

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 745                      State University Student Fees

**SPONSOR(S):** Precourt

**TIED BILLS:**    **IDEN./SIM. BILLS:** SB 320

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Schools & Learning Council		Thomas	Cobb
2) Policy & Budget Council			
3)			
4)			
5)			

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**SUMMARY ANALYSIS**

HB 745 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 require only that the institution have research expenditures from externally awarded contracts and grants of at least \$100 million per year. 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.

**This document does not reflect the intent or official position of the bill sponsor or House of Representatives.**

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**DATE:** 2/21/2008

Under the new eligibility criterion, the University of Central Florida and Florida International University likely would be eligible for the tuition differential, thus making five of the 11 state universities eligible for the tuition differential.

The fiscal impact of the bill is indeterminate. (See Fiscal Comments)

The effective date of this act is July 1, 2008.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Provide limited government – Revenue generated must be spent solely for improving the quality of direct undergraduate instruction and support services.

Ensure lower taxes – Students would be required to pay the tuition differential fee if they attend an institution that has received approval from the Board of Governors to implement the tuition differential.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Background**

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 I or Level 2 under s. 1004.635(3), F.S.<sup>1</sup> 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 I institutions that does not exceed 40 percent of tuition. Level I institutions are defined as meeting the following criteria:

- The number of nonprofessional doctoral degrees<sup>2</sup> 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;
- A 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 freshman 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 Classification, must be as a research university with very high research activity.

Currently, Florida State University and the University of Florida meet the criteria of 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:

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<sup>1</sup> ch. 2007-225, L.O.F.

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

- 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 Classification, must be as a research university with very high research activity.

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

The maximum tuition differential established by the Board of Governors for Level I 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.

### **Effect of Proposed Changes**

HB 745 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 only qualifying criterion for these universities would be that the university must have research expenditures from externally awarded contracts and grand of at least \$100 million per year. The requirement for the university to be recognized as a research university with very high research activity under the 2005 Carnegie Classification is eliminated.

According to the Board of Governors, using the most recently available sponsored researched data, the University of Central Florida (UCF) would meet the threshold set in the bill, and Florida International University (FIU), which was slightly under the threshold last year, possibly could meet it by the time the bill took effect.

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 to the newly qualifying institution prior to July 1, 2007, would be exempt. However, a student who enrolled in the university subsequent to the date, but before the effective date of the act, would be subject to the increased tuition.

#### **C. SECTION DIRECTORY:**

Section 1. Amends s. 1009.24, F.S.; modifying the criteria for establishing a uniform maximum undergraduate tuition differential fee.

Section 2. Provides an effective date of July 1, 2008.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

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

1. Revenues:

According to the Board of Governors, if authorization is given to UCF for a tuition differential, it would generate approximately \$500,000 to \$745,000 in 2008-09, \$3.6 million to \$5.3 million in 2009-10, and \$10.4 million to \$15 million in 2010-11.<sup>3</sup> Also, If FIU reached \$100 million in contracts and grant expenditures, and received authorization for a tuition differential; it would generate approximately \$500,000 to \$747,000 in 2008-09, \$3.6 million to \$5.4 million in 2009-10, and \$10.4 million to \$15.2 million in 2010-11.<sup>4</sup>

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

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. Also, the tuition differential is not covered by the Bright Futures Scholarship Program.

D. FISCAL COMMENTS:

The fiscal impact of the bill is indeterminate because the fee is authorized rather than required. The Board of Governors is authorized to establish a uniform maximum undergraduate tuition differential that does not exceed 30 percent, which leaves a range that the fee could fall between.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

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<sup>3</sup> Board of Governors Analysis of HB 745

<sup>4</sup> Id.

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

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

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

2. Other:

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

D. STATEMENT OF THE SPONSOR

Waived by the sponsor due to time constraints.

#### **IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES**