

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 905 State University Student Fees
SPONSOR(S): Dean and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 1710

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Postsecondary Education</u>	<u>7 Y, 1 N</u>	<u>Tilton</u>	<u>Tilton</u>
2) <u>Schools & Learning Council</u>	<u>11 Y, 3 N, As CS</u>	<u>Tilton</u>	<u>Cobb</u>
3) <u>Policy & 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

CS/HB 905 authorizes the University of Florida (UF) Board of Trustees to establish an academic enhancement fee and implement the fee beginning Fall 2008. The purpose of the fee is to support the academic enhancement pilot program approved by the Board of Governors

The fee amount may vary based on when the student enters UF. For students who enter UF prior to Fall 2012, the academic enhancement fee will be included within the 40% cap currently imposed on the aggregate sum of the activity and service, health, and athletic fees that state universities are authorized to charge. For new undergraduates entering UF in Fall 2012 and thereafter, the academic enhancement fee is capped at \$500 per semester or \$1,000 per year, whichever is less.

Proceeds from the academic enhancement fee must be used to hire additional tenure-track faculty and academic counselors to serve undergraduate students, improve the undergraduate student-faculty ratio, reduce the class size in undergraduate courses, and offer more high-demand undergraduate courses.

UF must provide grant aid or waive the academic enhancement fee for students who:

- Enter UF prior to Fall 2012, demonstrate financial need, and are not recipients of a Bright Futures award;
- Enter UF in Fall 2012, or thereafter, and demonstrate financial need; or
- Have contracts issued by the Florida Prepaid College Board prior to July 1, 2007 (except for portions covered by Bright Futures for students who enroll in UF prior to Fall 2012.)

UF must submit an annual report on the pilot program to the Board of Governors, the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives.

CS/HB 905 authorizes the Prepaid College Board to provide advance payment contracts for the academic enhancement fee effective July 1, 2007.

CS/HB 905 specifically exempts the Prepaid College Board and the Prepaid College Trust Fund from the payment of the academic enhancement fee on behalf of all contract beneficiaries except those who have purchased a Prepaid contract that specifically covers the academic enhancement fee.

Because the fee is authorized rather than mandated, the fiscal impact of the bill is indeterminate. See FISCAL COMMENTS section.

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

STORAGE NAME: h0905c.SLC.doc
DATE: 4/10/2007

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes – The bill authorizes the University of Florida Board of Trustees to establish an academic enhancement fee.

B. EFFECT OF PROPOSED CHANGES:

Background

Section 1001.705(2)(c), F.S., delineates the constitutional duties of the Legislature with regard to state universities. This includes establishing tuition and fees.

Section 1009.01, F.S., defines “tuition” as the basic fee charged to a student for instruction provided by a public postsecondary educational institution.

Section 1009.24, F.S., provides specific statutory authority and guidelines for the fees and fines that state universities may assess. These include: tuition; out-of-state fees; activity and service fees; health fees; athletic fees; a financial aid fee; a Capital Improvement Trust Fund fee; a building fee; and a variety of user fees and fines. Except as otherwise provided by law, undergraduate tuition is established annually in the General Appropriations Act. The Board of Governors, or the board’s designee, may establish tuition for graduate and professional programs and out-of-state fees for all programs in accordance with guidelines included in s. 1009.24(3), F.S. The sum of tuition and out-of-state fees assessed to nonresident students must be sufficient to offset the full instructional cost of serving such students. However, any adjustments to out-of-state fees or tuition for graduate and professional programs are limited to 10 percent in any year. The aggregate sum of the activity and service, health, and athletic fees may not exceed 40 percent of tuition. Any increase in the aggregate sum of these three fees is limited to 5 percent annually.

The value of awards from the Bright Futures Scholarship Program range from the amount required to pay 75% of tuition and fees at a public postsecondary education institution (Medallion Scholars and Gold Seal Scholars) up to the amount required to pay 100% of tuition and fees at a public postsecondary education institution, plus \$600 per year for college-related expenses annually (Academic Scholars).¹

The Stanley G. Tate Florida Prepaid College Program (Prepaid Program) was created by the Florida Legislature to provide a medium through which the cost of registration and dormitory residence could be paid in advance at a rate lower than the projected corresponding cost at the time of actual enrollment. Students who enroll in a state postsecondary institution pursuant to the provisions of s. 1009.98, F.S., are to be charged no fees in excess of the terms delineated in the student’s advance payment contract.² The Prepaid Program offers advanced payment contracts for tuition plans, local fee plans, and dormitory plans. The tuition plans cover the registration fees associated with a specific number of hours of enrollment. Registration fees are defined in law to include tuition, the building fee, capital improvement fee, and student financial aid fee. As of June 30, 2006, a total of 1,146,676 Prepaid Plans have been purchased statewide and enrollment is growing.³

During its November 16, 2006, meeting, the Board of Governors approved a motion to establish an Academic Enhancement Program and to request legislative authorization for the Board of Governors to delegate authority to a university board of trustees to implement a new student fee to support the

¹ See ss. 1009.534, 1009.535, and 1009.536, F.S.

² See s. 1009.98, F.S.

³ Florida House of Representatives, *Education Fact Sheets 2007*

program. The Board of Governors approved UF to serve as the pilot for implementation of the program. The proposal presented during the meeting by representatives of UF indicates that UF plans to implement the program with new, incoming undergraduate students for the 2007-2008 year.

According to documents distributed during the meeting:

- New, incoming undergraduate students will be assessed an academic enhancement fee of \$500 per semester. Current students will not be affected.
- 100% of all new revenue will be earmarked for 200 new faculty and 100 new academic advisers.
- Students demonstrating financial need will not be burdened.
- The program will be monitored by the UF Board of Trustees and reviewed by the Board of Governors periodically.

Effect of Proposed Changes

CS/HB 905 authorizes the UF Board of Trustees to establish an academic enhancement fee and implement the fee beginning Fall 2008. The purpose of the fee is to support the academic enhancement pilot program approved by the Board of Governors. Except as otherwise provided, the academic enhancement fee may be assessed to any student who enrolls in an undergraduate course.

The fee amount may vary based on when the student enters UF. For students who enter UF prior to Fall 2012, the academic enhancement fee will be included within the 40% cap currently imposed on the aggregate sum of the activity and service, health, and athletic fees that state universities are authorized to charge. While subject to the overall 40% cap, the aggregate sum of these four fees at UF will not be subject to the 5% cap on annual increases. Fee increases may only occur once per year and must be implemented in the fall term. For new undergraduates entering UF in Fall 2012 and thereafter, the academic enhancement fee is capped at \$500 per semester or \$1,000 per year, whichever is less.

Proceeds from the academic enhancement fee must be used to hire additional tenure-track faculty and academic counselors to serve undergraduate students, improve the undergraduate student-faculty ratio, reduce the class size in undergraduate courses, and offer more high-demand undergraduate courses.

The academic enhancement fee is covered by the Florida Bright Futures Scholarship Program for students who enter UF prior to Fall 2012. CS/HB 905 specifically provides that the academic enhancement fee is not covered by the Bright Futures Scholarship Program for students who enter UF in Fall 2012 and thereafter.

CS/HB 905 requires UF to provide grant aid or waive the academic enhancement fee for students who:

- Enter UF prior to Fall 2012, demonstrate financial need, and are not recipients of a Bright Futures award;
- Enter UF in Fall 2012, or thereafter, and demonstrate financial need; or
- Have contracts issued by the Florida Prepaid College Board prior to July 1, 2007 (except for portions covered by Bright Futures for students who enroll in UF prior to Fall 2012.)

UF must submit an annual report on the pilot program to the Board of Governors, the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives. The annual report must provide information on the revenues collected; the number of students paying the fee; the number of students receiving grant aid or waivers to cover the fee; the number of new faculty hired from fee revenues; the number of new counselors hired from fee revenues; improvements in the student-faculty ratio; improvements in undergraduate class size; increases in the number of undergraduate offerings, improvements in retention rates; and improvements in graduation rates.

CS/HB 905 authorizes the Prepaid College Board to provide advance payment contracts for the academic enhancement fee effective July 1, 2007.

CS/HB 905 specifically exempts the Prepaid College Board and the Prepaid College Trust Fund from the payment of the academic enhancement fee on behalf of all contract beneficiaries except those who have purchased a Prepaid contract that specifically covers the academic enhancement fee.

CS/HB 905 takes effect July 1, 2007.

C. SECTION DIRECTORY:

Section 1: Creates s. 1009.245, F.S.; authorizing the establishment of an academic enhancement fee at the University of Florida to support the academic enhancement pilot program approved by the Board of Governors of the State University System; providing guidelines for the fee; providing exceptions; providing for use of proceeds; requiring grant aid or waivers for certain students; providing restrictions with respect to coverage by certain scholarships; requiring an annual report.

Section 2: Amends s. 1009.98, F.S.; authorizing the Florida Prepaid College Board to provide advance payment contracts for the academic enhancement fee; providing exemption from payment of the fee.

Section 3: Provides an effective date of July 1, 2007.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill may increase revenues available to UF by a minimum of \$7.8 million each year beginning in FY 2008-09. See FISCAL COMMENTS for additional detail.

2. Expenditures:

The bill may increase state expenditures for the Florida Bright Futures Scholarship Program by \$8.2 million per year beginning in FY 2008-09. See FISCAL COMMENTS for additional detail.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Beginning Fall 2008 and to the extent UF chooses to assess the fee to students enrolled in undergraduate courses who entered UF prior to Fall 2012, such students may experience an increase in the overall cost of attendance unless the student has a Bright Futures award, a Prepaid contract purchased prior to July 1, 2007, or demonstrates financial need.

According to the Board of Governors, the university has indicated that all new, full-time undergraduate students who enroll in FY 2012 and thereafter will be charged \$500 per fall and spring term. This fee will not be covered by the Florida Bright Futures Scholarship Program. UF is required to provide grant aid or waive the academic enhancement fee for students who demonstrate financial need or have contracts issued by the Florida Prepaid College Board prior to July 1, 2007.

D. FISCAL COMMENTS:

Because the fee is authorized rather than required, the fiscal impact of the bill is indeterminate. The estimates in this section are based on the following assumptions: (1) the university will charge the maximum amount authorized by law for this fee to all Bright Futures students; and (2) university tuition will remain at the proposed FY 2007-08 levels in FY 2008-09.

The bill provides that the academic enhancement fee is covered by the Bright Futures Scholarship Program beginning in Fall 2008, should UF choose to implement the fee as authorized by this bill. Currently, Bright Futures awards for state university students cover the activity and service, health, and athletic fees which are under the 40 percent cap. For FY 2006-07, UF charges \$19.92 per credit hour for the aggregate sum of these three fees¹.

The House and Senate budgets propose a five percent tuition increase for FY 2007-08; therefore, the aggregate sum of the local fees cannot exceed \$30.96 per credit hour for FY 2007-08². As such, at the proposed FY 2007-08 tuition rate, UF is authorized to charge up to \$11.04 per credit hour for the academic enhancement fee beginning in Fall 2008.

Beginning in FY 2008-09, the estimated annual state expenditures for the Bright Futures Scholarship Program may increase by a minimum of \$7.8 million to cover this additional fee for students attending UF. This cost estimate is based on the assumptions described in the first paragraph.

Further, annual state expenditures for the Bright Futures Scholarship Program may increase by an additional \$358,000 beginning in FY 2008-09 to pay for Bright Futures students who attend eligible private four-year institutions. Bright Futures awards for students attending private four-year institutions are equivalent to the amount required to pay for the average tuition and fees at a public university; therefore, any increase in state university fees creates an additional impact on the state costs for Bright Futures awards for students attending private institutions.

Beginning in Fall 2012, state expenditures related to this fee may begin phasing out as the fee will no longer be covered by the Bright Futures Scholarship Program for new undergraduates enrolling in Fall 2012 or later.

The bill is intended to increase revenues at UF for the purpose of hiring additional tenure-track faculty and academic counselors. The estimated annual revenue increase for the university, beginning in FY 2008-09, is \$7.8 million, at a minimum, which is the amount that will be generated if the fee is assessed only to students who have Bright Futures awards. To the extent the university charges this fee for all undergraduate credit hours, the annual revenue increase for the university may be as high as \$11.7 million. This is a generous estimate and does not contemplate the waivers or grant aid required by the bill for students who have financial need or who have an eligible Florida Prepaid Contract.

Beginning in Fall 2012, the university is authorized to charge a fee not to exceed \$500 per semester or \$1,000 per year, whichever is less, for undergraduate students entering the university in Fall 2012 and thereafter. This fee will not be covered by the Bright Futures Scholarship Program and will not require any additional state expenditure. According to the Board of Governors, the university has indicated that all new, full-time undergraduate students who enroll in FY 2012 and thereafter will be charged \$500 per fall and spring term. Estimates provided by the Board of Governors project increased revenues of \$8.4 million for the first year the fee is implemented at this level; \$16.9 million for the second year; and \$25.3 million for the third year. The Board's estimates are based on FY 2004-05 enrollment data; therefore, the actual revenue increase may be greater.

The bill does not appear to have a fiscal impact on the Florida Prepaid College Program.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

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.

3. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

D. STATEMENT OF THE SPONSOR

No statement submitted.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On March 27, 2007, the Committee on Postsecondary Education adopted a strike-all amendment to HB 905. The amendment:

- Limits the authority to assess an academic enhancement fee to UF.
- Authorizes the fee to be implemented beginning Fall 2008.
- Authorizes the fee to be assessed to any student who registers for an undergraduate course; includes the fee within the 40% cap on local fees and excludes the aggregate sum of the activity and service, health, athletic, and academic enhancement fees from the 5% cap on annual increases to these fees (*These provisions do not apply to new undergraduates who enter UF in Fall 2012 or thereafter*).
- Sets the academic enhancement fee at \$500 per semester or \$1,000 per year, whichever is less, for new undergraduate students who enter UF in Fall 2012 or thereafter.
- Provides that the fee is not covered by the Florida Bright Futures Scholarship Program for new undergraduate students entering UF in Fall 2012 or thereafter.
- Requires proceeds from the fee to be used to hire additional faculty and counselors to serve undergraduate students, improve the undergraduate student-faculty ratio, reduce class-size in undergraduate classes; and offer more high demand courses.
- Requires UF to provide grant aid or a fee waiver for the following students:
 - Any student who demonstrates financial need unless the fee would otherwise be covered by the Florida Bright Futures Scholarship Program;
 - Any student who is the beneficiary of an advanced payment contract issued by the Florida Prepaid College Board and entered into prior to July 1, 2007, unless the fee would otherwise be covered by the Florida Bright Futures Scholarship Program.
- Requires an annual report.
- Authorizes the Florida Prepaid College Board to provide an advanced payment contract to cover the academic enhancement fee.

- Exempts the Florida Prepaid College Board and the Florida Prepaid College Trust Fund from all payment of academic enhancement fees unless the beneficiary has an advanced payment contract that specifically covers the academic enhancement fee.

On April 10, 2007, the School & Learning Council approved HB 905 as amended and reported the bill favorably with a Council Substitute.