

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 18B

SPONSOR: Appropriations Committee and Senator Sullivan

SUBJECT: Student Financial Assistance

DATE: October 22, 2001      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Bryant</u>	<u>Revell</u>	<u>AP</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

The Committee Substitute makes the following substantive changes in the Bright Futures Scholarship program and in the general requirements for student financial assistance:

- The deadline is extended by 4 years for a student to accept an initial award from any of the three scholarships under the Bright Futures Program. A scholarship may be initiated up to 7 years after high school graduation. This provision will make it possible for a recipient to spend a 3-year tour of duty with the United States Armed Services and still complete a 4 year program with the scholarship.
- Beginning in July, 2006, the Bright Futures Scholarship award level will not be related to the actual amount a student is charged for tuition and other fees. Instead the award level will be \$3,200 annually for a full-time Academic Scholarship, \$1,900 annually for a full-time Medallion<sup>1</sup> or Gold Seal Vocational Scholar enrolled in a 4-year baccalaureate-level institution, and \$1,500 for a full-time Medallion or Gold Seal Scholar enrolled in an institution that confers less than a baccalaureate degree. These figures are greater than the current award levels. The Legislature may also establish the award amounts in the General Appropriations Act.
- Beginning in July 2006, the required high school grade point average is raised from 3.0 to 3.25 for a student to qualify for a Medallion or a Gold Seal Vocational Scholarship. The bill does not change the grade point average to qualify for an academic scholarship – it remains at 3.5.
- A Bright Futures Scholar will continue to be eligible for any type of state grant that is based on financial need. But, beginning in July of 2006, a student will not be eligible for both the Bright Futures Scholarship and another state grant that is *not* based on financial need.

<sup>1</sup> The bill changes the designation of the Merit Scholarship to the Medallion Scholarship.

- All applicants for state financial assistance programs will fill out the Free Application for Federal Student Financial Aid (FAFSA), which demonstrates the level of need for financial assistance.

In addition, the bill makes a number of technical or administrative changes to the Bright Futures Program. They have no fiscal impact.

The bill takes effect upon becoming a law, except for a delay until July of 2006 for:

- The increase in required high school grade point average,
- The award amount to be established at a consistent level, rather than dependent upon actual tuition and fees, and
- The prohibition upon the simultaneous award of a Bright Futures Scholarship and any other state grant, except a grant that depends upon financial need.

This bill substantially amends the following sections of the Florida Statutes: 240.40201, 240.40202, 240.40203, 240.40204, 240.40205, 240.40206, 240.40207, 240.40209, and 240.404. It repeals s. 240.40208, F.S.

## II. Present Situation:

Part IV of ch. 240, F.S., governs most state-supported programs to provide student financial assistance. A number of programs are earmarked for a designated population group or state need, but most of the state funds are in two types of programs: “need-based” or “merit-based.”

### **Bright Futures Scholarship Program**

The 1997 Legislature created the Florida Bright Futures Scholarship Program to motivate Florida high school students to achieve and to reward them with tuition-based scholarships. The program incorporated two existing merit-based scholarship programs, the Florida Academic Scholarship and the Florida Gold Seal Vocational Scholarship, and added a third, the Florida Merit Scholarship. The funds are provided from the Educational Enhancement Trust Fund, the Lottery.

Section 240.404, F.S., prohibits a student from receiving more than one type of state-level merit-based scholarship, but some Bright Futures scholars also generate funds through another state grant that is neither merit-based nor need-based.

The Bright Futures Scholarship program is a phenomenal success:

- Annual state expenditures since 1997 have increased from \$69.6 million to \$202 million. Projections for the 2002-2003 school year are for an increase of \$42 million, to a total of \$244 million.
- Approximately one-third of high school graduates earn a Bright Futures Scholarship.
- Over 40 percent of first-time-in-college students enrolled at community colleges and state universities are recipients.
- The number of freshmen at universities who are Bright Futures recipients has been as high as 75 percent.

The program awards a scholarship that is based on the actual expenses for tuition and fees of a scholar enrolled in a public postsecondary education institution. Students at nonpublic institutions earn the equivalent of the costs of public education.

The Academic scholarship pays the full cost of the student's tuition and fees plus \$600 a year. The Merit and Gold Seal scholarships pay 75 percent of the tuition and fees.

Dialogue among postsecondary education administrators and decision makers since 1997 has centered around the following issues and their potential to affect student behavior in ways that will implement state priorities:

### **Academic Rigor of Scholarship Eligibility**

Except for the Academic Scholarship<sup>2</sup>, the requirements to earn a Bright Futures scholarship are not rigorous. A Merit Scholarship requires a grade-point average of 3.0 on 15 academic courses and an SAT score (or equivalent) of 970. That score is beneath the national average of 1013 and beneath the Florida average of 994. A student may earn a Gold Seal Vocational Scholarship with a GPA or 3.0 on core courses for high school graduation. Gold Seal Scholars are not required to take an assessment test, although they must pass the College Entry Level Placement Test.<sup>3</sup>

Several state studies have recommended various measures to increase the academic rigor required of recipients. Evidence that the initial eligibility requirements are somewhat less rigorous than might be desired includes:

- About 7 percent of the recipients take college-preparatory or remedial courses when they enroll in college.
- The scholarship funds at least three-quarters of the tuition and fees of three of four eligible freshmen in the state university system.
- Nearly 100 percent of the freshmen at the University of Florida enrolled on a Bright Futures Scholarship.

A January, 2001, study by the Postsecondary Education Planning Commission recommended raising the required high school grade point average from 3.0 to 3.25 for the Medallion Scholarship and the Gold Seal Vocational Scholarship.<sup>4</sup> This recommendation was based on a goal of increasing the retention rate of recipients once they are in college. Currently, only 65 percent of recipients are able to earn the required college GPA to retain their scholarship.

The Commission reconsidered an earlier recommendation to raise both the required GPA and assessment test score, based on an analysis that showed the same effect on retention without changing the number of minority recipients.

During the 2001 Legislative Session, a Senate Appropriations Select Subcommittee on Financial Aid also recommended raising the high school GPA requirement to 3.25, for the Medallion and Gold Seal Vocational Scholarship.

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<sup>2</sup> The Academic Scholarship requires a score of 1270 on the SAT, or the equivalent on the ACT.

<sup>3</sup> Gold Seal Scholars also must complete three high school vocational courses with a GPA of 3.5.

<sup>4</sup> Florida Postsecondary Education Planning Commission, *State Student Financial Aid Policy*, January 2001, page 15.

**Community College vs. University**

From a financial perspective, it is in the state’s best interest for most students to complete their first 2 years at a community college, but the scholarship does not support that incentive. Tuition and fees are currently lower at community colleges than at universities. It would save the state money if more students enrolled at community college. Since the current provisions pay all or 75 percent of the actual fees, students find attending a university economically feasible.

**Effect on Postsecondary Education Funding**

Because the Bright Futures program is tied to the level of tuition and other fees at public institutions, any increase in these fees causes an increase in state spending on Bright Futures. Every percent increase in fees causes an increase of \$2 million in Bright Futures costs. Although Florida has very low tuition -- ranked 49<sup>th</sup> among the 50 states for public universities and 33<sup>rd</sup> for public community colleges -- the state consistently is rated only average or below average on affordability of higher education.<sup>5</sup>

University presidents and members of Boards of Trustees have expressed an interest in separating the award level of Bright Futures from the tuition level. They believe that they can better assist students by increasing both fees and financial assistance based on need.

**Military Service**

Under current law, an eligible student must accept a scholarship within 3 years of graduating from high school. This provision has the effect of preventing some eligible recipients from benefiting from the program if they first complete a tour of duty with the United States Armed Services.

**Need vs. Merit**

The state has a priority for need-based aid over merit-based aid, but the Bright Futures Program has made it impossible to reach that goal because 52 percent of the state’s grant funds pay for the program. A summary comparison of the state’s three biggest student grant programs is below.

Since 1995, appropriations to state financial aid programs increased 138 percent, but not in the same proportion:

- Appropriations to merit-based programs increased 177 percent.
- Appropriations to need-based programs increased 71 percent.
- Appropriations to resident access grants increased 205 percent.

Type of Program	2000-2001 Appropriation (In Millions)	Percent of Total Student Aid	Increase since 1995- 1996
Merit-based	\$143.1.0	52 percent	177 percent
Need-based	\$65.9	24 percent	71 percent
Private Colleges	\$65.9	24 percent	205 percent
Total	\$274.9	100 percent	138 percent

<sup>5</sup> Thomas G. Mortenson, Senior Scholar, Center for the Opportunity in Higher Education, *Opportunity for Higher Education in Florida In the Human Capital Economy*, Presentation to the Florida Postsecondary Education Planning Commission, July 20, 2000.

### III. Effect of Proposed Changes:

The legislation makes the following changes in the Bright Futures Scholarship program and in the general requirements for student financial assistance:

- The deadline is extended by 4 years for a student to accept an initial award from any of the three scholarships under the Bright Futures Program. A scholarship may be initiated up to 7 years after high school graduation. This provision will make it possible for a recipient to spend 3 years of service with the United States Armed Services and still complete a 4 year program with the scholarship.
- Beginning in July 2006, the Bright Futures Scholarship award level will not be related to the actual amount a student is charged for tuition and fees. Instead the award level will be \$3,200 annually for a full-time Academic Scholar, \$1,900 annually for a full-time Medallion or Gold Seal Vocational Scholar enrolled in a 4 year institution that grants baccalaureate degrees, and \$1,500 for a Medallion or Gold Seal Scholar enrolled in an institution that grants less than a baccalaureate degree. These figures are greater than the current average award.
- Beginning in 2006, the required high school grade point average is raised from 3.0 to 3.25 for a student to qualify for a Medallion or a Gold Seal Vocational Scholarship. The bill does not change the grade point average to qualify for an academic scholarship – it remains at 3.5. This increase is calculated based on studies that show a relationship between high school grades and scholarship retention once the student is in college. The increase in eligibility requirement is intended to increase scholarship retention from 65 percent to 70 percent.
- Beginning in July of 2006, a student who earns a merit-based scholarship will not be eligible for another state grant, except for grants that are based on financial need. A Bright Futures Scholar will continue to be eligible for any type of state grant that is based on financial need.
- All applicants for state financial assistance programs will fill out the Free Application for Federal Student Aid (FAFSA), which demonstrates the level of need for financial assistance. This requirement will prove useful to an assessment of the unmet need of Florida's postsecondary education students.

The technical and administrative changes to the Bright Futures Scholarship program are described below, with a brief explanation of why they were recommended by the Senate Appropriations Select Subcommittee on Financial Aid:

#### **Name Change**

The bill changes every reference to the *Merit Scholarship* to *Medallion Scholarship*. The Merit Scholarship Program is a copyrighted name belonging to the College Board. The board has alerted Florida to the possibility of a lawsuit to prohibit continued use of that name for a component of the Bright Futures Scholarship Program.

#### **Definitions**

Within the Bright Futures Scholarship Program, four terms are defined and substituted as follows:

- *Renewal* means to continue to receive funds from the program in the following payment period, without a break in eligibility or in attendance. To renew a scholarship, in the previous

payment period a student must earn the required grades and credit hours required by the program.

- *Reinstatement* means to start receipt of the scholarship again after a break in attendance of an academic year or more. Under reinstatement, a student ascertains eligibility for a program but does not accept the scholarship either initially or at a renewal period. If the student then wishes to start receiving the scholarship for eligible enrollment, that is called “reinstatement.” An example might be a student who attends an out-of-state college or enlists in military service, then returns to Florida to continue education with a scholarship.
- *Restoration* means to lose eligibility because of low grades or insufficient credit hours, then to restore eligibility by bringing up the grades or earning credit hours during the summer or in a subsequent year.
- The bill defines the term *public service assignment* to clarify which students from out-of-state high schools are eligible. They are eligible only if they attended high school while living with parents who are on “occupational assignment outside of Florida who is a permanent resident of Florida and who is employed by the United States Government or the State of Florida.”

### **Elimination of Obsolete Provisions**

The bill replaces references to the *Commission on Recognition of Postsecondary Accreditation* (CORPA) with the “United States Department of Education.” The U.S. Department of Education is responsible for deciding which accrediting associations should be recognized for purposes of federal financial aid programs, and CORPA has been eliminated.

The bill repeals s. 240.40208, F.S., an obsolete statute relating to transition to the Bright Futures Program.

### **Authorization for Graduate Program**

The bill clarifies that a recipient may be enrolled in an undergraduate program that terminates in a post baccalaureate degree. An example is the pharmacy (“PharmD”) program at Florida A & M University and the University of Florida. The award is for the undergraduate rate and for a maximum of 132 credit hours.

### **Merit Scholars and Finalists**

The Medallion Scholarship will be available to students who have been recognized by the merit or achievement programs of the National Merit Scholarship Corporation as Scholars or Finalists, or by the National Hispanic Scholars program as Scholars. This change is recommended because these students are automatically eligible for a Florida Academic Scholars award if they complete the 75 hours of community service work required by that program. Some students who are recognized by these awards do not complete the required community service, and they do not receive any award unless they earn the required GPA and test scores for the Medallion Scholarship.

### **Gold Seal Vocational Scholarship Simplified**

The Gold Seal Scholarship has a number of eligibility requirements that reflect its intended use by vocational students, and many of these requirements are overly complicated or obsolete. For instance, a student must:

- Meet the general eligibility requirements for the Florida Bright Futures Scholarship Program

- Earn a passing score on the Florida College Entry Level Placement Test, or equivalent
- Earn a minimum weighted GPA of 3.0 on all subjects required for graduation, excluding elective courses
- Complete with a 3.5 GPA the secondary school portion of a *sequential program of study that requires at least 3 secondary school vocational credits taken over at least two academic years and continued in a planned, related postsecondary education program*. These terms are not relevant to most students or in many high schools.
- Complete a *vocational-ready diploma*, which does not exist.

The bill deletes reference to the vocational-ready diploma program, the two-plus-two program, and the requirement that the program must extend over two academic years. Instead, the bill requires three sequential vocational courses, a GPA of 3.5 on those courses, and a 3.25 GPA on the other core courses, excluding electives.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

None.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

#### **V. Economic Impact and Fiscal Note:**

##### **A. Tax/Fee Issues:**

None.

##### **B. Private Sector Impact:**

Effective in July of 2006, a high school student must earn a GPA of 3.25 to qualify for a Bright Futures Medallion or Gold Seal Vocational Scholarship. Fewer students may be able to earn a scholarship, but more will retain it after the first year of college.

Also, the award will become a constant amount in July 2006, rather than a portion of the actual amount charged for tuition and fees. The award level will be greater than the current average award for each type of institution. Depending on how much tuition increases and the educational choices a student makes, the award may be more or less valuable to students in 2006 than it is under the current laws.

Currently, about one-third of Bright Futures Scholars who attend certain nonpublic colleges also generate funds from another state-level grant program. Beginning in the 2006-2007 school year, these Bright Futures recipients will choose between the two grants; they will not continue to be eligible for both. They will, however, continue to be eligible for state grants based on financial need.

### C. Government Sector Impact:

It is not possible to project precisely the impact on government spending that will result from the changes in this bill. This is because the changes will take place in July, 2006, and changes in tuition and enrollment between now and then could greatly affect the ultimate fiscal impact. However, these calculations reflect the latest actual figures available. If these changes were currently in effect, the Educational Enhancement Trust Fund will experience an increase estimated at \$11 million, while the General Revenue Fund will experience a savings of \$21 million. These estimates are based upon the following assumptions:

#### **Educational Enhancement Trust Fund**

Under the bill, the cost of the Bright Futures program will be somewhat greater than it is expected to be under the current program requirements. The net cost increase is expected to be \$11 million over the current year. Student awards, are, in some cases, higher than the present awards. Further, a Bright Futures class entering college with a higher GPA should experience greater retention of the scholarship in college – the expected increase in retention is about 5 percent. The higher retention rate plus the higher cost per average scholarship will more than offset the savings due to the reduced number of eligible students. The number of eligible students is expected to be reduced by about 19 percent due to higher GPA requirements.<sup>6</sup>

#### **General Revenue Fund**

The bill limits student eligibility to one state award (except state grants based on financial need). This provision will represent an estimated cost saving of \$21 million beginning in 2006, from the approximately 30% of Bright Futures students who also participate in other state non-need based programs.

Other technical and administrative changes in the bill do not have a fiscal impact.

### **VI. Technical Deficiencies:**

None.

### **VII. Related Issues:**

None.

### **VIII. Amendments:**

None.

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<sup>6</sup> Postsecondary Education Planning Commission, *op. cit.*



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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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