Board of Governors

Development of 2004 Legislative Issues

January 22, 2004

Issue: Tuition and Fees

Issue Summary: State budget limitations have made it difficult for universities to meet the needs of a student population that has increased drastically in recent years. Low tuition policies and limitations placed on tuition increases due to Bright Futures and Pre-Paid have compounded the problem.

Background: In addition to authorizing specific fees in the statutes, the Florida Legislature specifies in the annual General Appropriations Act (GAA) the level of tuition and out-of-state fees that may be charged per credit hour each year. If increases are allowed, the level is specified in the GAA; discretionary tuition, if any, is also specified in the GAA. In the past, the Legislature has sometimes used tuition increases to replace General Revenue shortfalls. The State University Presidents Association's (SUPA's) legislative agenda proposes that tuition increases be kept locally and not used by the state to replace revenue shortfalls.

In addition to tuition, Section 1009.24, F.S., authorizes universities to establish the following fees: out-of-state; activity and service; health; athletic; financial aid; Capital Improvement Trust Fund; and building fees.

The advent of both the Bright Futures program and the Pre-Paid program has heightened legislative concern surrounding any increases in tuition and fees. Even faced with this concern, SUPA's agenda includes three fee issues: creation of a Technology fee; increase in Capital Improvement Trust Fund and Building fees; and the removal or increase of a cap for Activity and Service fees, Health fees, and Athletic Fees.

1. Technology Fee: Presently, the universities are not authorized to charge a technology fee. However, community colleges, in s. 1009.23(10), F.S., are authorized to:

   > …establish a separate fee for technology, which may not exceed $1.80 per credit hour or credit-hour equivalent for resident students and not more than $5.40 per credit hour or credit-hour equivalent for nonresident students, to be expended according to technology improvement plans. The technology fee may apply to both college credit and college-preparatory instruction. Fifty percent of technology fee revenues may be pledged by a community college board of trustees as a dedicated revenue source for the repayment of debt, including lease-purchase agreements, not to exceed the useful life of the asset being financed. Revenues generated from the technology fee may not be bonded.

SUPA mentions six factors to justify the authorization of such a fee:

a. Available funds for technology enhancement and expansion by universities do not exist.
b. Sharp increases in unfunded enrollment added to the university system over the past three years, and even more student enrollment increases predicted for the next few years, place a great strain on technology facilities, support, and services.
c. Demands for instructional infrastructure and upgrades are essential for high quality educational services.
d. Constant upgrading of technology tools and support are essential to keep pace and maintain alignment with the state's needs.
e. The business community demands current, high-tech training to help them maintain their competitive edge in the global economy.
f. Students demand high-skill job training, which enables them to obtain high wage jobs; this requires universities to maintain best practices in technology access and support.

2. <u>Capital Improvement Trust Fund</u> and <u>Building Fees</u>: Both of these fees are mandatory and are used for facility construction, renovation and equipment, and technology infrastructure associated with remodeling. Both fees can be bonded. The Legislature authorizes in the General Appropriations Act the expenditure of these funds by university by project. With the decline in Public Education Capital Outlay (PECO) funds, the universities are seeking alternative sources of revenue for facilities. They are proposing a one-dollar increase in each of these fees, with 50 cents of each increase being discretionary. They want the discretionary portion to be retained by the university and bonded for needed projects.

3. <u>Activity and Service (A&S), Health and Athletic Fees:</u> In 2000, the Legislature capped the sum of these three fees – the sum may not exceed 40% of the matriculation fee. Universities over the cap at that point did not have to reduce their fees. Within the cap, the sum of the fees could not increase more than 5% per year without specific authorization by the Legislature. At the time the cap went into effect, four of the universities were over the 40% cap, and four were above the 36% level. Universities would like to either remove or increase the cap and increase the 5% limitations on increases.

Staff Recommendation: (1) Advocate for tuition increases to be used to enhance university funding, not replace General Revenue; (2) Advocate the position to be adopted by the Board regarding the use of tuition in the new funding formula. A recommendation will be made by the Funding Formula Workgroup during the January 22 Board meeting.; (3) Consider at the January 22 Board meeting additional information related to the technology fee, the Capital

Improvement Trust Fund, the Building Fee, Activity and Service fees, Health fees, and Athletic fees; (4) Examine alternative methods of providing tuition and fee flexibility to reflect mission and goals, while balancing the demands for access and quality. Included in the examination would be a review of adjustments needed to make Bright Futures and Pre-Paid compatible with tuition flexibility.