

KEEPING THE SUS PROMISE, PART 1: WHAT DO WE OWE THE STUDENTS OF FLORIDA?

What commitments has the State of Florida made to the coming generation of potential college students? What does it mean to talk of “keeping the promise”?

In the 1990s and early 2000s, Florida policymakers aggressively and successfully sought to improve the state’s college continuation and educational attainment rates. The policies and programs created, which have cost nearly \$2 billion so far, have transformed the educational landscape of the state. Most of these programs included a promise, outright or implied:

- **Bright Futures scholarships** for students meeting curriculum, grade, and test score requirements. The promise: *“Meet these requirements, stay in Florida, and we will make a substantial contribution to your college costs.”*
- **The Florida Prepaid Program** to help families save for college. The promise: *“Even if your income is modest, save each month and we will guarantee your savings cover the cost of college education when your child is of age.”*
- **The Talented 20 Program**, which guarantees university admission to the top 20 percent of each high school’s class. The promise: *“Study hard, perform well relative to your peers, no matter what high school you attend, and we will hold a place for you in the State University System.”*
- **The College Board Partnership**, which promotes and financially supports PSAT, SAT and AP participation. The promise: *“No matter what high school you attend or what your family income, the state wants you to have access to the challenging curriculum, acceleration mechanisms, and test preparation to prepare you for college.”*
- **The A+ and A++ Plans**, which promote and monitor rigor in the K-12 curriculum. The promise: *“The state will help you meet rigorous high school graduation requirements and, when you graduate, your diploma will be a meaningful step toward college and careers.”*

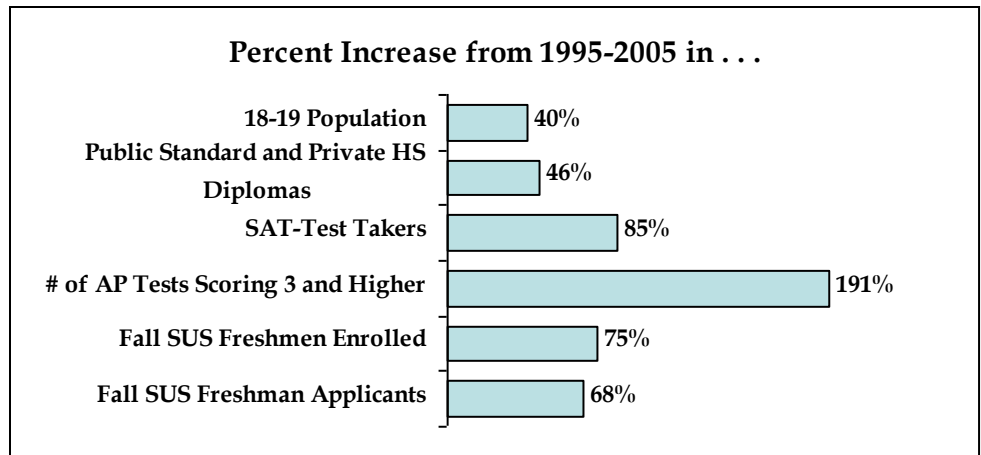
Collectively, these policies amount to one of the biggest legislative successes of the last two decades. Our college continuation rate, once well below the national average, is now comparable to that of other high-performing states. Positive trends in K-12 performance as measured by state and national tests, combined with rapid growth of the Florida Prepaid program, suggest that demand will continue to grow. Consider these stunning facts:

- From 1995 to 2005, while the state’s 18-19 year old population increased by 40%, the number of high school graduates increased

by **46%**, SAT test takers increased by **85%** (with no decline in scores), and the # of AP tests taken with a passing grade increased by **191%**.

- From 1994-2004, while the state’s 18-19 year old population increased by **39%**, the number of high school graduates increased by **47%**, the number of high school graduates leaving the state for college **declined** by **6%**.
- From 1997-2004, while the state’s 18-19 year old population increased by **27%**, the number of high school graduates increased by **39%**, the number of students qualifying for Bright Futures scholarship

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(including curriculum, grades, and test scores) increased by **66%**.



Access to What?

This success also creates an obligation for the state to keep its promises by providing access to high quality postsecondary education. Unfortunately, spending on higher education has not kept pace with the demand generated by the last decade of policy initiatives. Enrollment growth has not always been funded, and when it has, universities have received only a fraction of the costs that would be required to provide the same level of quality previous generations have enjoyed.

Universities are thus faced with difficult choices:

- Grow more slowly than student demand, so that students with qualifications similar to those of students a decade ago have increasingly limited options.
- Limit growth in the highest-cost programs, such as science and engineering, even though such areas are of great economic importance to Florida.
- Shift to lower-cost forms of instruction, such as ever-larger lecture classes, graduate assistants and adjunct faculty, thus limiting students’ contact with regular faculty.
- Cut faculty and staff salaries and benefits, and risk losing the top performers to other states, countries, and private institutions that are making greater investments in higher education.

These are not choices we want our universities to have to make. That is why we are asking for help in “Keeping the SUS Promise” by thinking carefully about the investments we need to make now and in the years to come.

KEEPING THE SUS PROMISE, PART 2: TOWARD A SIX-YEAR BUSINESS PLAN TO FINANCE QUALITY AND GROWTH

The State University System is committed to providing quality access to postsecondary education for Florida’s growing population. The challenge is to find the revenue sources to keep up with growth, meet higher costs, and close a significant funding gap with our national peers. We will need to increase funding by more than 6.5%¹ annually just to maintain the current level of service given enrollment growth and estimated cost increases. To move toward nationally competitive funding levels, total funding from appropriations and tuition would need to increase by approximately \$1.8 billion over this period, an average increase of \$300 million per year, or 8.6% of each prior year’s budget.

Since the state’s economic picture varies from year to year, the only realistic way to achieve this goal is for revenue growth to significantly exceed that level in more prosperous years, while expecting less during downturns.

MAJOR COST FACTORS

Enrollment Increases: The enrollment plans submitted by universities in June 2006 provide for average annual FTE increases of **2.82%** between now and 2012-13. The main drivers are

- 1) population growth in the key age groups,
- 2) increased proportions of the age group continuing to college,
- 3) increased proportions of college-bound students remaining in-state,
and
- 4) graduate program growth driven by in-state and national/international recruitment and demand. As with community colleges, graduate program demand poses a planning and budget program as it tends to increase more rapidly during recessions.

Cost Increases: Using a conservative estimate, average increases of **3.72%** are needed to continue providing the current level of services. This increase includes two components.

¹ This increase does not include IFAS, health science centers or funding for the major gift matching program.

- 1) The Legislature's Office of Economic and Demographic Research projects average **2.27%** increases in the Consumer Price Index over the period covered by the current enrollment plan. This is less than the current level of consumer inflation.
- 2) Universities purchase very different goods and services (faculty and staff salaries, microscopes, health care benefits, utilities) from those covered in the CPI (housing, food, appliances, cars) and, nationally, prices on those goods and services have been going up an average of **1.45** percentage points faster than the CPI in the last six years, according to the Commonfund's annual Higher Education Price Index report.

National Competitiveness: Core funding (tuition and state appropriations) per FTE in Florida lags behind other public four-year institutions nationally by **11.9%**. Annual increases of **1.9%** over six years would close this gap. The gap is likely an underestimate, since Florida's community college system provides much of the lower-level instruction that four-year universities do in other states. In fact, when both universities and community colleges are considered together, Florida has the lowest per FTE funding of the 50 states, according to the 2005 State Higher Education Executive Officers Finance survey.

HOW TO FINANCE THE SUS INVESTMENT

The core funding for most public universities comes from a combination of tuition and state appropriations. Other revenues are usually tied to the performance of research grants, or the operation of related enterprises such as hospitals, dormitories, parking garages and are not generally available for the basic operations of the university.

Graduate, Professional, And Nonresident Tuition. Florida's out-of-state tuition is above the national average and has been rising rapidly for several years, as it has in many other states. The proportion of nonresident students in the SUS has been declining, and would likely decline further if tuition continues to increase.

In-state graduate and professional tuition is in line with what many other states charge. In most graduate programs, part or all of tuition is often waived in connection with a teaching or research assistantship. There may be some room for tuition increases in targeted graduate and professional programs without adversely affecting demand, but the net gain and impact on system revenues would be minor.

For the purposes of these projections, we assume that revenues from graduate and out-of-state tuition grow at the projected level of cost increases, or 3.7% annually on a per FTE basis.

Resident Undergraduate Tuition. Florida’s resident undergraduate tuition was 49th in the nation in 2005, according to the College Board’s annual tuition survey. There is room to increase tuition without affecting demand or access, especially if need-based aid keeps pace. Given our low tuition relative to the national average, a large percentage increase generates only a moderate dollar increase. A \$300 annual increase would be just over 5% of the national average, but almost 10% in Florida.

About 39% of resident undergraduates have financial need. If we assume that families’ ability to pay increases with the Consumer Price Index, this means that any tuition increase above that index rate would generate about 39 cents in financial need for every \$1 in revenue.

The tuition scenarios on the option matrix include a “neutral” option to keep up with costs, mid-range options at 6.2% and 7.5%, and options to move tuition, over six years, to the middle of the third quartile of states, or to the national average. All scenarios assume that the national average will track projected cost increases of 3.7%, which is a conservative estimate given that recent increases nationally have out paced costs.

State Appropriations. State appropriations are the cornerstone of SUS funding. In turn, the SUS increases the state’s tax base by training workers for high-paying professions, attracting industry to the state, and performing research with significant economic value. While there are competing priorities for state funds, investing in higher education will ultimately increase the size of the pie, and failing to do so will ultimately impoverish us relative to states and countries that are willing to make that investment.

Even with tuition increases, the SUS will also need stepped-up investment from the state to reach its goals.

Table 1: 2006-07 TUITION AND APPROPRIATIONS AND 2012-13 ESTIMATED NEED

	2006-07 Budget	2012-13 Estimated Need
Total State Funds (GR, Lottery, Phosphate)	\$1,960,174,848	?
In-State Undergrad Tuition (47% of Trust Fund)	421,298,043	?
Other Tuition (53% of Trust Fund)	475,080,771	693,901,690
Total Core Revenues	\$2,856,553,662	\$4,696,212,205
Avg. Annual Rate of Increase in Core	8.6%	

Revenues		
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On the following page, Table 2 outlines the revenue impact of different tuition policies by the year 2012-13.

Table 2. OPTION MATRIX FOR TUITION POLICY FROM 2007-08 TO 2012-13
Closing the Gap from \$2.8 Billion to \$4.7 Billion to Support an Additional 56,000

		Annual Rate of Tuition Increase Over 6 Years			
		3.7% (Inflation Only)	6.2%	7.5%	10.3% (Move to Mid-Third Quartile Tuition) or, 30% One-Time Increase, Followed by 6% Increases
2012-13 Revenue Breakdown (Millions)	Total Revenues	\$ 4,700	\$ 4,700	\$ 4,700	\$ 4,700
	Resident Undergrad Tuition Revenue (Less Incr. Fin. Aid)	\$ 600	\$ 650	\$ 700	\$ 760
	Increase in Resident Undergrad Tuition Revenue	\$ 180	\$ 230	\$ 280	\$ 340
	Other Tuition	\$ 694	\$ 694	\$ 694	\$ 694
	State Appropriations Needed	\$ 3,400	\$ 3,350	\$ 3,300	\$ 3,240
	Increase in State Appropriations	\$ 1,440	\$ 1,390	\$ 1,340	\$ 1,280
	Annual % Increase in Appropriations	9.7%	9.4%	9.2%	8.8%
	Increase in Fin. Aid to Remain Need-Neutral	\$ 20	\$ 60	\$ 80	\$ 130

State University System of Florida 2007-2008 Tuition Recommendation

Current National and State Information

For the past three years, tuition and fees have been increasing significantly, with many increases by double-digit percentages for four-year public colleges and universities. According to the Washington Higher Education Coordinating Board (WHECB) annual tuition and fee survey of 264 institutions in all 50 states, tuition and fees have increased an average of 11.2% (\$527), 9.6% (\$480) and 8.3% (\$471) over the last three years for undergraduate residents. ² Tuition and fee information for 2006-2007 is not yet available.

Except for resident undergraduates, Florida's tuition has been following the national trend. While tuition for resident undergraduates has increased moderately each year for the past few years, it has not increased as quickly as in other states.

Fiscal Year	Resident Undergraduate	\$ Increase for 30 Credit Hours	All Other Students
2003-2004	8.5%	\$149	8.5%, plus UBOT authority to increase up to 6.5%
2004-2005	7.5%	\$143	12.5%, plus UBOT authority to increase up to 2.5% for out-of-state students
2005-2006	5%	\$102	UBOT authority to set tuition and out-of-state fees for new students; existing students no more than 5%
2006-2007	3%	\$64	BOG/UBOT authority to set tuition and out-of-state fee increase for current students not to exceed 5%; new students not to exceed 10%

According to the 2005-2006 WHECB survey, Florida ranked 50th in undergraduate resident tuition and fees for flagship³ institutions and 38th for comprehensive⁴ institutions. In the College Board's 2005 survey, "Trends in College Pricing," Florida's

² Washington State Higher Education Coordinating Board's January 2006 Survey

³ such as the University of Florida

⁴ such as the University of North Florida

overall average four-year resident undergraduate tuition ranked 49th among the 50 states.

In Florida, undergraduate resident tuition increases have been kept to single digits over the last 10 years, with the 8.5% increase in 2003-2004 being the highest and 3% being the lowest. One constraint on tuition increases has been the potential impact on Bright Futures and the popular Florida Prepaid Program. For the Bright Futures program, every 1% increase in tuition adds approximately \$2.7 million to the cost of the program, which means that, without changes to the program, more lottery funds will be used to cover program costs. Since lottery revenues are not likely to increase rapidly, this means less funds would be available for other educational operations.

Recommendations

House Bill 7087, which was signed into law by the Governor on June 5, 2006, amends Section 1009.24 Florida Statute to read as follows:

Except as otherwise provided by law, undergraduate tuition shall be 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. 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, adjustments to the out-of-state fees or tuition for graduate and professional programs pursuant to this section may not exceed 10 percent in any year.

At the June 22, 2006 Board meeting the following 2006-07 tuition policy was adopted:

Delegate the authority to set tuition and out-of-state fees for 2006-2007 to the University Boards of Trustees within the following parameters:

- Undergraduate tuition - maximum of \$73.71 per credit hour
- Graduate, graduate professional and non-resident tuition and out-of-state fee increases for students enrolled prior to the fall of 2006 shall not exceed five (5) percent over 2005-2006 rates
- Graduate, graduate professional and non-resident tuition and out-of-state fee increases for students enrolled beginning in the fall of 2006 shall not exceed ten (10) percent over 2005-2006 rates
- Neither the tuition nor out-of-state fee may be lower than the rate in effect for 2005-2006

During the 2006 legislative session the Legislature did not set target levels for out-of-state fees for graduate, professional and all levels of out-of-state students, but it did include resident undergraduate tuition maximum in the General Appropriations Act.

Given the importance of cooperation with the Legislature and consistent with revised Section 1009.24 F.S., we are recommending the following actions for the 2007-2008 LBR:

1. All tuition and out-of-state fee increases are hereby delegated to the university boards of trustees pursuant to Section 1009.24 F.S.
2. It is recommended that the Legislature increase undergraduate tuition by 7%. Currently, undergraduate resident students pay \$73.71 per credit hour. For every 1% in tuition increase, approximately \$3.9 million in additional revenue is generated, thus a 7% increase generates approximately \$27.5 million. All revenues generated by tuition increases should be spent according to priorities identified by the university board of trustees. A 7% increase would increase student tuition by \$155 based on 30 student credit hours.

School Year	Tuition Increase	Cost per Credit Hour	Cost for 30 Credit Hours
2006-2007		\$73.71	\$2,211.30
2007-2008	7%	\$78.86	\$2,365.80
Increase		\$4.85	\$154.50

3. Furthermore, the Board advocates for full funding of the 2007-2008 Department of Education's request for need-based financial aid, especially the public Florida Student Assistance Grant.