

**We Must do Better!**  
**Moving Florida's State University  
System to the Next Level in Quality  
and Accessibility**

**FLORIDA COUNCIL OF 100  
HIGHER EDUCATION FUNDING TASK FORCE**

**March 18<sup>th</sup>, 2004**

## EXECUTIVE SUMMARY

- The state of Florida spends \$2.3 billion on university education. However, the quality and accessibility of the system are low compared to other states, and the number of bachelors degrees is insufficient to meet labor market demands
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- Based on the ROSF benchmark, the Florida Council of 100 proposes an integrated set of policy changes that increases tuition, FRAG spending and Bright Futures eligibility levels and reinvests in education quality (through higher per student budgets) and accessibility (through higher needs based aid). The policy changes are:
  - Increase tuition and fees by 13.9% per year for 5 years to reach national average
  - Increase Bright Futures requirements to 1070/1330 (from 970/1270) beginning in 2005-2006
  - Further leverage of private institutions, by increasing FRAG to \$120 million
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  - Increase state university funds for quality of education by \$366 million by 2008-2009
- **The total impact of these changes is to improve quality and accessibility above national averages, graduate more bachelors degrees, and improve the effectiveness of state funds**
  - E&G budget per FTE increases 14%, increasing the state's rank from 34<sup>th</sup> to 24<sup>th</sup>
  - State need based aid / Federal Pell grant increases from 22% to 36%, increasing the state's rank from 34<sup>th</sup> to 22<sup>nd</sup>
  - An additional 15,480 bachelors are graduated per year, ~4,500 more than the current trajectory
  - The return on state funding increases from 25.1 to 27.8, even after improving the quality and accessibility of the system

## PROPOSED SCOPE AND OBJECTIVES

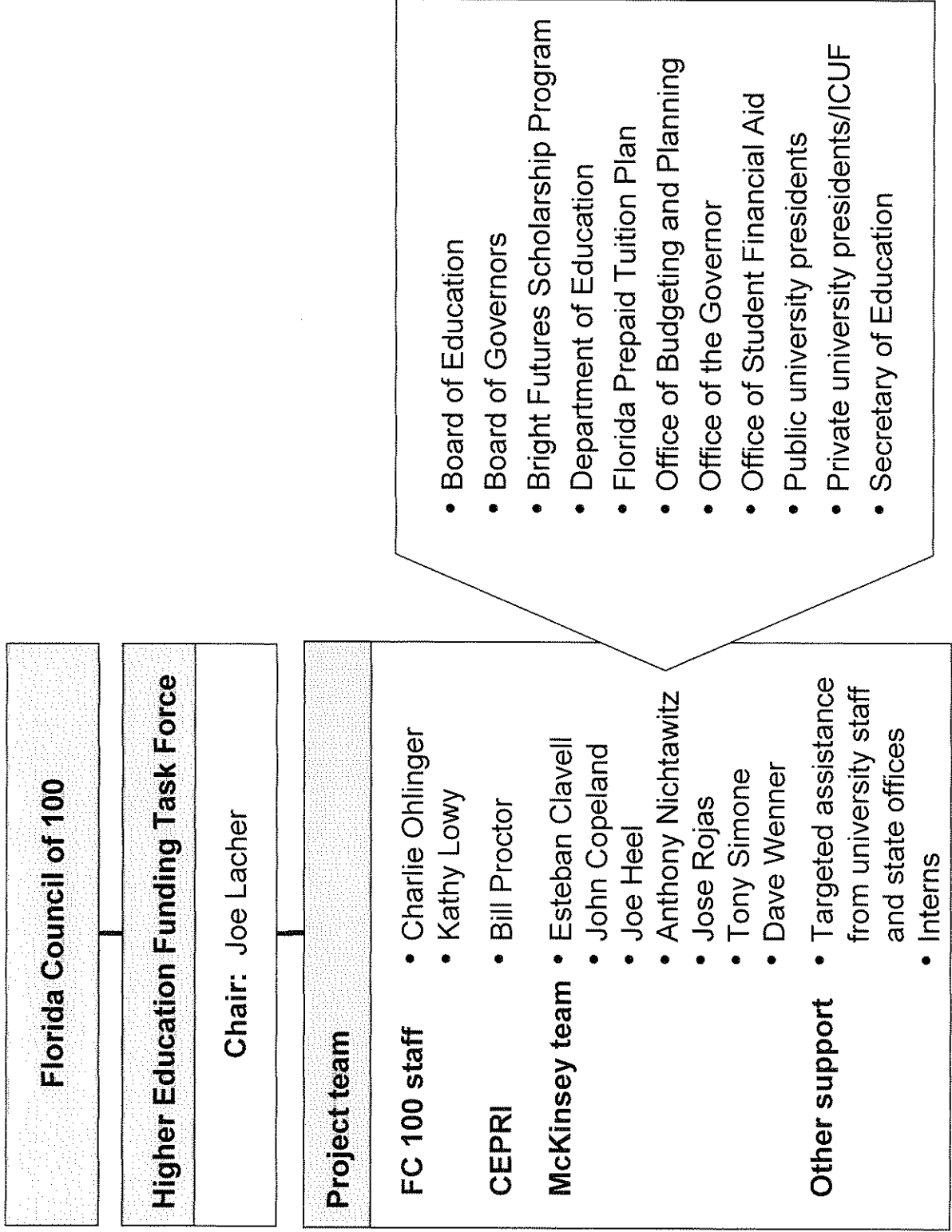
### Project objectives

- Adjust the state's funding for higher education to:
  - Improve the quality of the higher education system
  - Improve the accessibility for key socioeconomic segments of the population to higher education
  - Increase the number of undergraduates educated in the state
  - Make most effective use of the state (taxpayer) funds invested

### Project scope

- Bachelor degree graduates from the university system, both public and private
- Monetary flows into university education through five key funding channels:
  - Appropriations
  - Tuition
  - Bright Futures Scholarships
  - Prepaid Tuition Plan
  - Need-based aid

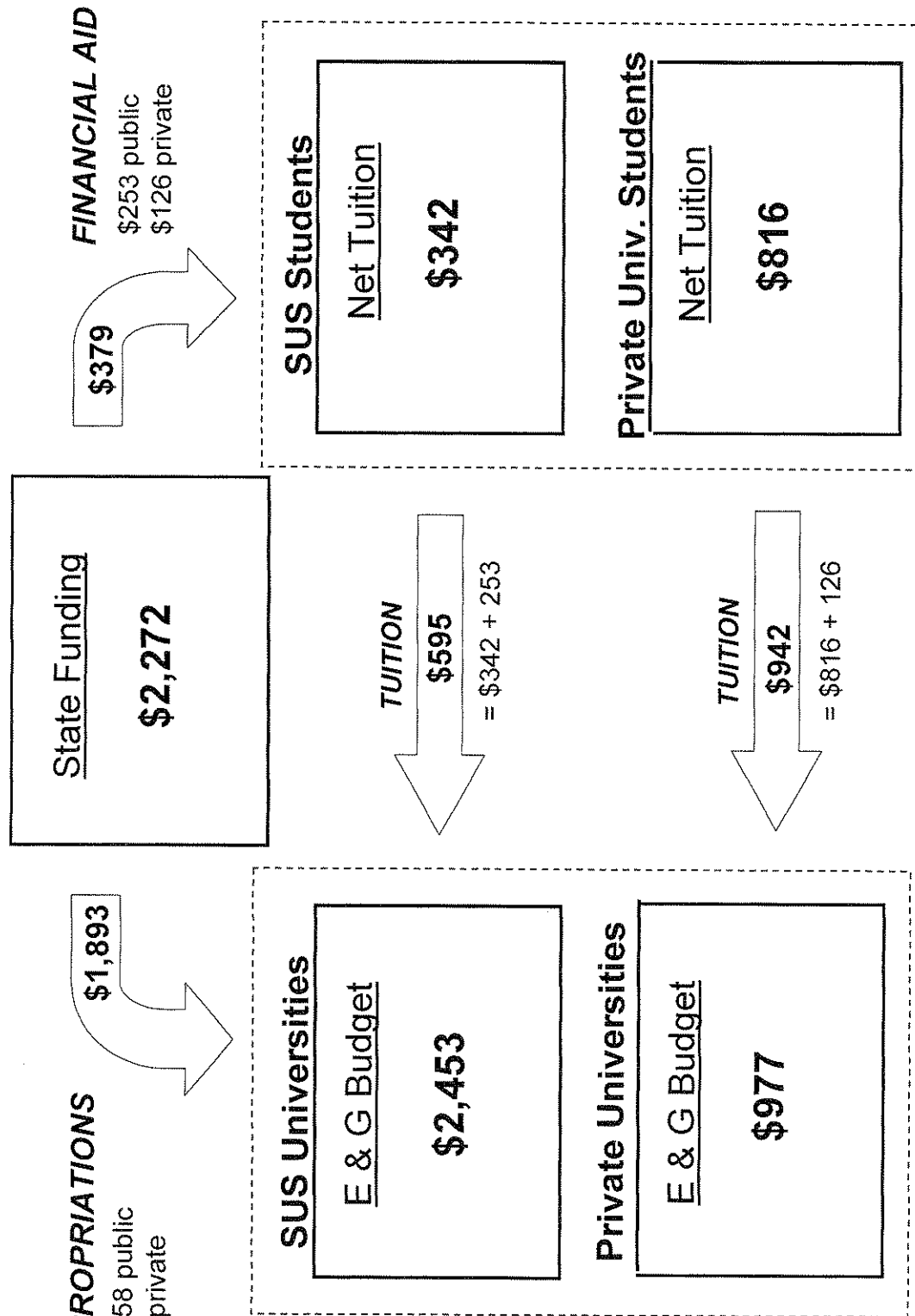
# PROJECT CONTRIBUTORS



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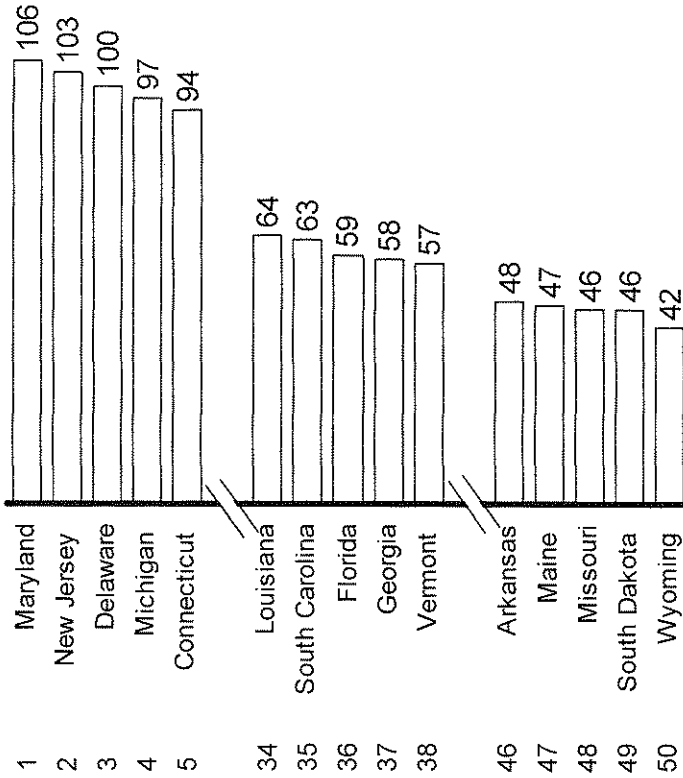
# STATE INVESTS \$2.3 BILLION TO SUPPORT THE UNIVERSITY EDUCATION SYSTEM 2002-2003 (\$ millions)



# THE QUALITY AND ACCESSIBILITY OF THE FLORIDA UNIVERSITY SYSTEM ARE LOW

## Quality

### Bachelor Salary Increase

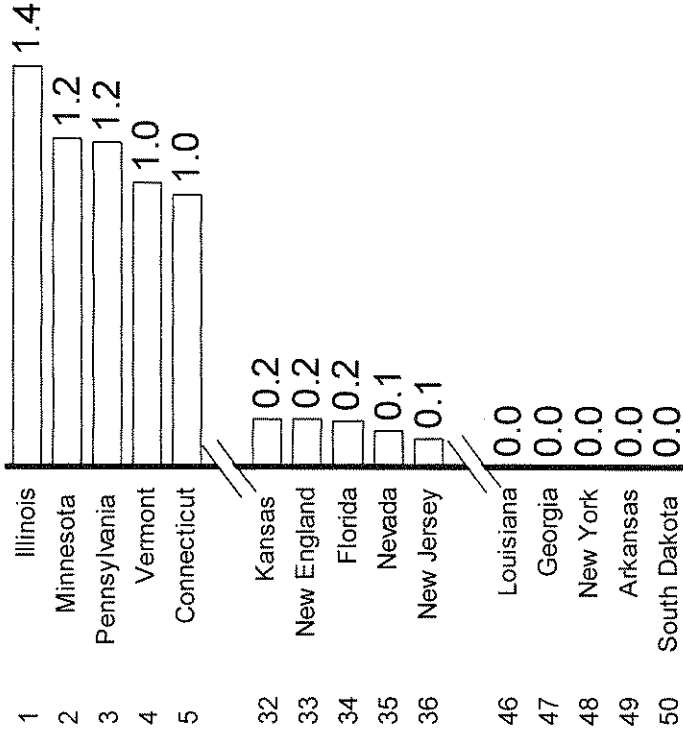


- Other metrics of quality of education include:
  - E&G Budget per FTE: FL ranks 34<sup>th</sup>
  - Student-faculty ratio: FL ranks 36<sup>th</sup>
- E&G Budget per FTE was found to be statistically correlated to other quality metrics

Note: Based on latest comparable data (2001-2002)  
 Source: SREB Education Data; National Center for Public Policy and Higher Education, *Measuring up 2002* report; Kiplinger's 100 Best Values in Public Colleges; team analysis

## Accessibility

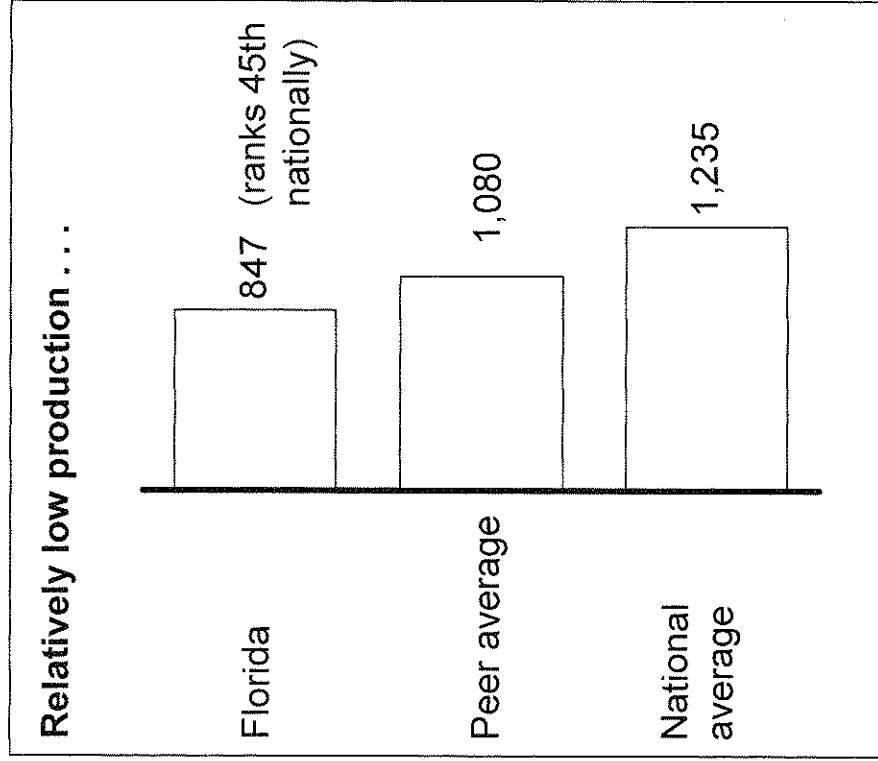
### Need based Aid / Pell Grants



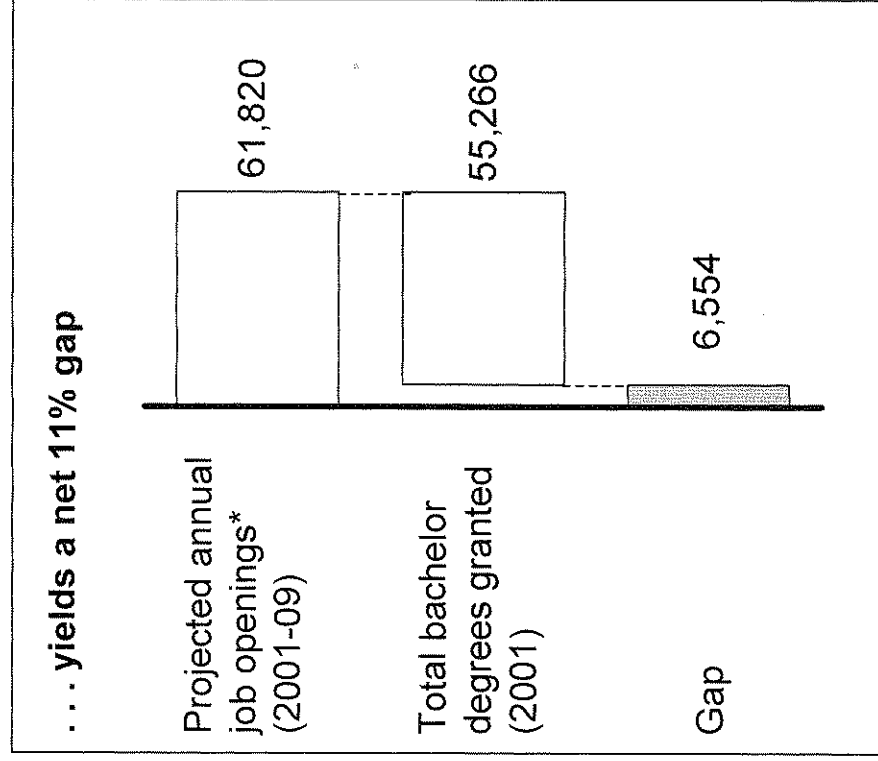
- Need-based aid/Pell grant reflects accessibility for low income families
- Other metrics of accessibility include:
  - Lowest priced tuition / income of poorest families (after need-based aid): FL is 13% vs. 8% in top states

# CURRENT VOLUME OF BACHELOR DEGREES DOES NOT MEET STATE'S LABOR NEEDS

**Bachelor degree production**  
 Number of degrees awarded per 100,000 target age\* population



**Total employment needs**  
 Number of degrees



\* Target age range defined as 18-44



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# FLORIDA RECEIVES A LOWER RETURN ON STATE FUNDING FOR HIGHER EDUCATION THAN MOST PEERS

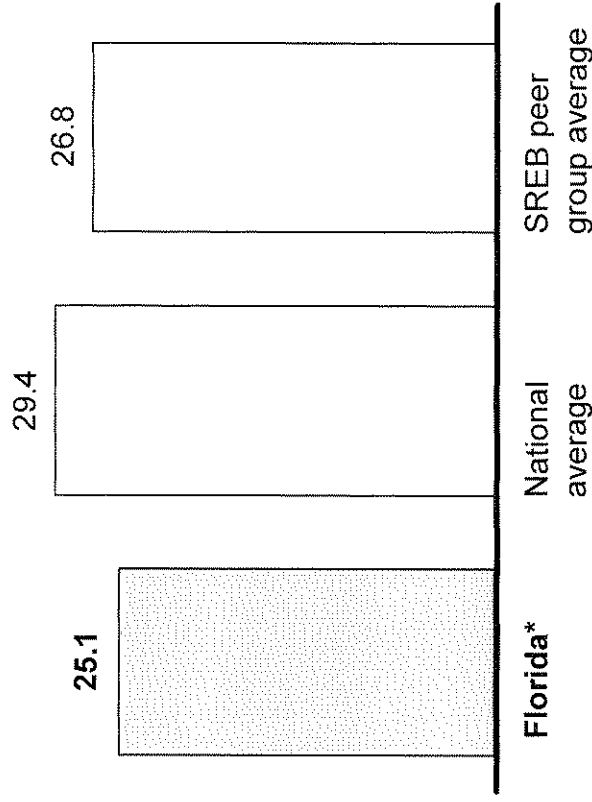
Definition of "Return On State Funds", or ROSF

$$\text{ROSF} = \frac{\text{Total undergraduate degree graduates}}{\$1 \text{ million state (taxpayer) investment}}$$

$$\text{FL ROSF 2002-03} = \frac{57,000}{\$2,272 \text{ million}} = 25.1$$

Comparison of Florida's ROSF with national and peer state averages

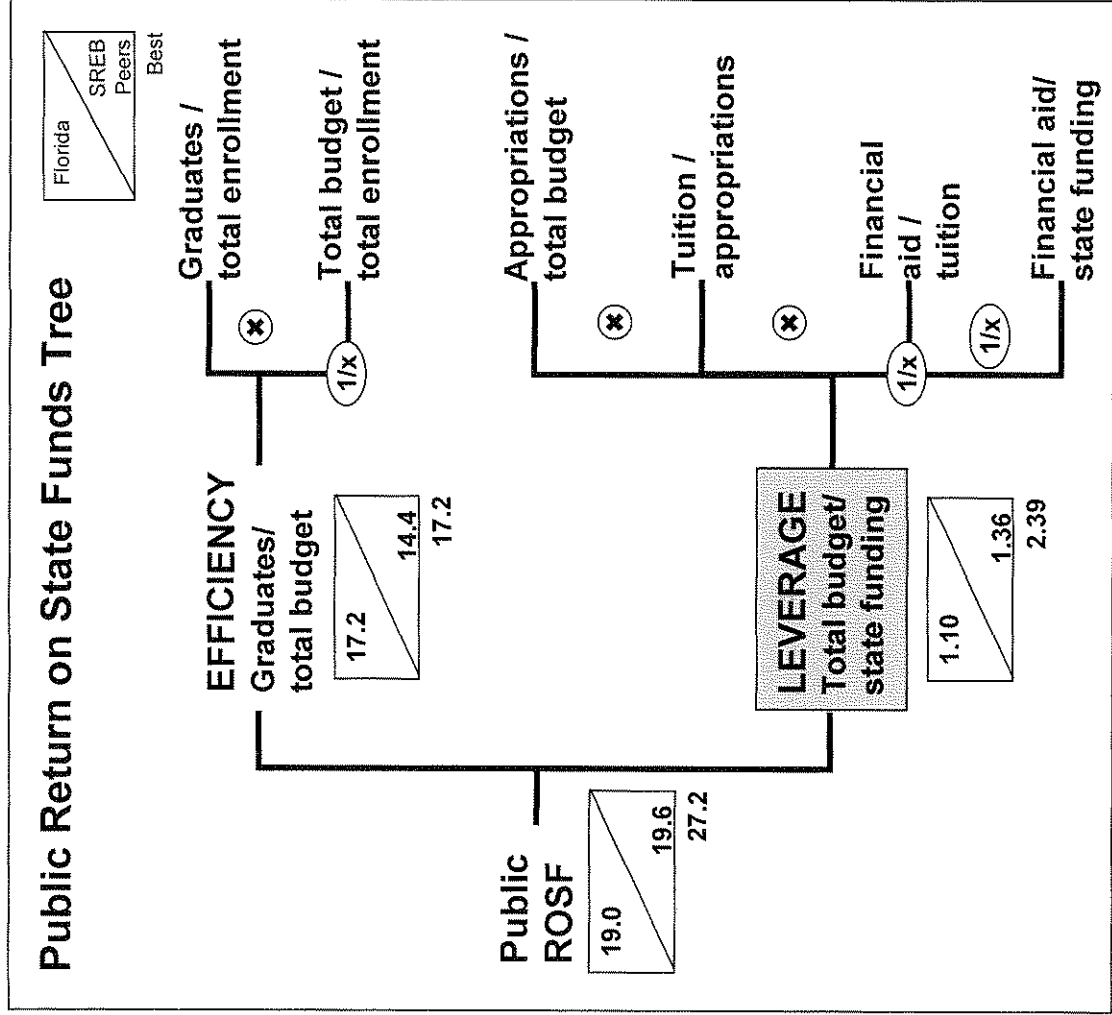
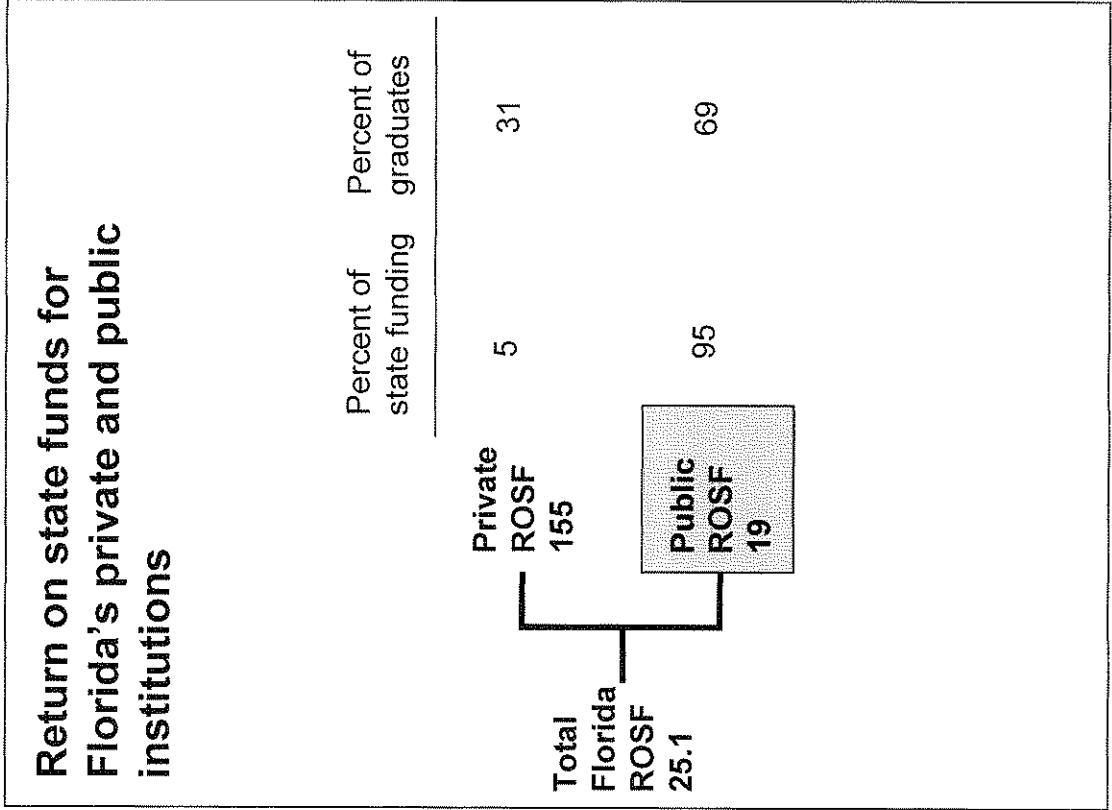
Number of graduates per \$ million of state funding



Florida national rank = 38

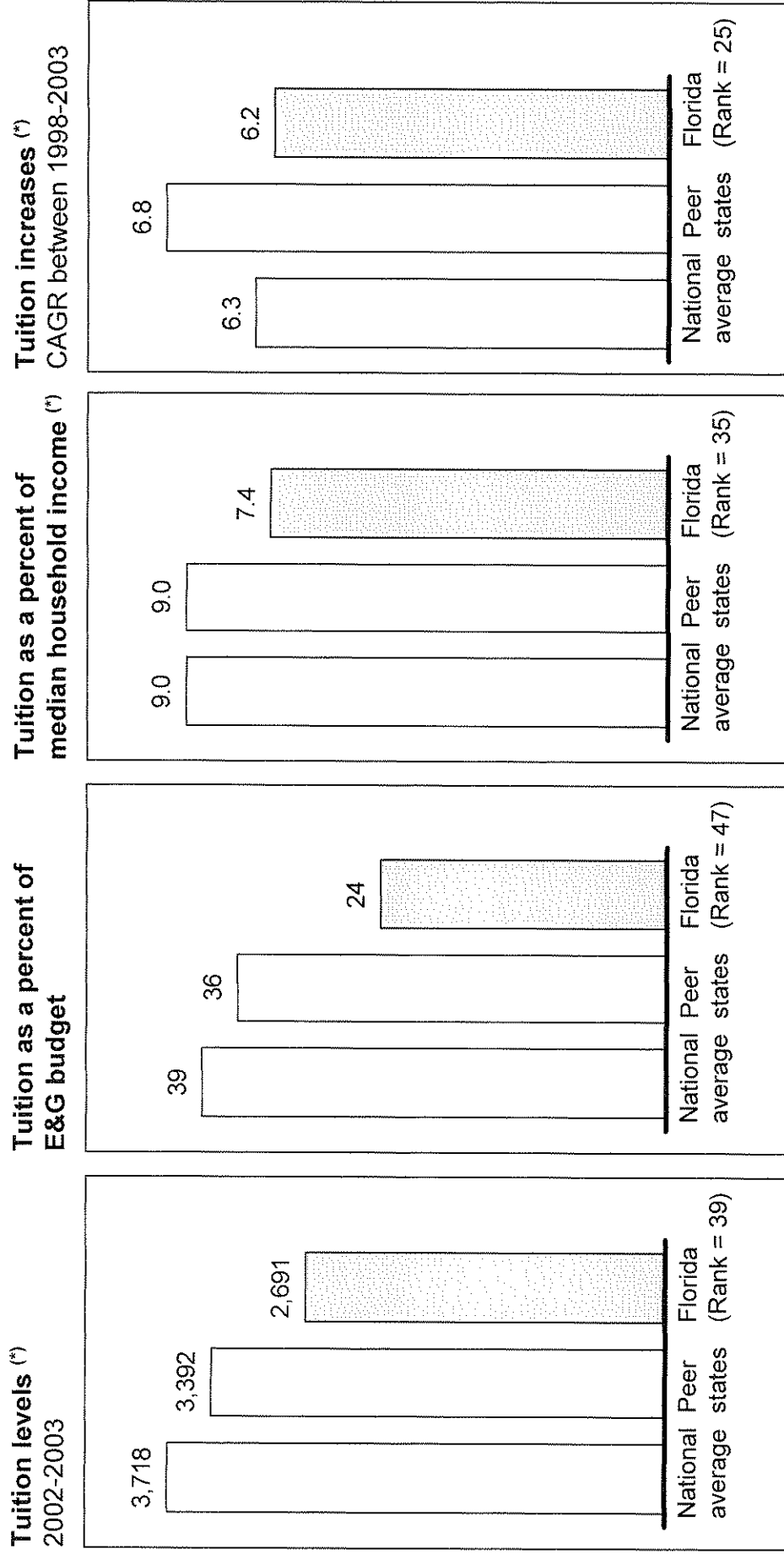
Florida peer state rank = 12 (of 16)

# LOWER ROSF CAUSED BY FUNDING FOCUS ON PUBLIC SCHOOLS WITH LOW LEVERAGE




Source: SREB Education statistics; ICUF and SUS accountability reports; team analysis

# DESPITE RECENT INCREASES, FLORIDA'S UNDERGRADUATE TUITION REMAINS AMONG THE LOWEST IN THE NATION

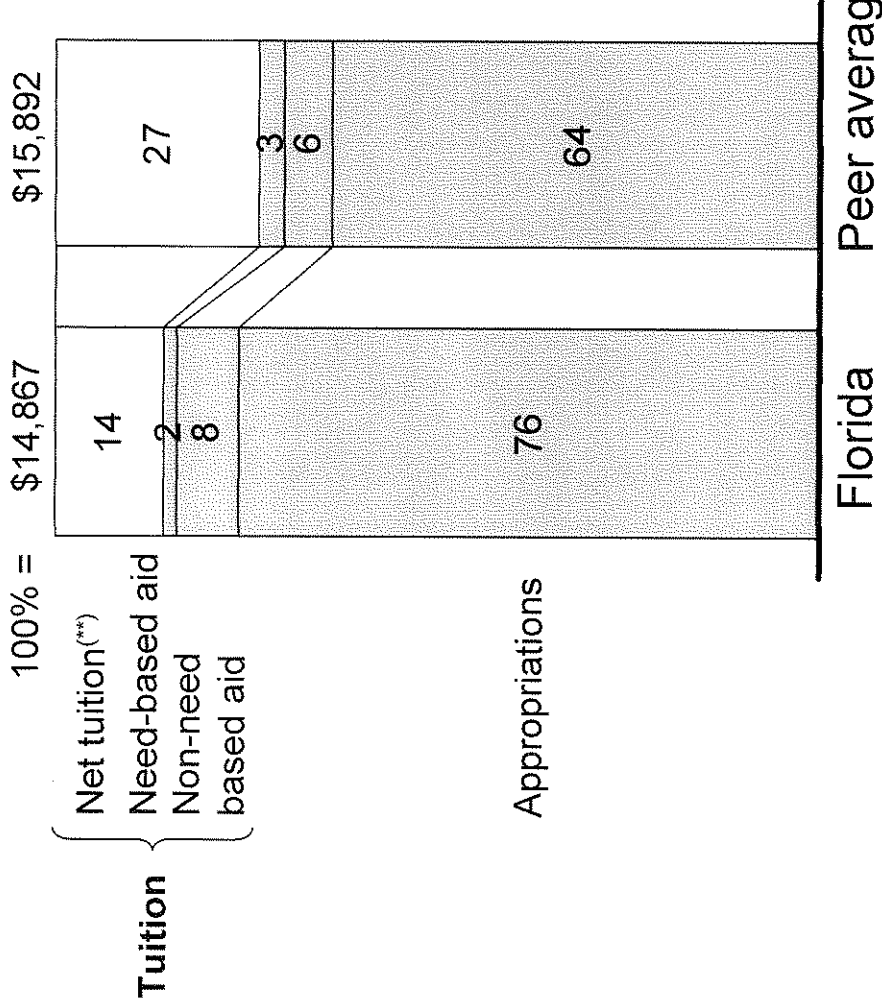


\* Based on Resident Undergraduate Tuition at comprehensive institutions Source: Washington State Tuition and Fee Report 2003; SREB Education Data

# DUE TO LOW TUITION LEVELS, IN FLORIDA THE STATE FUNDS SIGNIFICANTLY MORE OF THE COST OF EDUCATION THAN IN OTHER STATES

 Funding provided by the state (taxpayers)

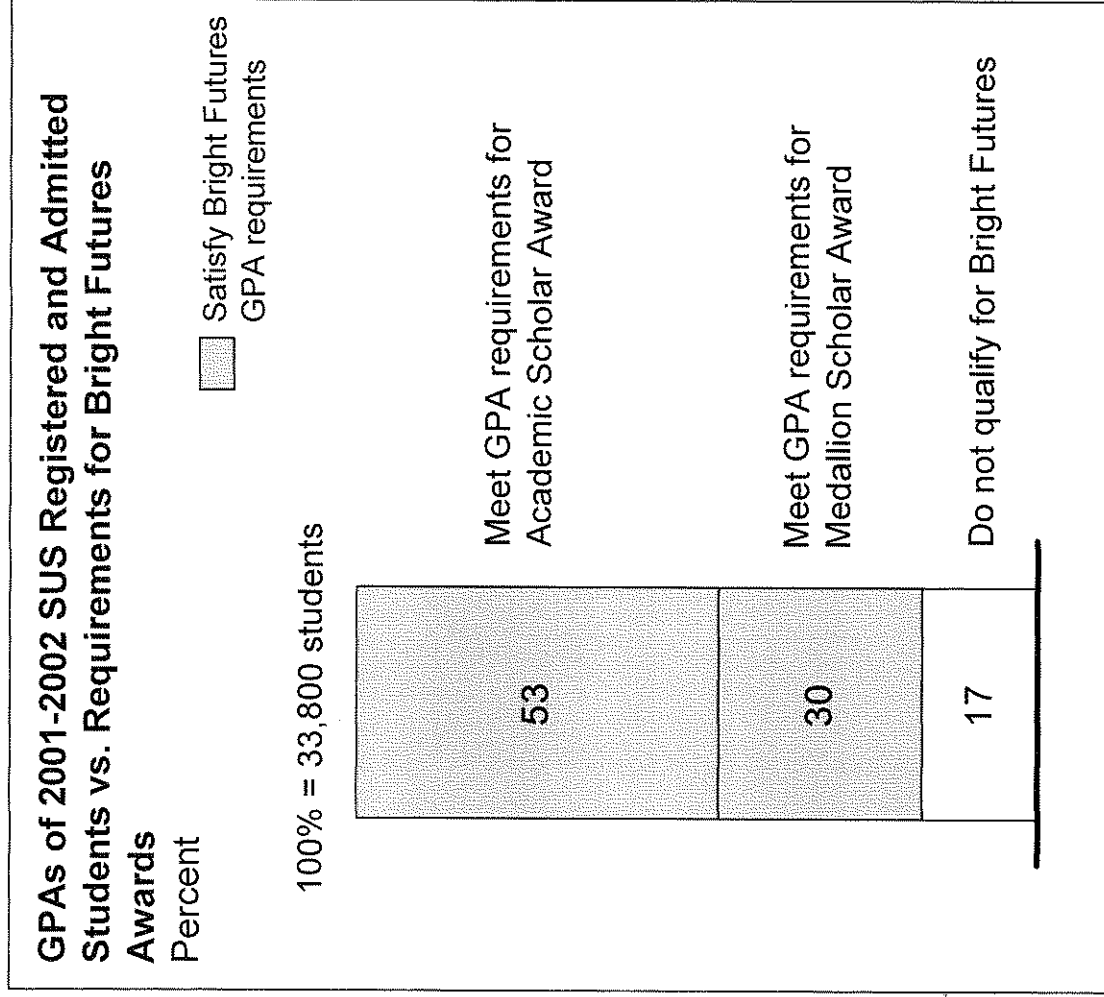
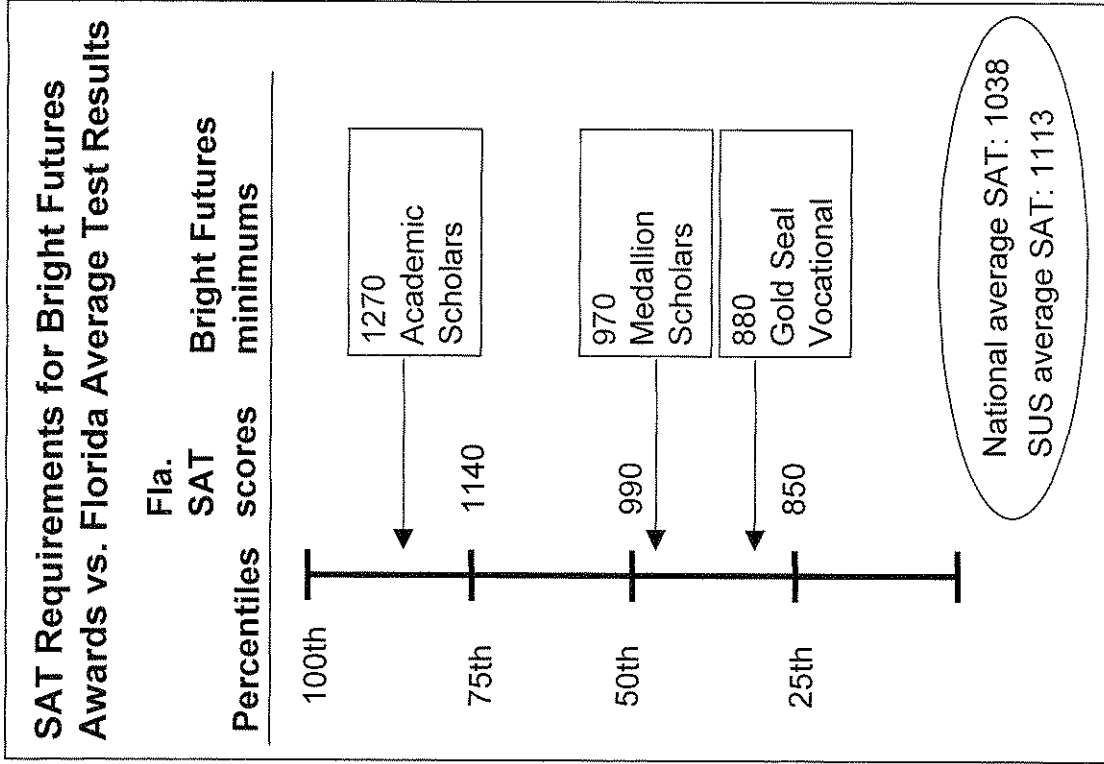
SUS E&G budget per FTE by funding source (\*)  
Percent



\* 2002-2003 data for the State of Florida; team analysis for peer average based on latest comparable data from SREB  
 \*\* Net of state financial aid going to SUS students; does not include other sources of financial aid (e.g., Pell Grants)

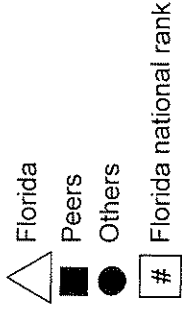
Source: Washington State Tuition and Fee Report 2003; SREB Education Data; team analysis

# HIGH BRIGHT FUTURES CONTRIBUTIONS DRIVE DOWN ROSF, BECAUSE ELIGIBILITY CRITERIA ARE LOW

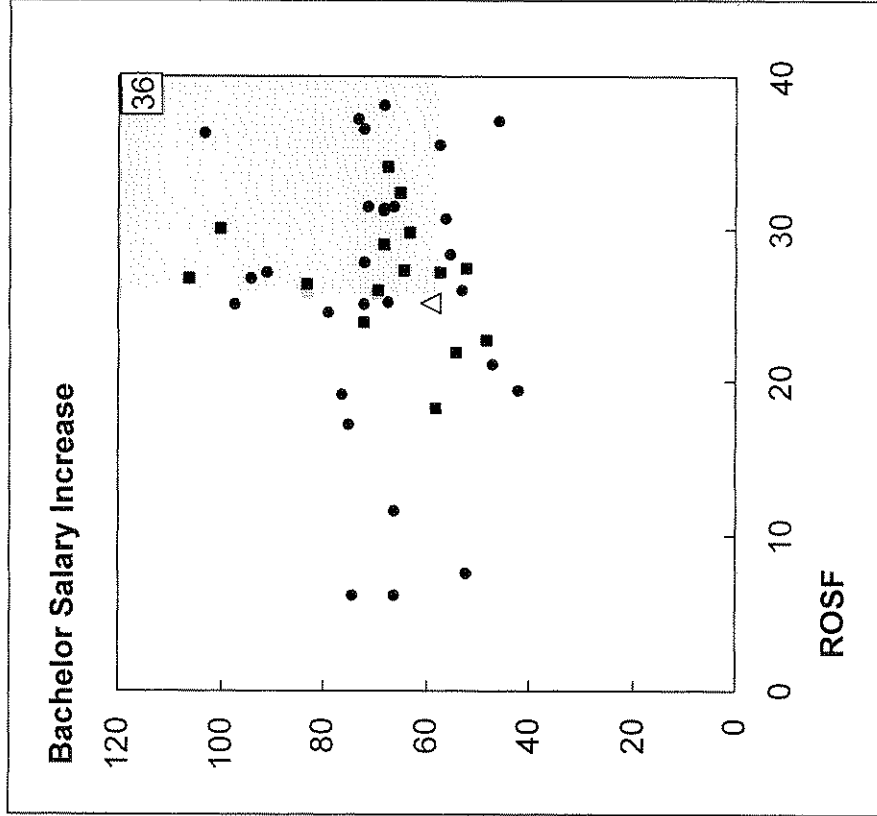


# ROSF CAN BE IMPROVED WITHOUT SACRIFICING QUALITY OR ACCESSIBILITY

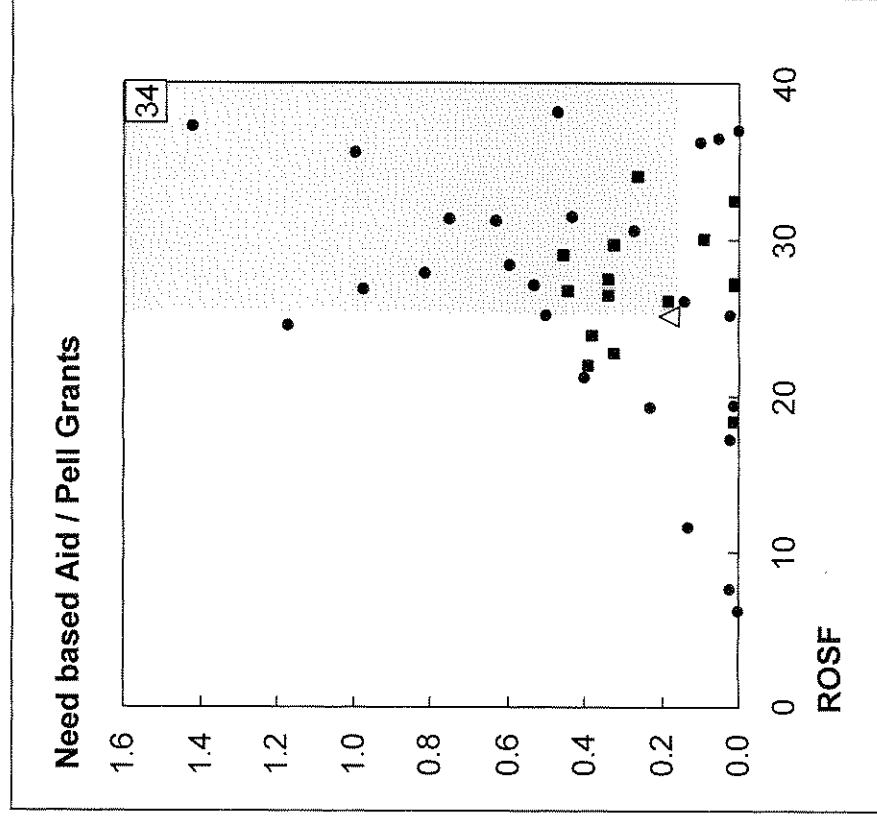
INTERIM DRAFT



Quality



Accessibility



Note: Based on latest comparable data (2001-2002)

Source: SREB Education Data, Team Analysis

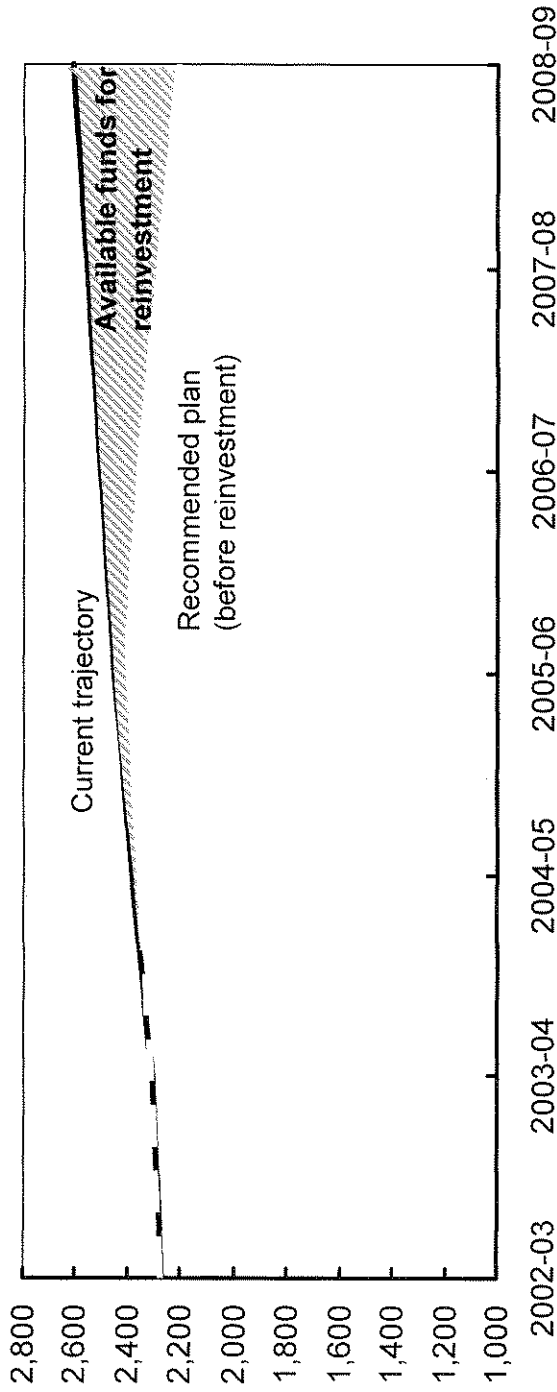
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# THE FLORIDA COUNCIL OF 100 PROPOSES A SET OF POLICY CHANGES THAT MAKE \$407M AVAILABLE FOR REINVESTMENT IN HIGHER EDUCATION BY 2008-2009

Total state funding to university education - \$ Millions



Funds available for reinvestment (\$M)

SUS E&G Budget - Recommended Plan After Reinvestment (\$M)

# OVERVIEW OF PROPOSED POLICY CHANGES

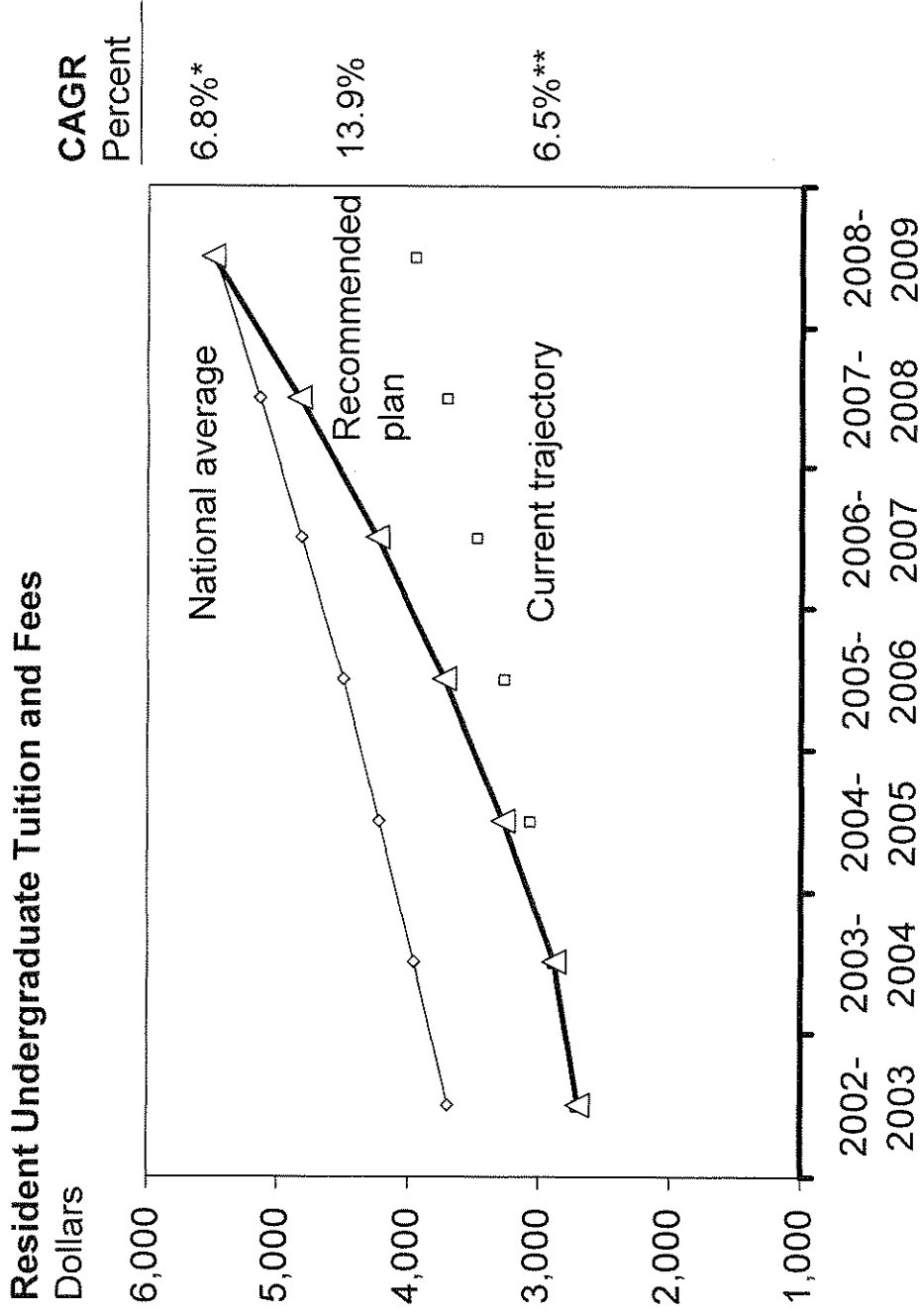
## Recommended Policy Changes

Lever	Recommendation
Tuition	<ul style="list-style-type: none"> <li>Grow resident undergraduate tuition and fees at 13.9% CAGR over the first 5 years to converge to national average tuition</li> </ul>
Bright Futures	<ul style="list-style-type: none"> <li>Increase SAT requirements to 1070/1330 for Medallion and Academic Scholars starting 2005-2006</li> </ul>
FRAG	<ul style="list-style-type: none"> <li>Follow ICUF Supercharged FRAG proposal (\$120M per year in student aid at private institutions)</li> </ul>
Need-based Aid	<ul style="list-style-type: none"> <li>Increase total need based aid from \$80M to \$243M by 2008-2009</li> <li>Includes use \$202M of tuition revenue increases and Bright Future savings to compensate affected students with financial needs, plus an additional \$41M</li> </ul>
Pre-Paid Plan	<ul style="list-style-type: none"> <li>Accrue \$101M per year for anticipated losses on existing contracts and re-price new contracts</li> </ul>
Appropriations	<ul style="list-style-type: none"> <li>Increase SUS budget by \$366M by 2008-2009 to improve the quality of education (e.g. undergraduate instruction quality or the production of advanced degrees)</li> </ul>

## Impact in 2008-2009

Area	Impact
Quality	<ul style="list-style-type: none"> <li>Increase E&amp;G budget/FTE by 14% from \$14,867 to \$17,008, improving Florida's rank from 34 to 24</li> <li>Depending on policy decisions or the specific university mission, these funds could concurrently allow:                             <ul style="list-style-type: none"> <li>- Increasing teaching spend per student by 25%</li> <li>- Graduating an additional 100 PhDs per year, reaching national average mix of doctorates to total graduates</li> <li>- Increasing research budgets by 25%</li> </ul> </li> </ul>
Accessibility	<ul style="list-style-type: none"> <li>Total change in need-based funds would increase Florida's rank from 34 to 22 in state need-based aid / Pell Grant</li> <li>Incremental funds vs. current trajectory would enable paying full tuition for 15,000 students in financial need</li> </ul>
Bachelor Graduation	<ul style="list-style-type: none"> <li>Accelerate bachelor production to bridge the gap in labor market needs (~6,500 per year)</li> </ul>

# GROWING TUITION AND FEES AT 13.9%, TUITION WOULD CONVERGE FLORIDA TO NATIONAL AVERAGE IN 5 YEARS



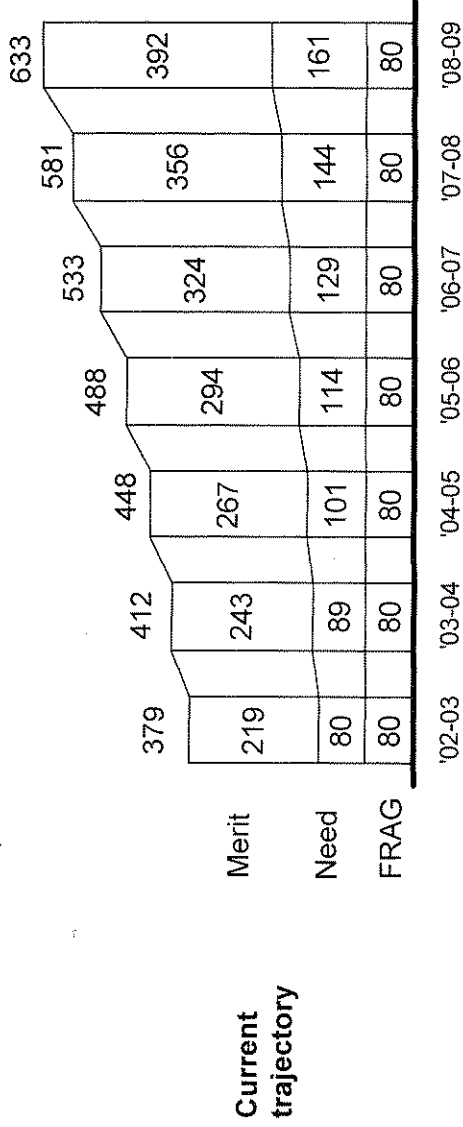
- Target tuition is defined as national average tuition at comprehensive institutions (\$3,718 in 2002-2003, vs. \$2,691 for Florida)
- With the national average projected to grow at 6.8%\*, it would require Florida tuition to grow at 13.9% per year to catch up in 5 years
- Catching up with national average tuition in 3 years would require increases of 19.0% per year which may be politically unviable

\* Based on Ernst & Young estimate of projected national average tuition growth rate  
 \*\* Projections based on historical growth rate of Florida tuition for last 5 years

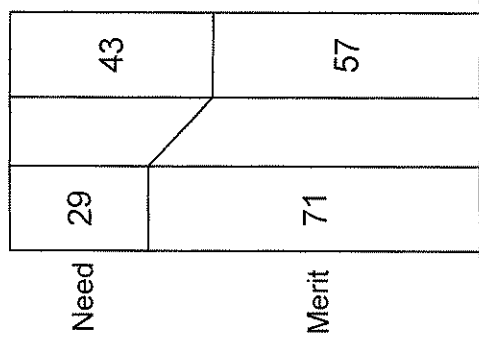
# PROPOSED CHANGES WOULD CURB BRIGHT FUTURES GROWTH AND SHIFT THE MIX TOWARDS NEED BASED AID

Financial aid - \$ Millions

**CAGR**  
8.9%



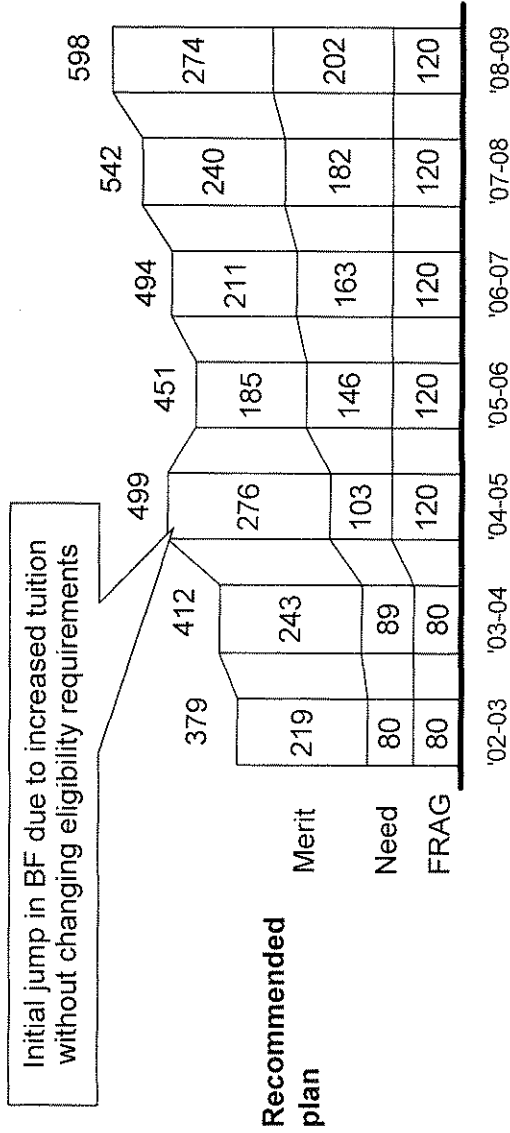
**Need vs. Merit Balance 2008-2009 Percent**



**Current trajectory plan**

**CAGR**

7.9%  
3.8%  
16.9%  
10.7%



**Recommended plan**

Note: Current trajectory based on DOE enrollment projections, recommended plan assumes holding SUS enrollment constant  
Source: Team Analysis

# ICUF'S "SUPERCHARGED" FRAG WOULD LEVERAGE PRIVATE INSTITUTIONS AND INCREASE BACHELOR PRODUCTION

Bachelor graduation - Thousands of students

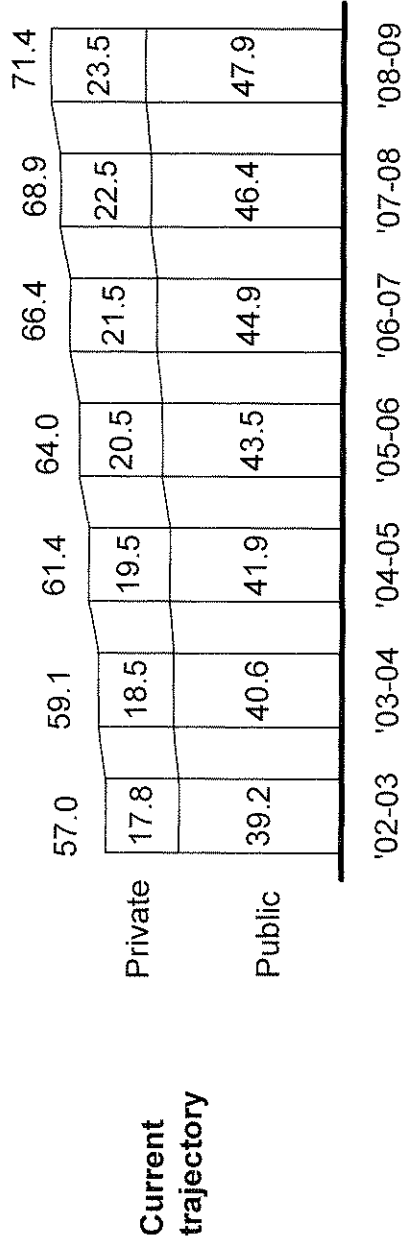
**CAGR**

3.8%

4.7%

3.4%

- In exchange for \$40M in additional funding through the existing FRAG program, ICUF institutions promise to deliver 6,500 incremental bachelors by the year 2006-2007
- Result is accelerated closure of labor market gap in bachelor production

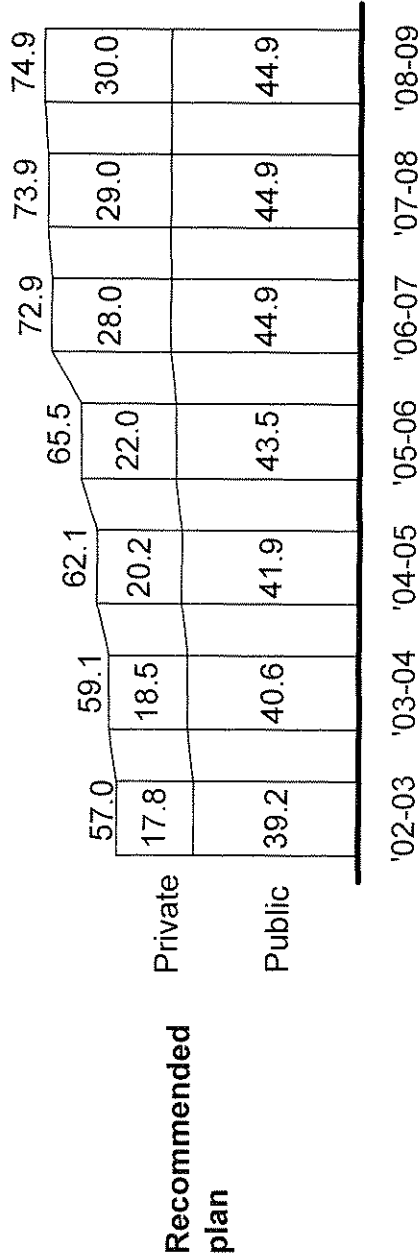


**CAGR**

4.7%

9.1%

2.3%



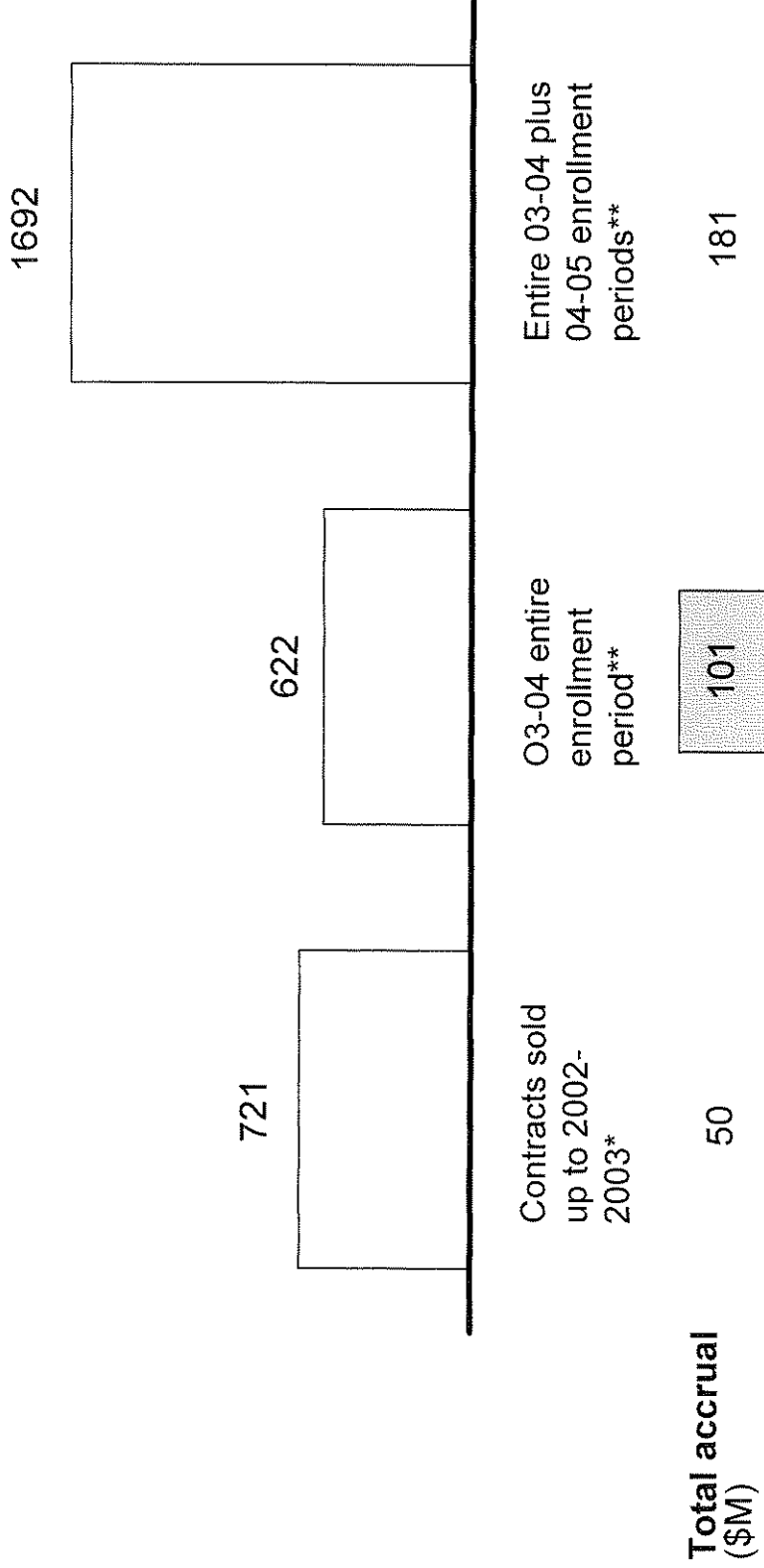
Note: Current trajectory based on DOE enrollment projections; recommended plan assumes holding SUS enrollment constant but assuming graduation rate grows through 06-07 due to previous enrollment to then stabilize in following years  
Private graduation growth based on ICUF projections

Source: Team Analysis

# FLORIDA MUST ACCRUE \$101 MILLION ANNUALLY TO COVER PREPAID PLAN DEFICIT

ESTIMATE

Funds required to cover pre-paid tuition plans sold over time for increases in tuition to reach national average levels in 5 years  
\$ Million



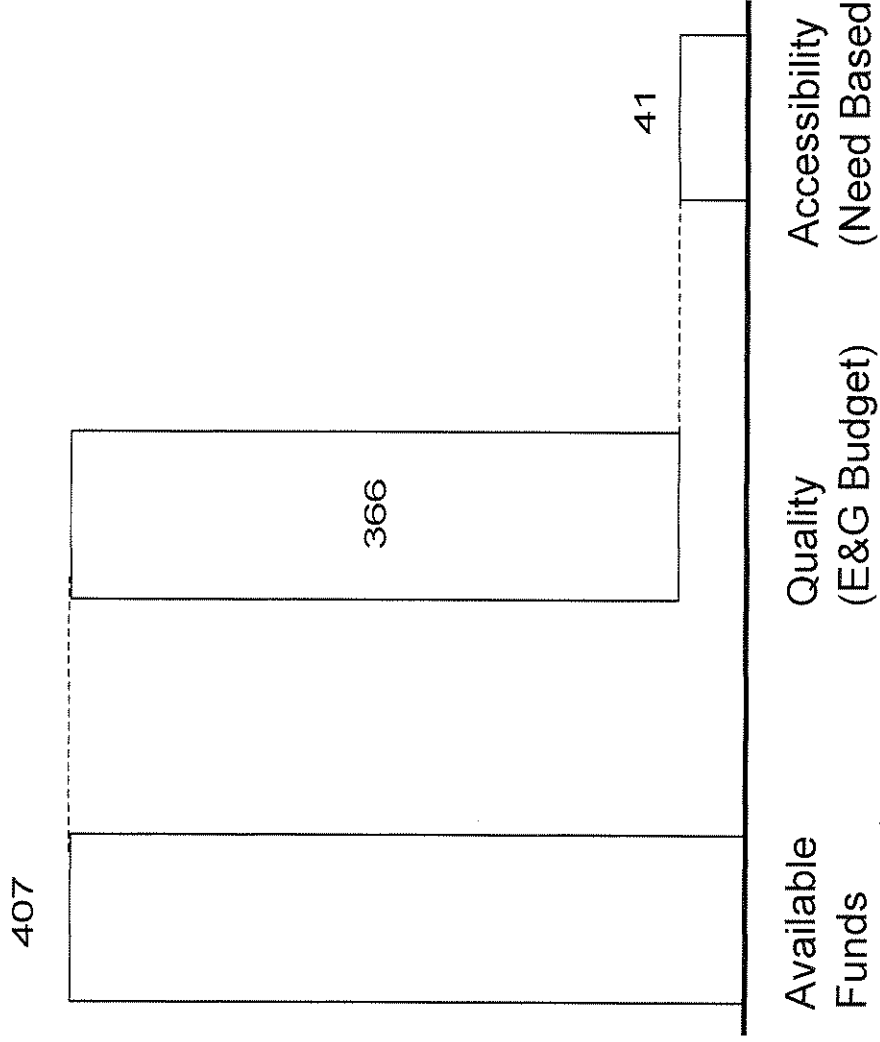
\* Provided by Ernst & Young; includes only compensation for negative actuarial reserve; total change in reserves is \$890M, as beginning reserve is \$169M

\*\* Estimated based on data from Ernst & Young

Source: Ernst & Young; team estimates

# REINVESTMENT OF FUNDS ALLOWS FINANCING HIGHER QUALITY AND INCREASED ACCESSIBILITY OF THE EDUCATION SYSTEM

Reinvestment of funds by area - \$ Millions (2008-2009)



Reinvest available funds in proportion to top 5 states in quality and accessibility:

- California
- Connecticut
- Illinois
- Massachusetts
- Minnesota

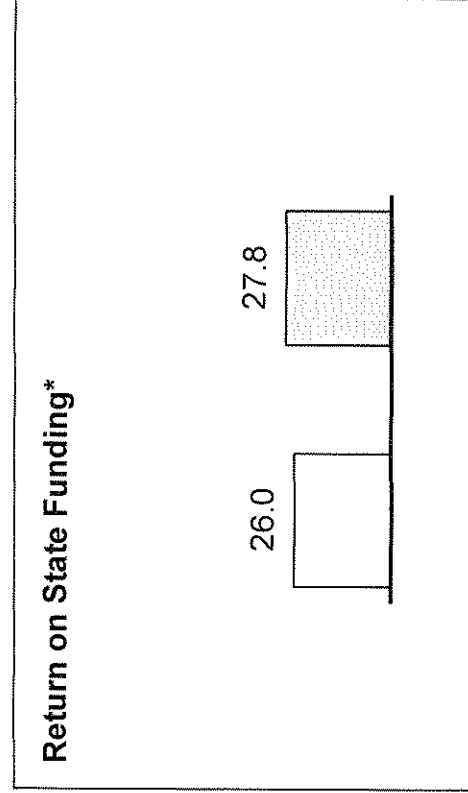
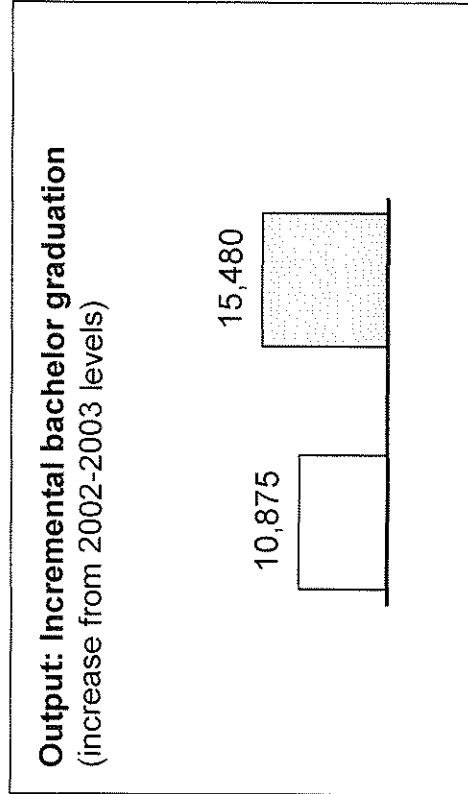
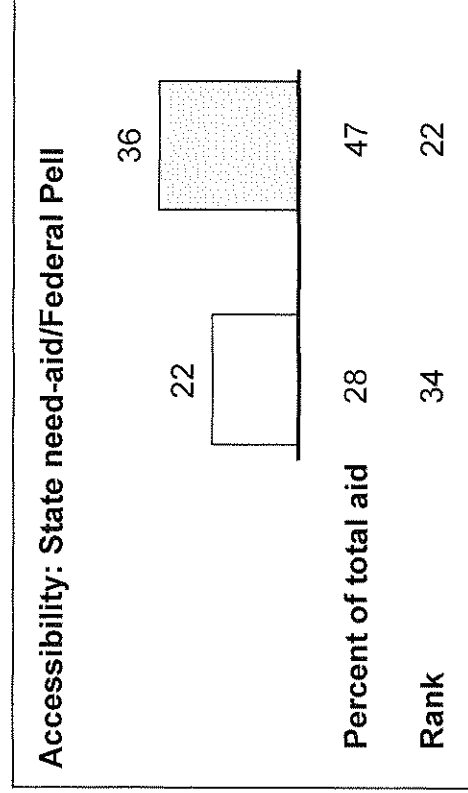
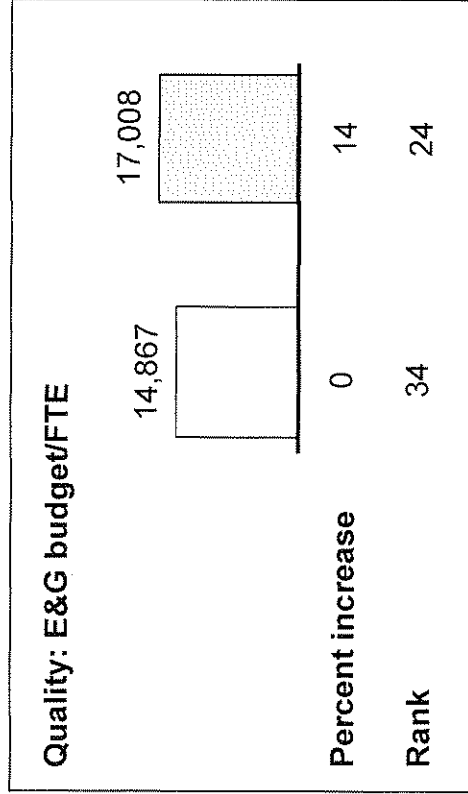
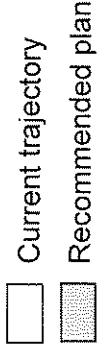
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# PROPOSED CHANGES WOULD IMPROVE ROSF, INCREASE BACHELOR PRODUCTION, AND IMPROVE QUALITY AND ACCESSIBILITY OF THE SYSTEM

Academic year 2008-2009



\* ROSF for Florida as a whole, including public and private institutions; recommended plan results are post-reinvestment in quality and accessibility

# APPENDIX

• Background on Bright Futures

• Florida Prepaid College Program

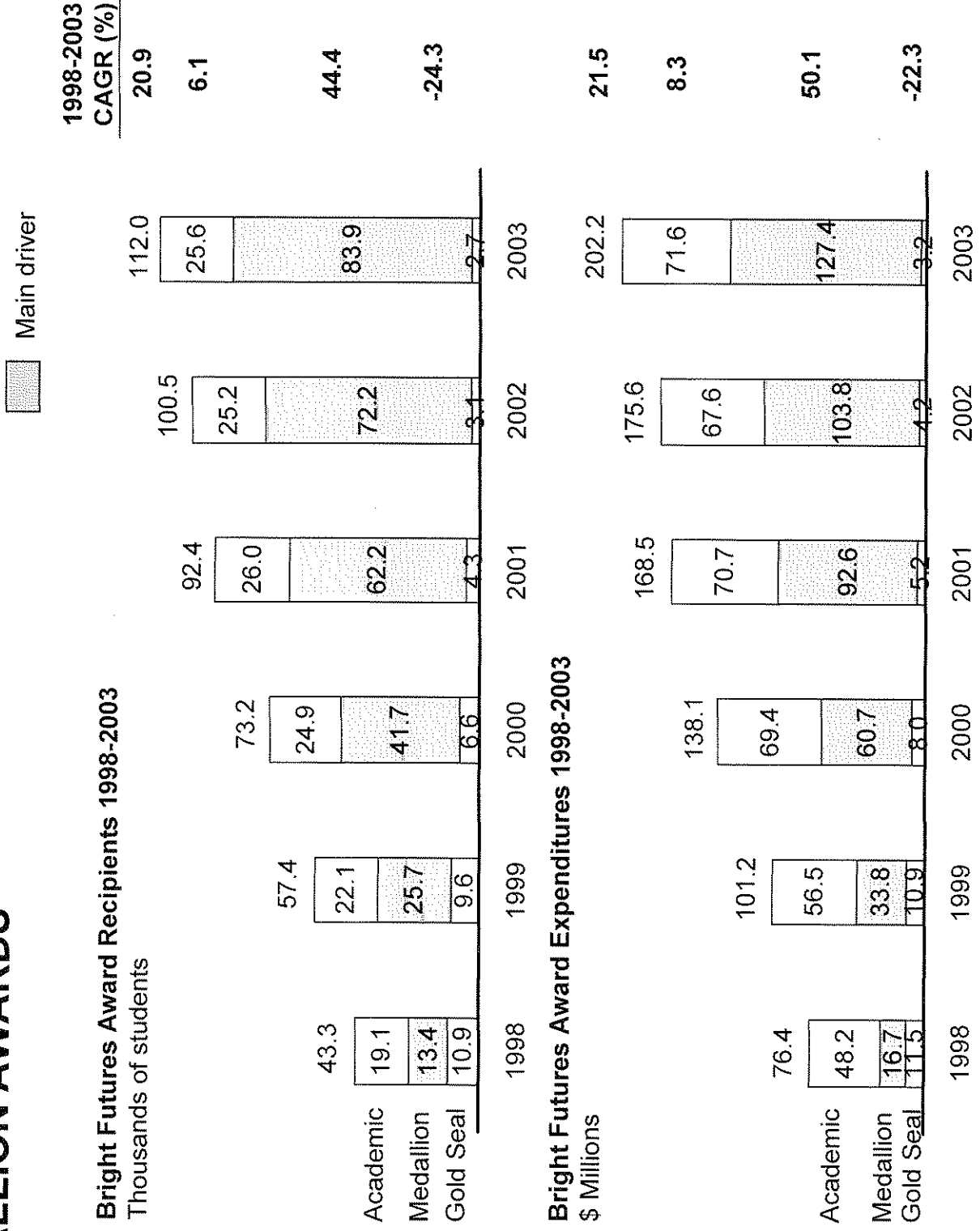
• Detailed return on state funds tree

# BRIGHT FUTURES PROGRAM DESCRIPTION

		Bright Futures Awards		
		Academic Scholars (FAS)*	Medallion Scholars (FMS)	Gold Seal Vocational (GSV)
<b>Institution</b>		<ul style="list-style-type: none"> <li>• 4 year college</li> </ul>	<ul style="list-style-type: none"> <li>• 4 year college</li> </ul>	<ul style="list-style-type: none"> <li>• Community colleges</li> </ul>
<b>Award Level</b>	<p><b>Public</b></p> <p><b>Private</b></p>	<ul style="list-style-type: none"> <li>• 100% of tuition and fees</li> <li>• Fixed amount based on 100% tuition at comparable public institution</li> </ul>	<ul style="list-style-type: none"> <li>• 75% of tuition and fees</li> <li>• Fixed amount based on 75% tuition at comparable public institution</li> </ul>	<ul style="list-style-type: none"> <li>• 75% of tuition and fees</li> <li>• Fixed amount based on 75% tuition at comparable public institution</li> </ul>
<b>Qualification</b>		<ul style="list-style-type: none"> <li>• 3.5 using credits listed below</li> <li>• 15 credit of college preparatory courses                             <ul style="list-style-type: none"> <li>- 4 English</li> <li>- 3 Math</li> <li>- 3 Natural Science</li> <li>- 3 Social Science</li> <li>- 2 Foreign Language</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 3.0 using credits listed below</li> <li>• 15 credit of college preparatory courses                             <ul style="list-style-type: none"> <li>- 4 English</li> <li>- 3 Math</li> <li>- 3 Natural Science</li> <li>- 3 Social Science</li> <li>- 2 Foreign Language</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 3.0 using credits listed below</li> <li>• Must be the 15.5 core credits required for high school graduation</li> </ul>
	<b>Test scores</b>	<ul style="list-style-type: none"> <li>• Best composite score of 1270 SAT or 28 ACT</li> </ul>	<ul style="list-style-type: none"> <li>• Best composite score of 970 SAT or 20 ACT</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum score on each subsection of CPT or SAT or ACT (e.g. SAT Verbal of 440 and Math 440)</li> </ul>
	<b>Community Service</b>	<ul style="list-style-type: none"> <li>• 75 hours</li> </ul>	<ul style="list-style-type: none"> <li>• No requirement</li> </ul>	<ul style="list-style-type: none"> <li>• No requirement</li> </ul>
<b>Renewal</b>	<b>GPA</b>	<ul style="list-style-type: none"> <li>• 3.0</li> </ul>	<ul style="list-style-type: none"> <li>• 2.75</li> </ul>	<ul style="list-style-type: none"> <li>• 2.75</li> </ul>
	<b>Credits</b>	<ul style="list-style-type: none"> <li>• Minimum of 6 per semester</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum of 6 per semester</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum of 6 per semester</li> </ul>
	<b>Credits</b>	<ul style="list-style-type: none"> <li>• Up to 132 hours</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 132 hours</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 90 hours</li> </ul>
	<b>Time</b>	<ul style="list-style-type: none"> <li>• Up to 7 years after graduation</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 7 years after graduation</li> </ul>	<ul style="list-style-type: none"> <li>• Up to 7 years after graduation</li> </ul>

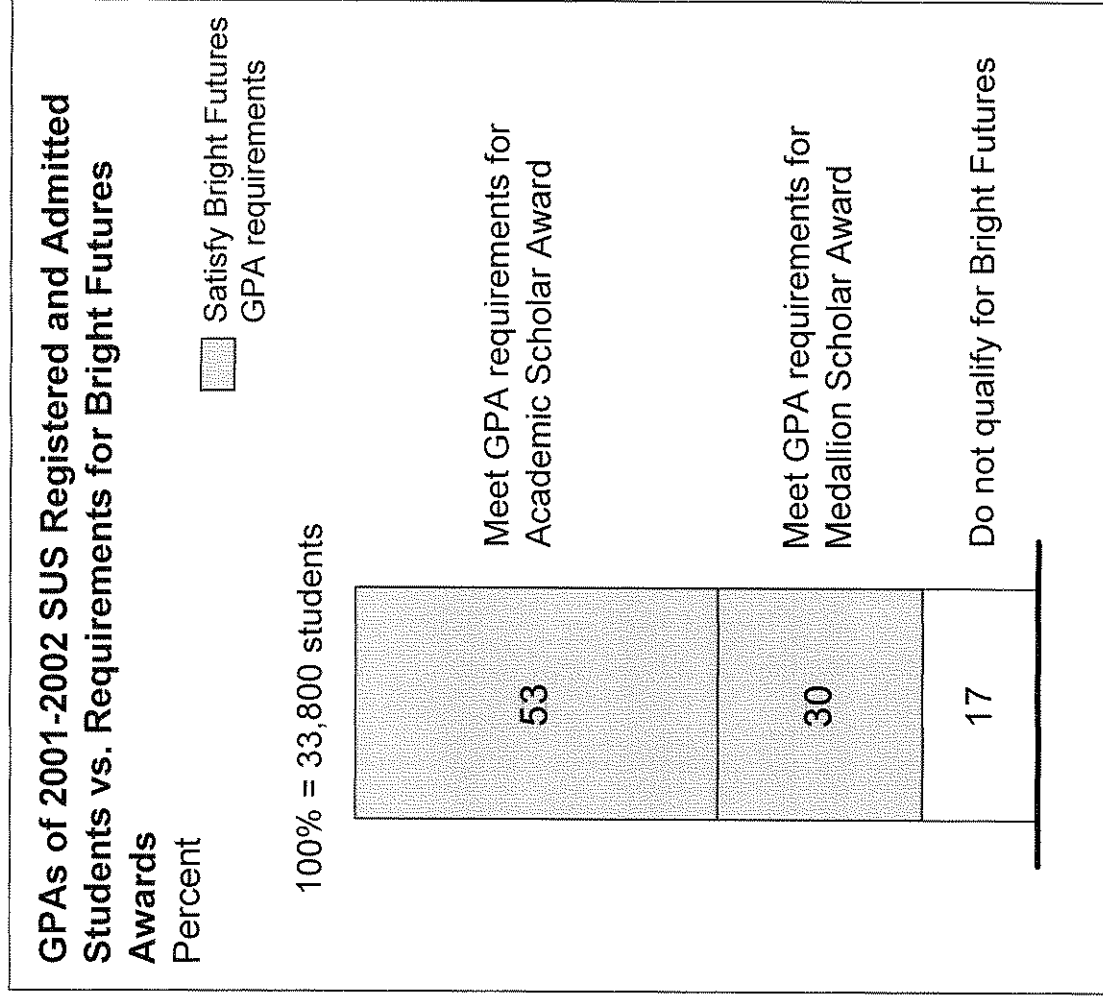
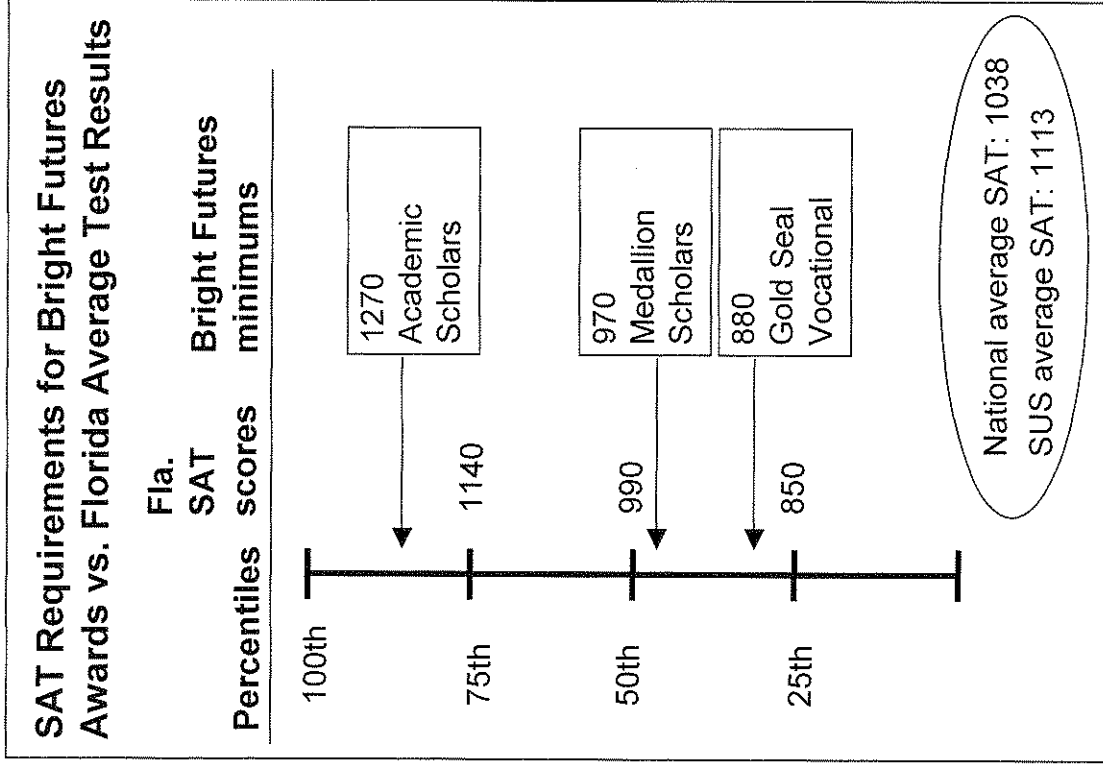
\* There is additionally a Top Scholar Award for the top student in each academic county  
 Source: Florida Department of Education Bright Futures 2004 brochure, and Moving Forward 2002-2003 brochure

# BRIGHT FUTURES GROWTH HAS BEEN DRIVEN BY MEDALLION AWARDS



Source: Trends in Student Aid and College Pricing, September 2003; EOY Senate Report 2002-2003

# ELIGIBILITY STANDARDS FOR BRIGHT FUTURES AWARDS SEEM LOW COMPARED TO SYSTEM AVERAGES

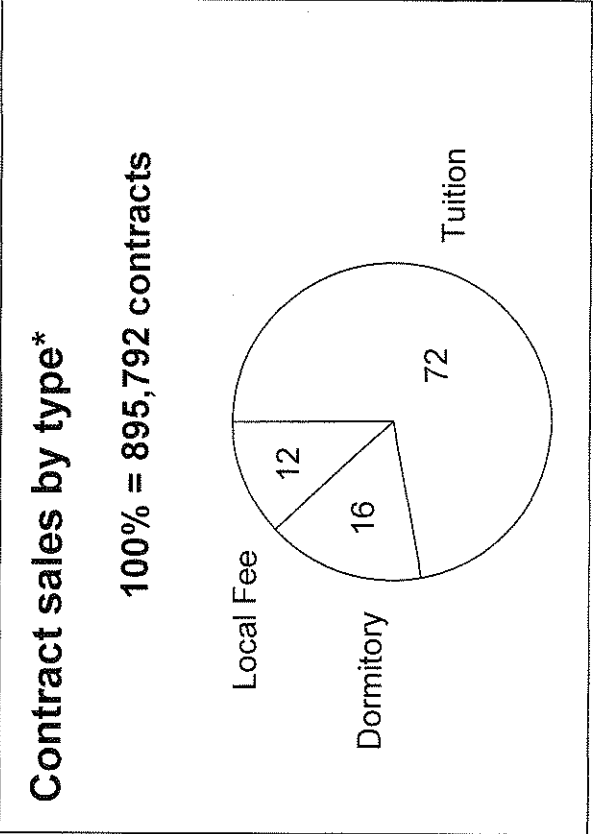
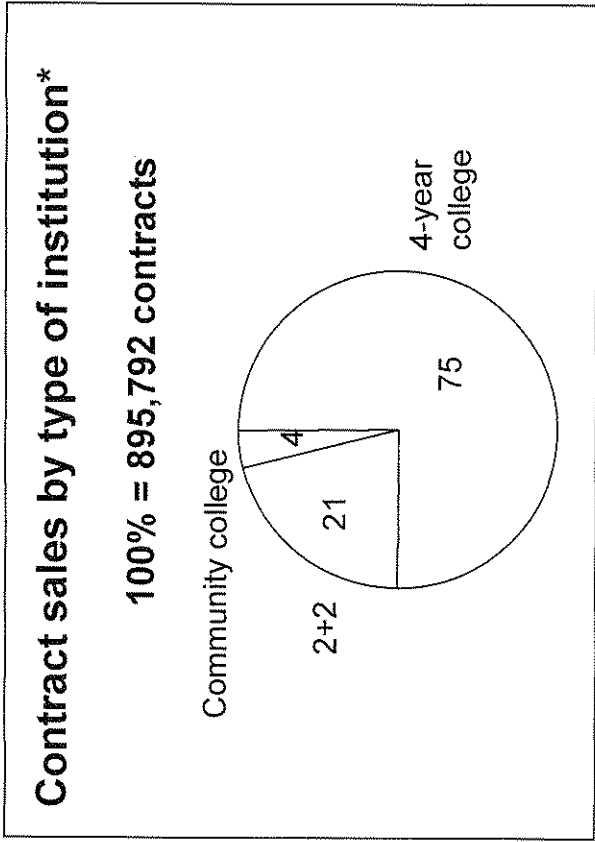


# APPENDIX

- Background on Bright Futures
- Florida Prepaid College Program
- Detailed return on state funds tree

# OVERVIEW OF PROGRAM

<b>Key Facts*</b>	
Total assets	\$5,274 million
Contracts sold since inception	895,792
Actuarial reserves	\$169 million
Base assumptions	8.5% tuition growth rate for 3 years, 6.8% thereafter 6.0% local fee growth 4.35% return on invested funds
4 year university tuition only contract price for newborn	\$9,567



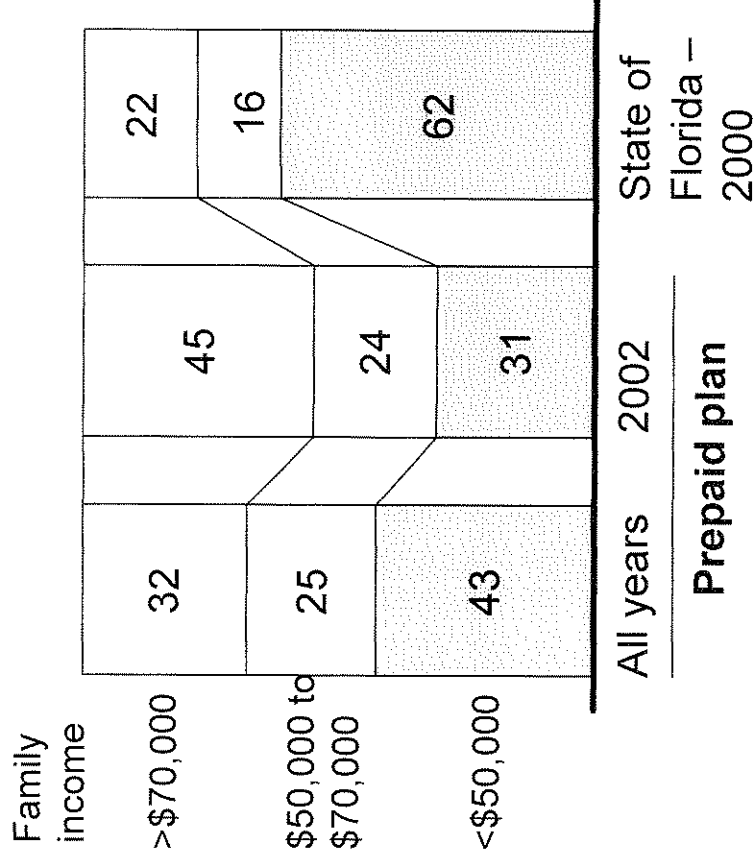
\* As of June 30, 2003

# PREPAID PLANS ARE MOSTLY PURCHASED BY NON-LOW INCOME, NON-MINORITY FAMILIES

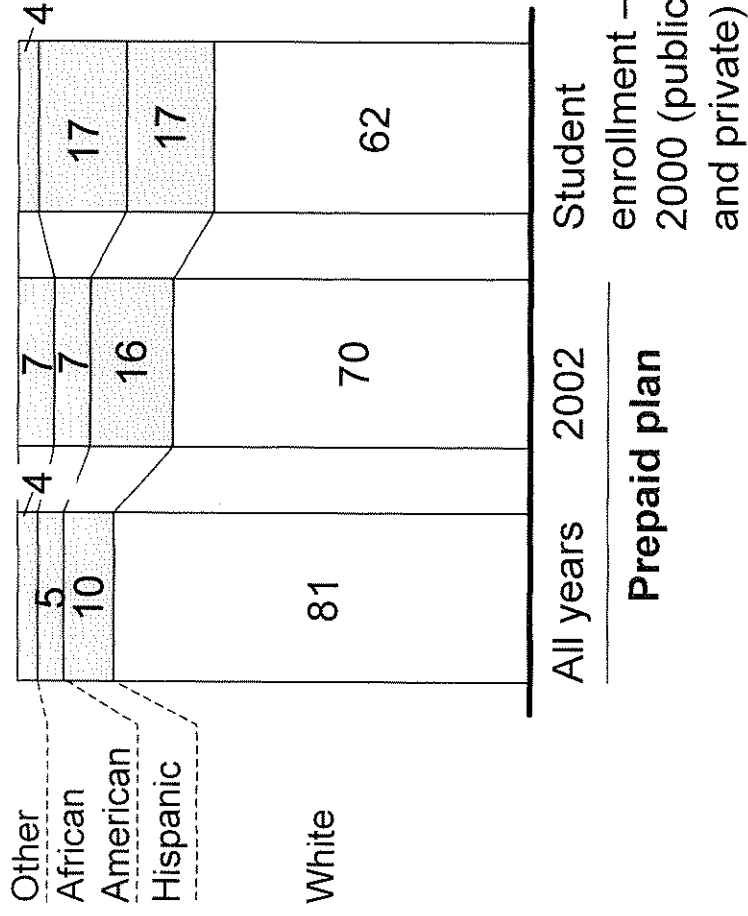
Percent of prepaid plan contract holders

 Low income families or minorities

**Breakdown of prepaid contract sales by family income level vs. Florida demographic average**

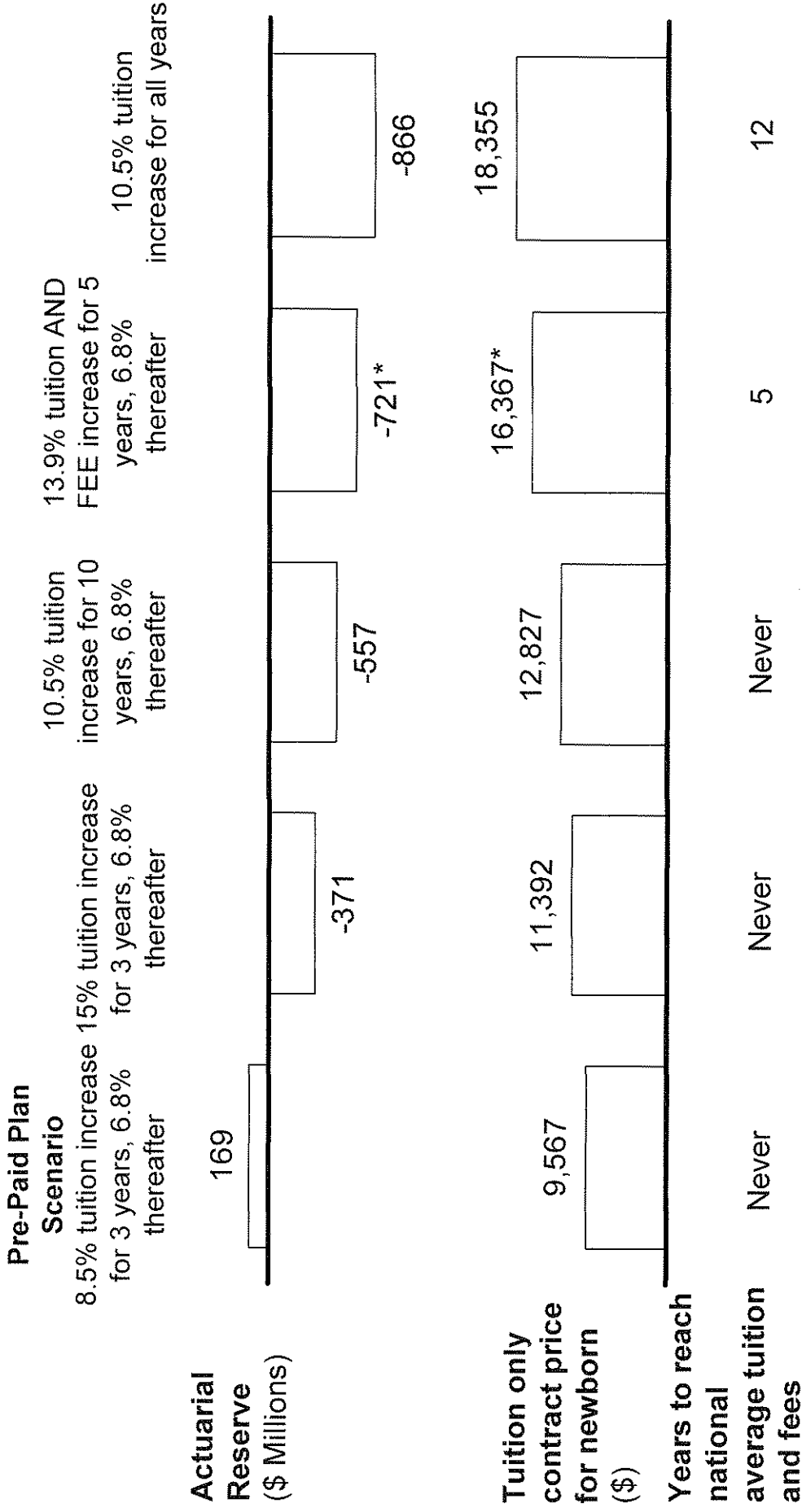


**Breakdown of prepaid contract sales by ethnicity vs. Florida demographic average**





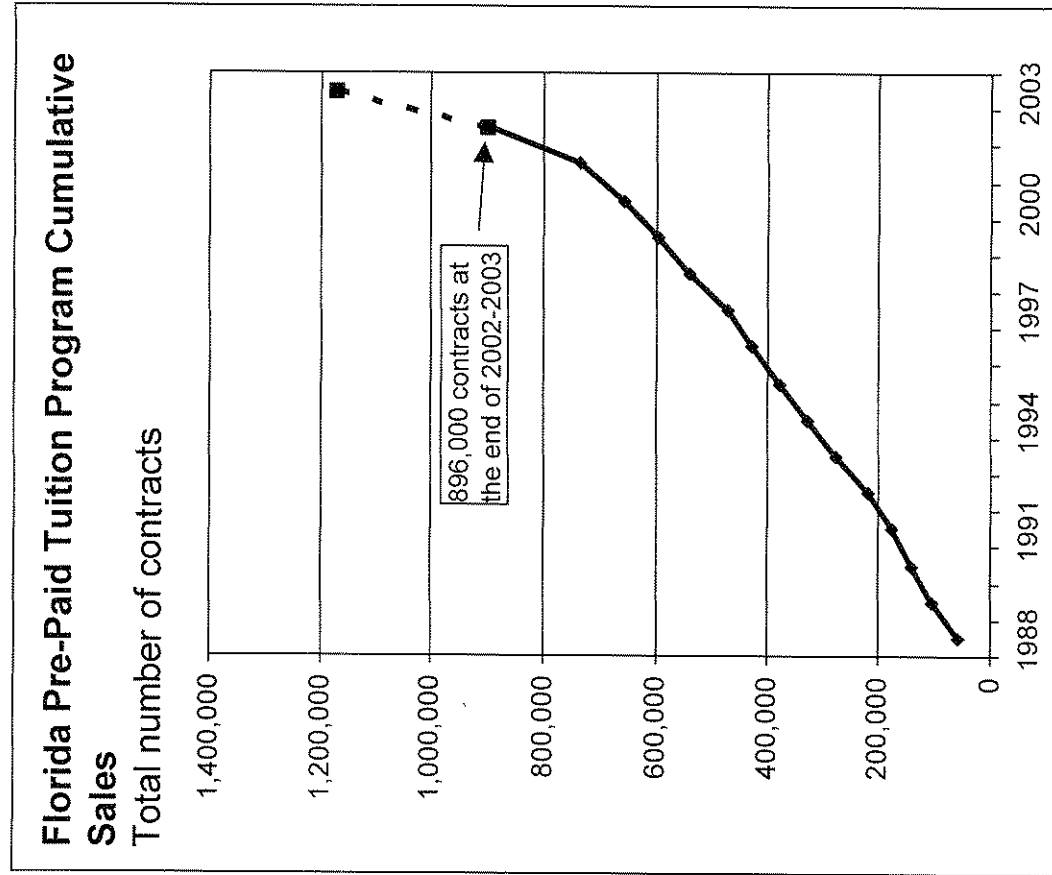
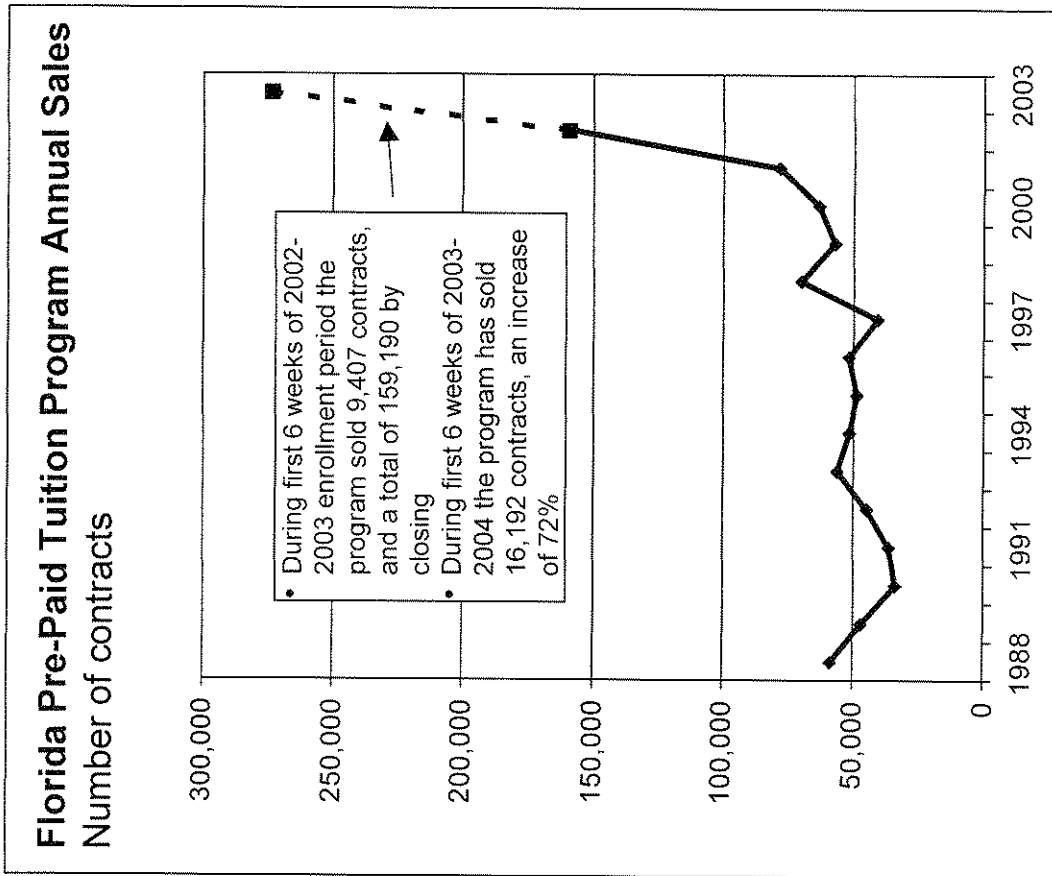
# ANY CHANGES IN TUITION GROWTH RATES TO IMPROVE QUALITY AND ACCESSIBILITY REQUIRE SIGNIFICANT STATE COMPENSATION AND REPRICING OF CONTRACTS



\* Based on tuition and fee contract, not tuition only

# THE RATE OF SALES OF THE PREPAID TUITION PROGRAM IS ACCELERATING

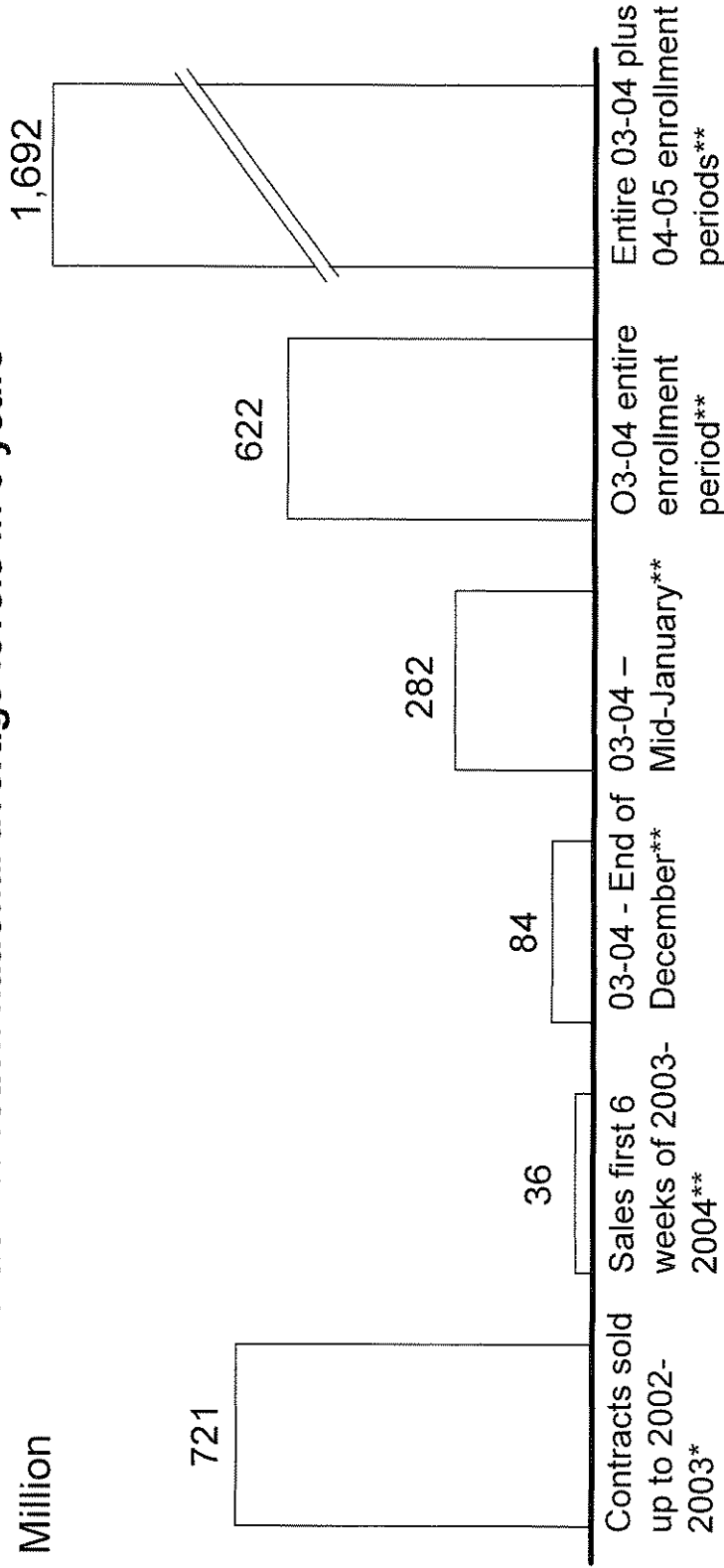
— Actual  
 - - - Projected



# THE RATE OF GROWTH WILL MAKE ADDRESSING INVESTMENT IN THE EDUCATION SYSTEM EVEN MORE DIFFICULT AS TIME GOES BY

## ESTIMATE

Funds required to cover pre-paid tuition plans sold over time for increases in tuition to reach national average levels in 5 years  
\$ Million



Total accrual (\$M)	50	57	63	85	101	181
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\* Provided by Ernst & Young; includes only compensation for negative actuarial reserve; total change in reserves is \$890M, as beginning reserve is \$169M

\*\* Estimated based on data from Ernst & Young

Source: Ernst & Young; team estimates

# **MANY STATES HAVE ALREADY SEEN THE WRITING ON THE WALL**

**States that have suspended pre-paid plan programs pending tuition increases:**

**Colorado**

**Kentucky**

**Ohio**

**Texas**

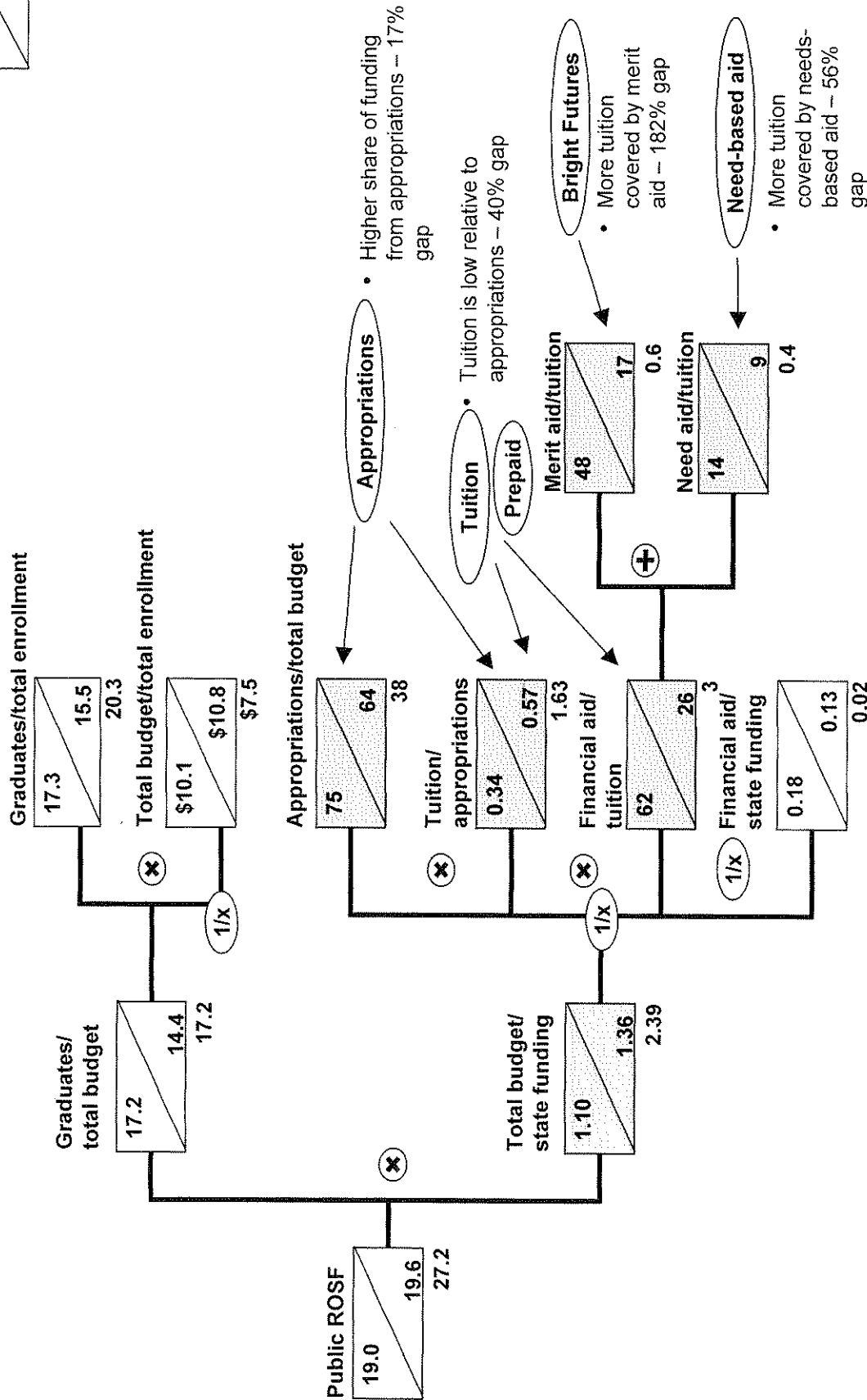
**West Virginia**

# APPENDIX

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# HIGH APPROPRIATIONS, HIGH MERIT AID, AND LOW TUITION DRIVE DOWN STATE FUNDING LEVERAGE

Return on State Funds Tree for Florida Public Institutions



Note: The calculations in the tree do not apply to the "best" category  
 Source: SREB Education Statistics, team analysis