

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 Finance and Tax Committee

BILL: SB 894

INTRODUCER: Senator Jones

SUBJECT: University of South Florida St. Petersburg

DATE: March 30, 2010 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Harkey</u>	<u>Matthews</u>	<u>HE</u>	Favorable
2.	<u>Fournier</u>	<u>McKee</u>	<u>FT</u>	Favorable
3.	_____	_____	<u>HI</u>	_____
4.	_____	_____	<u>WPSC</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill authorizes the Board of Trustees of the University of South Florida (USF) to increase the aggregate sum of the activity and service, health and athletic fees in FY 2010-11 by more than the 5 percent cap on annual increases. The additional stream of revenue created by the higher fees is to be allocated to construction and operation of a multipurpose campus center on the University of South Florida, St. Petersburg campus. The bill provides that any increase in the fee is subject to the approval of the activity and service fee committee. The center, which will cost approximately \$21.8 million, may be financed through the issuance of bonds.

This bill creates one unnumbered section of law.

II. Present Situation:

University Student Fees

State university students pay a number of fees in addition to tuition. The sum of the activity and service fee, health fee and athletic fee may not exceed 40 percent of tuition. Section 1009.24(4) (d), F.S., imposes a five percent cap, per year, on the increase of the aggregate sum of the activity and service, health and athletic fees, unless specifically authorized in law or in the General Appropriations Act.

Issuance of Bonds

Section 1010.62, F.S., establishes a process for authorizing and issuing university debt and identifies the revenues that are available for payment of fixed capital outlay debt over a period of time. Under s. 1010.62, F.S., universities are authorized to finance capital outlay projects through the issuance of bonds if the BOG approves the issuance of the debt. The statute authorizes the

use of revenues from the activity and service fee and the athletic fee to secure revenue bonds, but the annual debt service may not exceed an amount equal to five percent of the fees collected during the most recent 12 consecutive months for which collection information is available, prior to incurring the debt.

The Proposed Multipurpose Center at USF, ST. Petersburg

The creation of the proposed multipurpose center at USF, St. Petersburg is estimated to cost \$21.8 million, which would be primarily funded via the issuance of bonds. The cost includes:

Student Center	\$ 8,050,000
Residence	\$ 7,600,000
Renovations	\$ 2,280,000
Architect and Engineering	\$ 2,280,000
Furniture	\$ 1,930,000
Contingency	\$ 319,000
Bond Issue Costs	\$ 237,000
TOTAL	\$21,850,000

The center will be a 4 to 5 story building, with the bottom floors for use by all USF students, and the top floors used for student residences.

State Debt Fiscal Responsibility

Section 215.98, F.S., requires the authorization of state debt to take into account the ability of the state to meet its total debt service requirements in light of other demands on the state’s resources. The statute prohibits the Legislature from issuing additional tax-supported debt if such authorization would cause the designated debt ratio of debt service to revenues available to pay debt service to exceed seven percent, unless the Legislature determines that such additional debt is necessary to address a critical state emergency. Bonds financed through required student fees would be subject to the state’s benchmark debt ratio policy cap of seven percent. According to the 2009 Debt Affordability Report, there is no debt capacity available over the next three years because the projected benchmark debt ratio exceeds the 7 percent policy cap.¹

III. Effect of Proposed Changes:

This bill authorizes the USF Board of Trustees to exceed the five percent cap on annual increases in the aggregate sum of the activity and service, health and athletic fees for the 2010-2011 fiscal year for the purpose of increasing the activity and service fee at the USF, St. Petersburg from that year forward. The bill does not specify a proposed percentage increase for the aggregate sum of activity and service, health, and athletic fees at the campus, but the sum of the activity and service, health, and athletic fees may not exceed 40 percent of tuition and fees.²

Bonds to finance the construction of the multipurpose center may be secured by the fees and will require approval by the BOG pursuant to s. 1010.62, F.S. According to the BOG, while USF, St. Petersburg could utilize Capital Improvement and Building Fee revenues for this purpose, the

¹ Division of Bond Finance, ‘2009 Debt Affordability Report’, December, 2009, p. 26.

² s. 1009.24(4)(d), F.S.

amount these fees will generate will be insufficient. The 2008 allocation of Capital Improvement Trust Fund (CITF) fees provided \$580,359 for the Multi-Purpose Center, which is far less than the \$21.8 million needed. No new allocation from CITF was provided in 2009 and no new allocation is proposed by the BOG for 2010.

According to the BOG, there are an estimated 1,166 fundable full-time equivalent undergraduate and graduate students currently enrolled at the USF, St. Petersburg campus. The aggregate sum of the activity and service, health and athletic fees at the campus is \$13.25 per student credit hour (activity and service fee: \$10.40; health: \$0.60; athletic fee: \$2.25). Based on the total number of fundable FTE students currently enrolled at USF, St. Petersburg campus, a projected \$600,000 in revenues is generated at the campus as a result of the aggregate sum of the activity and service, health and athletic fees currently charged to students on campus. Based on the activity and service fee alone, a projected \$475,000 in revenues is generated at the campus.

At the USF, St. Petersburg campus, increasing the aggregate sum of the three local fees by five percent in order to increase the activity and service fee is expected to generate an estimated \$30,000 in additional activity and service fee revenues. However, if the aggregate sum of the local fees is increased by eight percent, instead of the five percent annual cap currently in place, this results in an aggregate increase of one dollar per student. Increasing the aggregate sum by eight percent, or one dollar, in order to increase the activity and service fee, generates an estimated \$48,000 in additional activity and service fee revenues.

If fees are increased to the 40 percent limit for FY 2010-11, assuming an eight percent tuition increase and ignoring the 5 percent annual cap, the total fee revenue is estimated to be \$3,944,030.

Under the limit imposed by s. 1010.62 (2) (a), F.S., which limits debt service to 5 percent of fees collected during the most recent 12 consecutive months, these fees will generate \$196,840, which could support bonds of approximately \$2.75 million, which is significantly less than the \$21.8 million estimated need of the complete facility.

However, a portion of the costs of the facility would come from room fees. Assuming half the total project costs would be borne by the student center, the amount required to be supported by bonding would be an estimated \$11,000,000, which equates to an annual debt service of approximately \$800,000 per year, or 20 percent of the total maximum revenue of \$3,944,030 per year. The estimated annual operating cost of the proposed student center is \$600,000 per year. Thus, at least two provisions of s. 1010.62, F.S., would need to be waived—the five-percent restriction and the 12-consecutive-month restriction—before the BOG could approve a possible debt issue pursuant to s. 1010.62, F.S., for the proposed project at USF, St. Petersburg.

According to the BOG, during the spring, the activity and service fee committee members throughout the SUS meet to determine the activity and service fee that would be assessed to the students for the upcoming year. Around June of each year, approval of new fees is usually placed on the agenda for consideration by the University Board of Trustees. If this bill becomes effective July 1, 2010, there would be a timing issue between the effective date of the bill and the date the new fees were approved by the Board of Trustees.

Even if exceptions to certain s. 1010.62, F.S., requirements are granted, the USF Board of Trustees and the Board of Governors could only approve any debt issue as an exception to the BOG Debt Guidelines.³ A pro forma debt package has not been submitted to the BOG, so it is unknown as to whether the financing will conform in all other respects to the BOG Debt Guidelines.

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:

The revenue estimating conference has determined that this bill will allow an indeterminate increase in fee revenue at USF, St. Petersburg in FY 2010-11.

B. Private Sector Impact:

The activity and service fee may be increased for students at the USF, St. Petersburg in FY 2010-11. According to the BOG, the State University System has historically interpreted s. 1009.24(4) (d), F.S., to apply at the university branch level, such that fees could not be increased at a branch campus by more than 5 percent per year, even though fees are higher at the main campus. However, s. 1010.62, F.S., will allow for USF to issue these bonds on a USF system basis.

C. Government Sector Impact:

This bill authorizes an increase in fees that could be used to finance bonds at a time when the state does not have capacity for such an increase in debt.

If the restriction on fee increases was waived and the BOG approved the bonds, USF may use the bonds to finance a portion of the cost of the proposed multipurpose campus center at USF, St. Petersburg. The cost of the proposed multipurpose center is estimated at \$21.8 million and would be primarily funded via the issuance of bonds, subject to approval by the BOG pursuant to s. 1010.62, F.S. Without a substantial increase in the aggregate sum

³ http://www.flbog.edu/documents_regulations/guidelines/DebtManagementGuidelines.pdf

of activity and service, health and athletic fees, as well as the availability of additional revenue sources, it is highly unlikely that USF, St. Petersburg would generate sufficient revenues via bonds to construct an estimated \$16 million multi-purpose center. As indicated above, increasing the aggregate sum by five percent or eight percent would only generate additional activity and fee revenues totaling less than \$50,000 annually.

It appears that any additional increases in fees assessed to students will be covered by the Bright Futures Scholarship awards. However, while the statutes provide for the awards to cover all or a portion of the tuition and fees, the awards were established in the 2009-2010 General Appropriations Act at a fixed rate per credit hour: \$126 per credit hour for academic scholars and \$95 per credit hour for medallion scholars and gold seal vocational scholars.

Below is a breakdown of the number of Bright Future Scholarship students at USF, St. Petersburg in the spring semester of 2010 who would fall under the provisions of this bill:

Florida Medallion Scholars	1,006
Florida Gold Seal Scholars	10
Florida Academic Scholars	128
Total	1,144

VI. Technical Deficiencies:

None.

VII. Related Issues:

The State University System Governance Agreement of March 24, 2010, appears to delegate to the Board of Governors the authority to consider and act on a university board of trustees' request to establish a new fee or, for certain fees, to increase an existing fee beyond its current cap, based on criteria developed by the Legislature.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.