

Meeting Minutes  
Ad hoc Committee on Bright Futures and Prepaid Program  
Taxation and Budget Reform Commission  
301 Senate Office Building  
Tallahassee, Florida  
Thursday, December 13, 2007  
3:00 p.m. – 6:00 p.m.

**Committee Members:** *Les Miller, Jr., Chair, Talbot “Sandy” D’Alemberte, and Jade Moore*

**Members Present:**

Les Miller  
Sandy D’Alemberte

**Members Present by Phone:**

Jade Moore

Chairman Les Miller called the meeting to order at 3:20 and asked staff to call roll.

Staff announced the presence of a quorum.

Chair Miller began by welcoming guests and announcing that this is the first meeting of the newly formed Committee on Bright Futures, Florida Prepaid Program, and Gambling revenues.

Former Senator Miller explained that both the Bright Futures and Florida Prepaid Program were both created by the Legislature and established by statute. He offered that the most sensible way to adjust these programs would be through the legislative process.

Chair Miller brought up the subject of Bright Futures and suggested that its costs are growing at such a rate that the State of Florida will not be able to meet the projected costs associated with its growth. He indicated that the state needs to change it to save it.

The chairman introduced the Chancellor of the State University System, Dr. Mark Rosenberg. Chancellor Rosenberg agreed with Les Miller that some changes to the Bright Futures Program should be made for a number of reasons. One of the biggest issues concerning Bright Futures is that it is part of the cause why tuition in the State University System (SUS) has remained at the same levels while other competing states have increased their tuition in order to fund new and expanded academic programs. Dr. Rosenberg indicated that the State of Florida’s University System’s tuitions are over \$3000 below the National average. He continued that an affordable education is very important, but that other schools in the southeastern United States have kept pace with National averages and raised their tuitions in order to grow, improve, and expand their

Universities. Chancellor Rosenberg explained that the State Board of Education has voted to recommend an increase in needs based tests for higher education funds.

Dr. Rosenberg introduced the subject of Florida's Prepaid College Program and opined that Prepaid is the other half of Florida's tuition problem. Bright Futures and Prepaid create "bookends" on adjusting tuition rates which is why Florida has the lowest tuition rates in the United States.

Commissioner Sandy D'Alemberte asked if it is fair to say that the Prepaid Commission effectively sets the tuition rates. Dr. Rosenberg replied that it is a fair statement. It's the tail wagging the dog, and some solution must be found before the situation gets worse. Dr. Rosenberg suggested that the Prepaid program is a very good idea for consumers and should be kept intact, but some adjustments are needed. He added that between 30 – 40 percent of Prepaid recipients come from lower socio-economic families.

Sen. Les Miller added that the Bright Futures program has been breaking the law passed in 1997 or 1998 which mandates that the majority of financial aid must be needs based. He asked Dr. Rosenberg if the SUS had any suggestions as to how to solve the problem. Dr. Rosenberg asked the Chair if his staff could join the podium to help explain their proposals.

Chairman Miller recognized SUS staffer, Nate Johnson and gave him the floor to explain possible solutions. Nate Johnson indicated that one of the easiest solutions to implement would be the de-coupling of Bright Futures awards from the education trust fund and tuition. Another solution would be to raise the academic standards for Bright Futures, but this would only fix the problem for the future because it cannot be applied retroactively.

Commissioner D'Alemberte asked Nate Johnson to give the committee a plan for de-coupling. Nate Johnson offered three solutions: 1. Capping the award amounts (two options discussed: set an amount per student based on some year and use that amount from year to year as the cap for the award, or pro-rate amount of each year's appropriated funds for Bright Futures based on the number of students that qualify) 2. Prorate the BF award based on tuition increases. 3. Raise the GPA minimum in BF standards. (Bright Futures Academic from 3.5 to 3.9 and Bright Futures Medallion from 3.0 to 3.5) Mr. Johnson indicated that the Medallion portion of Bright Futures is, by far, the fastest growing portion of the program.

Commissioner Sandy D'Alemberte offered an anecdotal story from his tenure as Florida State University's President. Commissioner D'Alemberte explained that at the end of a semester, a student came to his office with cash in hand from returning her textbooks and offered to repay the University for a student loan she'd received. The University could not accept her money because there was no mechanism in place to account for it. This particular student was from a less-than-fortunate family and still wanted to return the money to the University. We need to find a way to include a needs-based system in Bright Futures.

Nate Johnson explained that Bright Futures does not include a needs test, and that recipients are not even required to file a FSAFSA application.

Commissioner D'Alemberte indicated that he believed that linking Bright Futures to the Federal Application process would make more Federal PELL funds available to the State of Florida. That could be the incentive the legislature needs to act on Bright Futures.

Dr. Rosenberg added that simply requiring students to apply for need based funds through FASFA would make things interesting.

Chancellor Rosenberg suggested that Florida's Universities are widely known for large schools with low tuition.

Given the State of Florida's economy, the legislature may come back to make another cut to the budget. It's possible that \$300 million may be cut out of the budget before they are finished. If the legislature does cut that much, tuition will need to be raised 75% just to get back to the lowest student to faculty ratio in the country. PECO funding has generally worked for us, but it appears that those days are over.

Commissioner D'Alemberte asked Dr. Rosenberg if he would support putting the lottery and gambling money into needs based financial aid. Chancellor Rosenberg indicated that he'd have to see the details of the bill before he could answer.

Commissioner Les Miller asked Dr. Rosenberg what the total effects of the budget cuts would be to SUS. The net effects of the budget cuts will be about \$750 million. So, because of these budget cuts, the best the State of Florida can hope for is to maintain the status quo. These programs do not get much attention from the legislature, which is why the Board of Governors is appealing to the TBRC.

Commissioner Miller suggested that OPPAGA and Sen. Constantine have language on the raising of student fees when student's take more classes than are needed to graduate. Those students who accumulate dozens of extra credit hours, and those who withdraw and/or fail the class are given two free passes to retake the class without penalty.

Nate Johnson replied that withdrawals and Fs are one of the most wasteful areas in Universities.

Chancellor Rosenberg interjected that many of the Universities do not have adequate numbers of capable academic advisors. Poor advising and planning should not result in the penalizing of students.

Commissioner D'Alemberte allowed that in reviewing the budget he noticed that the State of Florida will spend more money on prisons than on Community Colleges. There is something fundamentally wrong with that.

Chairman Les Miller added that he hopes there will be no more cuts to education if the legislature has to make more budget revisions. The Taxation & Budget Reform Commission will be filing proposals affecting education; the outcome may be statutory recommendations, constitutional amendments, or both. Bright Futures is hurting Florida's education system and it was designed to help it. We need to fix Bright Futures in order to save it.

Commissioner Jade Moore suggested the possibility of a point based system where students with 1400s on their SATs will retain their full awards. Students with 1250 SATs may get  $\frac{3}{4}$  paid by Bright Futures, or some type of point system similar to that.

Commissioner Moore asked Nate Johnson if the Board of Governors has contemplated the merging of Bright Futures with needs based tests. Mr. Johnson replied that they have discussed internally in the office, but will get something to the committee.

Commissioner Jade Moore indicated that if things are left unchecked, all lottery money will go into Bright Futures. That's not what I remember being told when the State of Florida first introduced the lottery.

Chairman Les Miller thanked Chancellor Rosenberg and Nate Johnson with the Board of Governors, and introduced the CEO of the Florida Association of District School Superintendents, Bill Montford.

Mr. Montford addressed the committee, "Hello gentlemen, it's good to see you again. I've spoken 3 or 4 times to committees of the TBRC and always enjoy the dialogue here."

According to Mr. Montford, education funding has shifted from the state to the local governments. The revenue streams for higher education are shrinking, while tuition keeps growing. As a representative of the Florida Association of District School Superintendents, he wanted to be clear that he does not advocate taking funds from K-12 to supplement for losses, but the Universities are in trouble.

Mr. Bill Montford indicated that he has heard Commissioner Sandy D'Alemberte refer to one of the main problems with Bright Futures as the BMW Principle. The BMW Principle is a situation where students who are from affluent families are given a BMW from their parents every year because their parents do not have to pay for tuition, books, and other expenses because of Bright Futures awards.

Mr. Montford suggested that Bright Futures is a powerful program; if students work hard to make the grades, and Florida will make sure (no matter what socio-economic background you're from) that you get an opportunity for a higher education.

Montford agreed with the Board of Governors that De-coupling is financially reasonable, but has concerns with how current Bright Futures students may be affected.

Commissioner D'Alemberte suggested that he has looked for information on de-coupling and was unable to find good data on the subject.

Nate Johnson allowed that the Board of Governor's staff will work on developing some informational data on the subject and will get back to the committee.

Commissioner D'Alemberte agreed and indicated that he would also like to hear from the interested parties on the Seminole Gaming Compact. He directed staff to invite speakers to present at future meetings.

Chairman Les Miller suggested that staff continue to reach the Governor's office and the Seminole Tribe for speakers at upcoming meetings.

Chairman Les Miller called a short recess at 4:15 p.m.

The Ad Hoc Committee on Higher Education reconvened at 4:21 p.m.

The Chairman introduced and welcomed the Chancellor of Community Colleges, Dr. Will Holcombe.

Dr. Holcombe began with a rhetorical question, "Is college education worth it for the state?" Of course it is. Without a quality higher education system in the State of Florida, the state would find itself with low numbers of skilled workers and quickly unable to sustain the workforce needs that Florida requires.

Commissioner Sandy D'Alemberte offered that an Associated of Science Degree from a Community College earns more than a Bachelor's Degree from a Community College or a Public University. Does that surprise you?

Chancellor Holcombe answered that it's only somewhat surprising because careers associated with the AS degree are generally in high demand and pay more as a result.

Community Colleges are counter-cyclical and enrollment numbers remain relatively flat in times of prosperity. However, when the economy is poor, Community College enrollment increases at significant rates. This year, according to Dr. Holcombe, Community Colleges have increased enrollment by around 19,000 FTE, or the equivalent of both Palm Beach Community College and Broward Community Colleges total FTE numbers combined.

Dr. Holcombe suggested that an appropriate and predictable funding source for Community Colleges is needed. One thought is a system where funds are directed into a trust fund for adjustments on CC enrollment; the Community Colleges could use those funds only in years where there are higher numbers of FTEs enrolling than was accounted for.

The legislature will not have the money to fund Community Colleges out of General Revenue during lean years such as this one. An open door policy is one of the primary missions of Florida's Community College System. Selective enrollment has never worked well for CCs in Florida. Without a way to supplement funds from GR in these tough years, it will be difficult to offer enough classes and teachers for our growing student bodies.

Chair Miller indicated that he would like to hear about local tax options for Community Colleges and PECO proposals.

Dr. Holcombe pointed out that some of the Community College Presidents think that local tax options on sales tax, ad valorem taxes, and others are a good idea, but from a system-wide prospective they are probably not a solution for the whole state. These local tax increases are likely to be viable options in some areas but not others.

PECO (Public Education Capital Outlay) is the lifeblood for Community Colleges and the State University System. PECO funds, however, are not a replacement for tax revenue as a funding source. Over the next 15 years, the numbers of enrolled students in Community Colleges will likely double. If the current trends continue, PECO funds are not likely to be available 20 years from now.

Commissioner D'Alemberte asked Dr. Holcombe if the demand for PECO has increased because of the K-12 Class Size restrictions and other programs. Dr. Holcombe replied that yes, PECO funds have been affected by the Class Size Amendment, budget cuts, and other budgetary changes. He indicated that some years ago, PECO was specified for higher education projects only.

Commissioner Sandy D'Alemberte voiced his concern over questionable activities by the state concerning gambling and lottery funds. He added that there are few restrictions on how the State of Florida can spend funds from the lottery and gambling. Dr. Holcombe responded by declaring that the lottery is not a growth industry, and that Community Colleges are growing and need a revenue stream that can sustain growth.

According to Dr. Will Holcombe, Community Colleges are dwarfed, in terms of funding, by K-12 and the State University System. A dedicated funding source for Community Colleges generating only a portion of what K-12 and SUS receives should be provided to keep the Florida's Community Colleges competitive.

Commissioner Sandy D'Alemberte suggested that the Florida Prepaid Program currently has a budget surplus of around \$900 million dollars. Interest accrued is based on tuition increases; whose money is that? Staff should look into who has control of Prepaid's surplus dollars, and how it can be spent.

Will Holcombe indicated that as the Chancellor of Community Colleges, he sits on the Florida Prepaid's Board of Directors. The program's surplus amounts to around \$800 million dollars, but tuition increases will reduce that amount significantly.

Commissioner Jade Moore brought up the issue of Community Colleges as an entitlement for Florida High School graduates. Dr. Holcombe responded by indicating that he can't really speak to the idea's feasibility, but went on to say that student fees are currently the only likely source of increased funding for Prepaid, Bright Futures, FSAG, or PELL Grants.

Commissioner Moore suggested that perhaps the TBRC could use the help of an economist from the House of Representatives, Senate, or private sector to look into options for funding a revenue stream.

Dr. Holcombe brought up for discussion a program offered by the State of Kentucky. Kentucky offers a flat \$1000 per year to all full and part-time students who are at least 24 years of age and who hold employment in the State of Kentucky. 90% of Florida's Community College students are full or part-time workers. In contrast, Florida's Community College System currently is not set up for working students. All of the members of the Ad Hoc Committee agreed that further research into Kentucky's program should be done by staff and sent to members.

Chairman Les Miller asked the members for their recommendations on the issues discussed. Sen. Miller declared that a list of proposed recommendations will be compiled by the staff and delivered to the full Governmental Services Committee at the next meeting on the following morning.

Commissioner Sandy D'Alemberte indicated that he agreed with Commissioner Jade Moore's approach to Bright Futures. Mr. Moore's idea featured a 2-tiered system, allowing for a needs based test and merit tests. Commissioner Moore allowed that more details need to be worked out and that he will work with staff to develop a more specific proposal.

Chair Miller suggested that an income guideline be established for students on Bright Futures in addition to the GPA and test score guidelines.

On the subject of Florida Prepaid, Commissioner Jade Moore said that the ability to adjust for tuition increases in the future should be allowed and/or improved. He added that the State of Florida could offer interest free loans for (future) students whose Prepaid accounts may not meet all of the student's financial needs.

Chair Miller offered the floor to any Commissioner who would like to add any comments. Upon seeing none, he then offered the floor to anyone in the audience who would like to add his or her comments. No members of the audience or tele-conference had comments.

There being no further business, Chairman Les Miller ordered the meeting adjourned at 5:46 p.m.