University Contract Study

CEPRI Presentation to the Board of Governors

December 3, 2003

University Contracts

- UF/FSU proposed a 5-year contract between the Legislature and them during the 2003 Session
- In response, the 2003 Legislature directed CEPRI to study the feasibility of 5-year contracts between the State and public universities

Conceptual Analysis and Development

- Input from University system
- Analysis of needs and data
- Growth of concept

From Concept to Innovation

- A contractual approach could provide the opportunity to:
  - Have a cohesive plan for the university system
  - Define the mission of each university
  - Ensure regional and state priorities are being met
  - Directly link performance with funding

Finding: A Binding Contract with Legislature Is Not Feasible

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- Legalities of Multi-Year Contracts:
  - One legislature can not bind future legislature
  - Executive branch can not bind legislature
  - Funding contingency statement needed

Recommendation: Board of Governors Should Be Party to the Contract

- Board of Governors would be appropriate party to contract with the universities
  - Article IX, Section 7, of the Constitution gives the Board of Governors the responsibility for defining "the distinctive mission of each constituent university and ... ensuring the well-planned coordination and operation of the system, and avoiding wasteful duplication of facilities or programs."
  - The contract would provide the Board of Governors with a link between tuition flexibility, funding expectations, and performance expectations

Recommendations Regarding Process for Contracting

- Process for contracting
  - Legislature would determine framework
  - Governor would approve
  - Board of Governors would develop process within Legislative framework
  - Universities would develop proposals, including objectives, measures and standards
  - Board of Governors and universities would negotiate and implement contract
  - CEPRI would review after two years

Recommendation: Each University Should Sign a Contract

- Contract
  - Signed by chairs of Boards
  - Three-year contract, with annual renewals
  - Contract Specifications would have some measures in common; others would vary according to mission.

Recommendations Regarding Performance Expectations

- Performance Expectations would address:
  - Priorities of the State
  - Assisting students to stay on track and reduce time to degree
  - Student access and graduation
  - Containing student costs
  - Feedback from students and employers
  - Maintaining accreditation

Recommendations Regarding Incentives and Penalties

- Ability to set tuition should be the reward for performance. This authority must be tied to maintaining access to quality education for all high-performing students regardless of financial status
- Development of plans for corrective action are required when performance standards are not met
- Authority to set fees is lost if performance does not meet standards on critical measures in one year

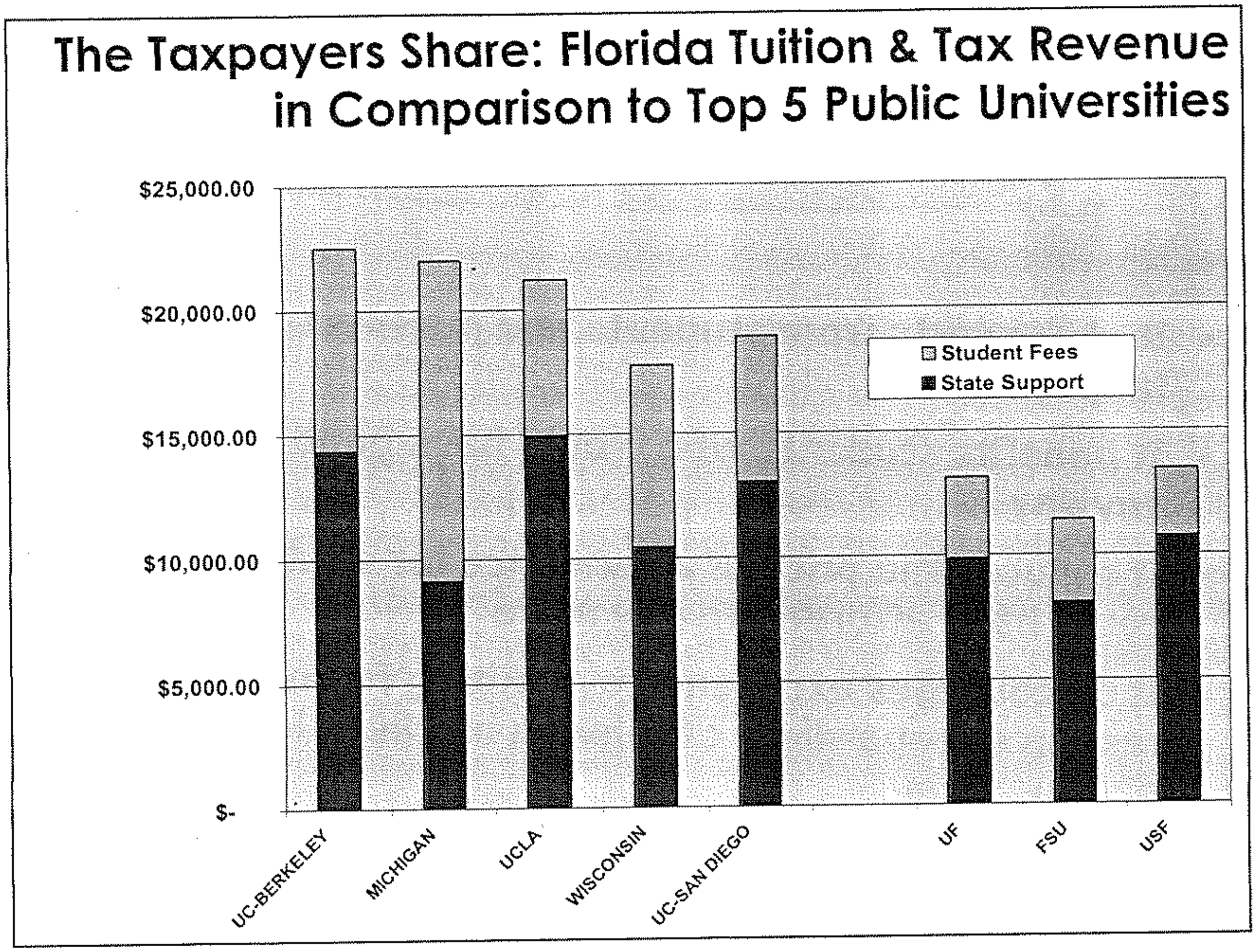
Limitations on Tuition Flexibility

- The university must provide and preserve eligibility by students who qualify for need-based aid and by part-time students
- Maximum incremental increases are subject to the policies adopted by the Legislature
- Within Legislative guidelines, the Board of Governors provides annual review and control over tuition and access through the contract negotiated with the university

The Need for Coherent Funding Policies

Dennis Jones in *Financing in Sync: Aligning Fiscal Policy with State Objectives* (2003) notes that when funding policies are not aligned, important goals of higher education are not realized:

- Students find higher education becoming unaffordable and opt out;
- Taxpayers pay more than their fair share; or
- Institutions fail to acquire the resources needed to adequately fulfill their missions.


The Taxpayers Share: Florida Tuition & Tax Revenue in Comparison to Top 5 Public Universities
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$-
Student Fees
State Support
UC-BERKELEY
MICHIGAN
UCLA
WISCONSIN
UC-SAN DIEGO
UF
FSU
USF

Student Access: consequences of a low tuition/low need-based aid strategy

- It shifts costs from students and parents to taxpayers
- It benefits students who would have gone to college anyway
- It reduces the price of attendance for students who could have afforded to pay more
- It discourages excellence by limiting financial resources regardless of relative market-place value of education
- It is unlikely to substantially improve either participation or affordability

Access by Children From Low income Families: Florida vs. Ten States with Highest Tuition

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Resident Undergraduate Fees			Rank on Access by Children From Low Income Families*
State	Amount	Rank	
Vermont	8,994	1	6
Pennsylvania	8,382	2	8
New Hampshire	8,130	3	7
Michigan[1]	7,485	4	20
New Jersey	7,308	5	4
Illinois	6,704	6	16
Massachusetts	6,482	7	10
Minnesota[1]	6,280	8	14
Connecticut	6,154	9	24
Rhode Island	5,854	10	15
U.S. Avg.	4,675		
Florida	2,581	49	29

***Source: June 2003 issue of *Postsecondary Education Opportunity*.**

Expanding Public Benefits

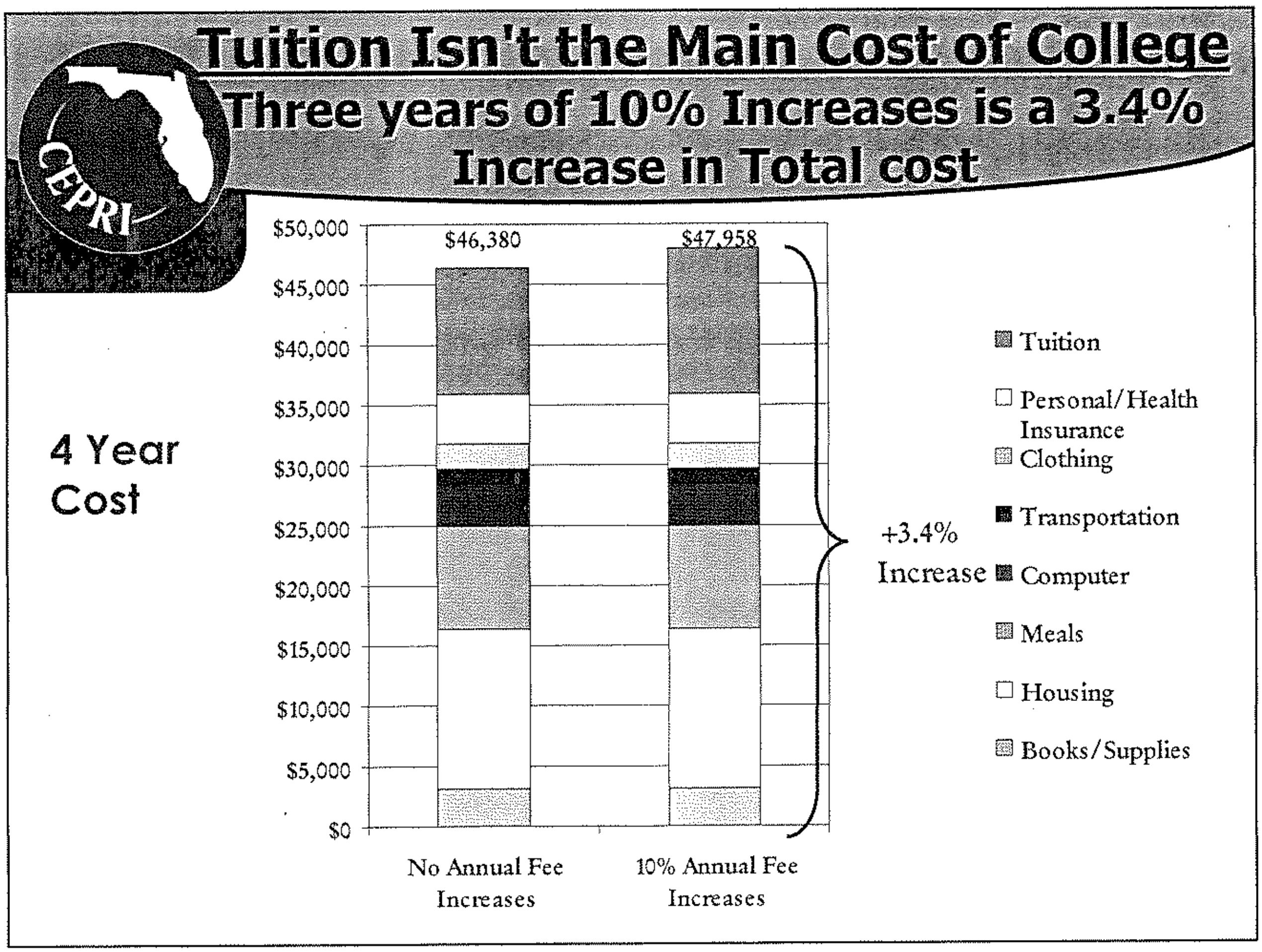
- Tuition increases would be used to:
  - Make the State University System of Florida a nationally recognized leader
  - Increase production of graduates to meet state employment needs
  - Increase research in support of economic development
  - Increase financial aid to qualified students who otherwise could not afford quality education

Using Tuition Revenue as a Tool for Providing Access

- Reducing Time to Degree
  - Block Tuition Schedule to Encourage Larger Course Loads
  - Use of Tuition Revenues to Expand Course Availability
- Use of Tuition Revenues for Need Based Aid
- Expand Cooperative Education Opportunities
- Improved Counseling and career Planning

Four Year Graduation Rate of All FTIC Students

1st Yr	SUS	UF	FSU	USF	UCF	FIU
1990	26.13%	29.49%	37.63%	17.92%	20.91%	18.70%
1991	25.89%	28.90%	38.95%	19.75%	20.14%	17.69%
1992	27.61%	30.69%	38.47%	20.04%	23.32%	16.10%
1993	28.26%	33.69%	39.61%	20.42%	21.80%	15.38%
1994	28.87%	37.95%	39.81%	19.23%	23.98%	14.28%
1995	31.29%	42.90%	39.56%	19.17%	26.17%	14.66%
1996	32.51%	50.04%	39.54%	18.79%	24.95%	15.71%
1997	32.99%	49.01%	39.86%	21.41%	26.91%	16.45%


Tuition Isn't the Main Cost of College
Three years of 10% Increases is a 3.4% Increase in Total cost
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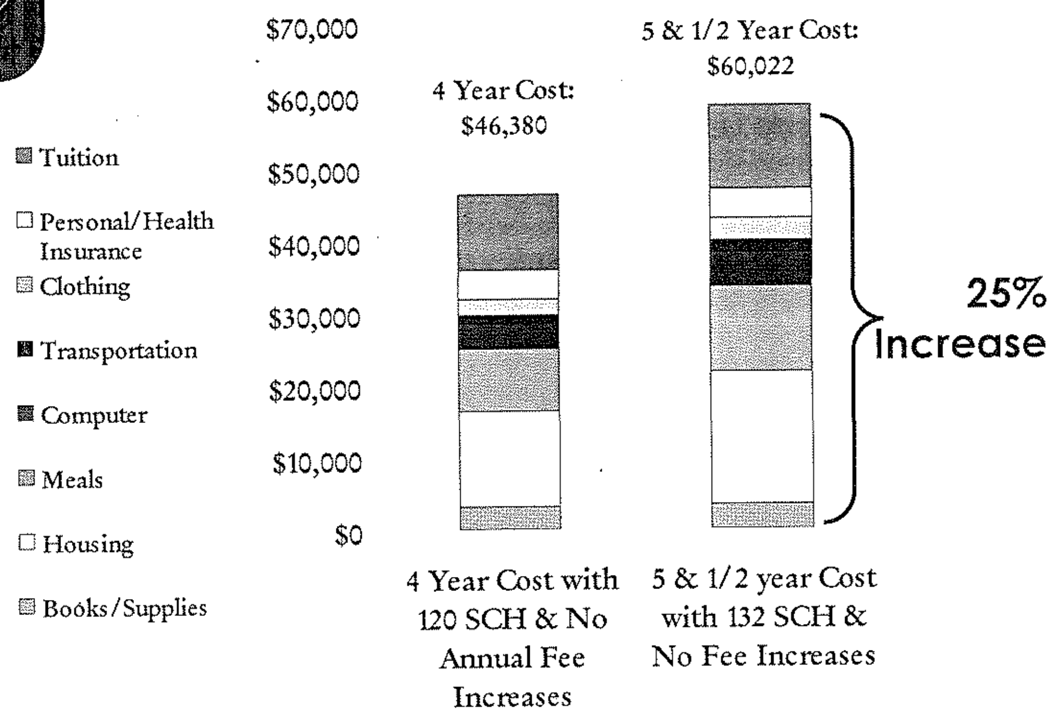
4 Year Cost
$50,000
$45,000
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
$46,380
$47,958
No Annual Fee Increases
10% Annual Fee Increases
+3.4% Increase
Tuition
Personal/Health Insurance
Clothing
Transportation
Computer
Meals
Housing
Books/Supplies

Additional Cost of Extra 1 ½ Years to Degree with No Fee Increase



Findings Regarding Tuition Flexibility

- In most states, but not in Florida, the authority to raise tuition and out-of-state fees is given to university governing boards
- In difficult financial cycles, tuition increases are used in these states to fund access to courses and programs that would otherwise be reduced through budget reductions

Impact and Recommendations Regarding Financial Aid Programs

- Programs such as Bright Futures and Prepaid Tuition are not eliminated by the contract approach
- All aid programs should be regularly reviewed and modified to accommodate innovations such as block fees or differential fees by location or time of day that are determined by the Board of Governors to assist in maintaining access and encouraging student behavior that improves the chances of success

Conclusion

- Contract approach would close the gap between mission, performance, and funding
- Florida could become a model for other states
- Council strongly believes this approach should be embraced and utilized

Figure 2

PROCESS FOR UNIVERSITY CONTRACTING

CEPRI

Submit to the Governor and Legislature a report and recommendations, including a draft contract, by November 1, 2003.

⇩

Board of Governors

Recommend to the Legislature objectives, criteria, and overall process for contract development, adoption, implementation, and monitoring, by January 1, 2004.

⇩

Legislature

Statutorily (through proviso, implementing bill, or Florida statutes) create objectives, criteria, and overall process for contract development, adoption, implementation, and monitoring by end of 2004 Legislative Session.

⇩

Governor

Approve legislation creating process for contracting

⇩

Board of Governors

Based on statutory requirements, develop process for contract negotiations, approval and monitoring by June 1, 2004.

⇩

CEPRI:

Develop criteria for evaluating university proposals, including accountability measures.

⇩

Universities

Prior to beginning negotiations process with the Board of Governors, develop proposal, including specific objectives, performance measures and standards, and implementation plans.

⇩

Board of Governors and Universities

Negotiate and sign contract.

Implement contract beginning July 1 of fiscal year following signing of the contract.

Board to submit annual reports to Governor and Legislature by December 1 (the report would cover the implementation of the contract during the prior fiscal year)

⇩

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Review impact of contract two years after it is initially signed.

Figure 3

Performance Funding Contract for University Services

Parties
This contract is entered into by the Board of Governors and the _____________ (Insert name of university — "*University*" will be used for purposes of this draft).

Scope of Services
The *University* shall perform all of the services as defined in the attached Contract Specifications.

Consideration
As consideration for services rendered by the *University* pursuant to this contract, the Board of Governors agrees to request the amount of state funds as specified in the attached Contract Specifications and permit tuition flexibility as authorized by the Legislature and specified in the attached Contract Specifications. The performance of the Board of Governors under the terms of this contract is subject to and contingent upon the availability of funds appropriated to the Board of Governors and applicable for the purposes of this contract.

Point of Contact
The contract manager on behalf of the Board of Governors will be the Chancellor or his/her designee. The contact on behalf of the *University* will be the university president or his/her designee.

Cancellation
This contract may be cancelled by either party upon written notice to the other party delivered to the contract manager. If notice of cancellation is given on or between July 1 and December 31, the cancellation shall be effective at the end of the State of Florida fiscal year in which the notice is given. In the event notice is given on or between January 1 and June 30, the cancellation shall be effective at the end of the State of Florida fiscal year following the fiscal year in which the notice was given.

Term of Contract
This contract shall become effective July 1 of the fiscal year subsequent to the execution by the parties and shall continue in force for a period of three years. By mutual agreement of the parties, the contract may thereafter be extended for additional one year periods.

Faithful Performance of Contract
The *University* agrees that its performance of any other services during the term of this contract shall not interfere with the faithful and timely performance of this contract.

Force Majeure
Either party's performance under this agreement is subject to acts of God, war (declared or undeclared), Federal government regulation, terrorism, disaster, strikes, civil disorder, curtailment of transportation facilities, or similar occurrence beyond the party's control, making

it impossible, illegal, or impracticable for one or both parties to perform its obligations under this agreement, in whole or in part. Either party may terminate this agreement without liability for any one or more of such reasons upon written notice to the other party within 10 days of such occurrence or receipt of notice of any of the above occurrences.

Resolution of Disputes

Any dispute between the Board of Governors and the *University* as to the application, meaning, or interpretation of any part of this contract shall be resolved as follows: Initially, the parties shall use their best efforts to resolve their dispute through mediation administered by the American Arbitration Association [or other similar organization].

Entire Contract

This contract cannot be changed except in writing by the signature of both parties.

Execution by the Parties

Board of Governors:

____
Chair, Board of Governors

Date: _______________________

University:

____
Chair, Board of Trustees

Date: _______________________