effect on July 1, 2007, and the exemption from the Bright Futures Scholarship Program. Students who are in attendance at the newly qualifying institution prior to July 1, 2007, would be exempt. However, a student who enrolled in the university subsequent to that date, but before the effective date of the act, would be subject to the increased tuition.

Cost for Excess Credit Hours

The bill requires students to pay an additional cost for credit hours exceeding more than 150 percent of the credit hours required for a degree. Each freshman entering postsecondary education as a first-time college, degree-seeking student in the 2008 fall semester and all first-time college degree-seeking freshmen thereafter would have to pay 50 percent per credit hour above the normal in-state tuition rate for credit hours in excess of 150 percent of those required for the degree. A student may be granted an exemption from the additional fee only if an appeal has been granted by the postsecondary institution based upon documented extenuating circumstances.

Each community college district board of trustees may enact policies requiring counseling and advising for any student subject to the cost for excess credit hours prior to the student's completion of 24 earned credit hours to ensure that the student is making efficient and appropriate progress toward a degree. Any student subject to the cost for excess credit hours who has earned credits in excess of 120 percent of the required credit hours toward completion of his or her degree program must meet with an advisor in order to prepare an educational plan outlining efficient completion of his or her degree prior to registering for further classes.

The bill requires the Department of Education to develop a performance-based budgeting methodology to encourage community colleges to support students in progressing quickly

⁷ Florida Board of Governors.

toward their academic goal. Specifically, the methodology should measure and reward the following policy goals:

- Increasing the percentage of students graduating with fewer than 120 percent of the credit hours needed to complete a degree;
- Decreasing the number of unqualified withdrawals; and
- Decreasing the number of students persisting towards their academic goal with more than 120 percent of the credit hours required for a degree.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Students would have to pay the tuition differential unless: 1) they were in attendance at the university before July 1, 2007, and remained continuously enrolled; 2) they were the beneficiary of a prepaid tuition contract in the Stanley G. Tate Florida Prepaid College Program that was in effect on July 1, 2007, and remained in effect; or 3) they were eligible for the Florida public student assistance grant and the university waived the fee.

The cost of prepaid contracts to attend qualifying institutions would increase.

Each freshman entering postsecondary education as a first-time college, degree-seeking student in the 2008 fall semester and all first-time college degree-seeking freshmen thereafter to pay 50 percent per credit hour above the normal in-state tuition rate for credit hours in excess of 150 percent of those required for the degree.

C. Government Sector Impact:

To the extent that state universities qualify for the tuition differential, the universities may generate additional revenue.

To the extent that there are students who earn more than 150 percent of the credits required for a degree, there may be an indeterminate fiscal savings to the state.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Higher Education on March 19, 2008:

The CS for SB 320:

- Revises the eligibility criteria for state universities authorized by the Board of Governors to establish a uniform maximum undergraduate tuition differential, which does not exceed 30 percent of tuition, to be research awards received or research expenditures reported to the National Science Foundation;
- Requires each freshman entering postsecondary education as a first-time college, degree-seeking student in the 2008 fall semester and all first-time college degree-seeking freshmen thereafter to pay 50 percent per credit hour above the normal in-state tuition rate for credit hours in excess of 150 percent of those required for the degree; and
- Requires the DOE to develop a performance-based budgeting system methodology to encourage community college students to graduate in less time.

B. Amendments:

None.