

Baccalaureate Degree Production

Present Situation: In 2001, Florida ranked 45th among the states in awarding baccalaureate degrees. Among the 10 largest states, Florida is only seventh. By 2012, analysts expect Florida to increase the number of degrees by about 28 percent, not enough to narrow the gap. Without a larger increase, Florida will not move closer to the national average.

Recommendation:

Increase the production of quality baccalaureate degrees to the national average using a creative and diverse delivery system

Pros

- Raises educational attainment
- Raises per capita income
- Serves critical needs for employment, as for nurses and teachers
- Attracts and sustains economic development

In 10 years, Florida should at least reach the national average for awarding high-quality baccalaureate degrees and should sustain or improve that level. This goal will require a concerted effort to award 15,000 degrees annually over and above the increases already expected in public, private, and independent institutions. The increase in production should target critical need areas.

- Increase fiscal resources
- Encourage increased use of 2+2 process
- Implement proven recruitment and retention strategies
- Recover students who have left the system
- Expand joint use agreements and other partnerships among community colleges and public, private, and independent universities
- Approve community college baccalaureate programs in disciplines with critical shortages
- Evaluate the need for establishing additional capacity by new institutions, branch campuses, distance learning, or other mechanisms
- Create a mechanism to publicize and advance efficiencies implemented by institutions

Cons

- In the short run, other priorities may seem more important because of reduced resources
- Florida's labor force also needs to increase the number of workers with lower levels of educational attainment
- Requires sustained commitment for at least 10 years

12-06-02

Workforce Education Production

Present Situation: In Florida, almost all of the fast-growing occupations require postsecondary technical certificates and degrees (80 percent). The supply is not keeping pace with demand for workers with this educational level. Few high school graduates pursue technical education at the postsecondary level, and many residents are unemployed or underemployed because they lack the essential skills.

Recommendation:

Increase the production of quality graduates using a creative and diverse delivery system that includes all sectors and emphasizes targeted occupational areas

Pros

- Raises educational attainment
- Raises per capita income
- Fosters growth in new jobs
- Meets demands of Florida's economy

By 2008, increase by 15 percent the number of highly skilled graduates and placements in targeted career and technical programs. Increase by 15 percent the number of adult general education graduates who pursue postsecondary education. Meeting this goal will require an annual increase in enrollment of 12,000 students in career and technical education, and 15,000 students in adult education. These efforts should include public, private, and independent delivery systems

- Increase fiscal resources
- Increase recruitment efforts especially for:
 - ▶ High school graduates in targeted fields using dual enrollment and established career paths
 - ▶ Recent high school dropouts
 - ▶ Unemployed and underemployed adults in high-skill technical education programs
 - ▶ Adult education students in high-skill technical education programs
- Implement proven strategies for acceleration, recruitment, and retention; focus retention efforts on students early in postsecondary years
- Provide need-based financial assistance to non-traditional students
- Create a mechanism to publicize and advance efficiencies implemented by institutions

Con

- In the short run, other priorities may seem more important because of reduced resources

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Research and Development

Present Situation: Florida ranks 10th among the 12 largest states in expenditures for research and development, even though the university operating budgets for contracts and grants have more than doubled in the last decade. Florida's universities have the ability to build upon their great strengths; however, state resources for supporting research and development activities are limited.

Recommendation:

Pursue a strategy of related, value-added projects to increase Florida's R&D capacity and visibility in public, private, and independent sectors

Pros

- Research and Development is a catalyst for economic development
- Builds on existing strengths
- Maximizes return with minimum state investment

Funding should allow the state to focus on both general research and development activities and specific programs. Efforts should build on existing institution strengths and foster collaboration between institutions and private interests.

- Implement the FBOE Strategic Imperative Eight Programs of Prominence project and the Governor's Emerging Technology Commission Centers of Excellence Program
- Target areas of critical need for increased baccalaureate production that will also have a positive impact on R&D
- Focus on individual strengths by institution and resist attempts to duplicate programs
- Increase number of graduate students in targeted research fields, and increase their financial support including out-of-state fee waivers
- Build on state assets such as oceanographic, environmental, and aerospace programs; proximity to Latin America; and health sciences
- Increase collaboration among and between public and nonpublic institutions, the private sector generally, and entities such as Enterprise Florida and the Florida Research Council
- Use strengths of each university to improve technology transfer
- Create mechanism to publicize and advance efficiencies implemented by institutions to create a Florida-wide R&D picture

Con

- In the short run, other priorities may seem more important because of reduced resources

12-06-02

Flexibility of Tuition and Fees

Present Situation: Only two other states have lower university tuition than Florida, when comparing the amount of tuition and fees charged to resident undergraduates at public universities. For community colleges, Florida ranks 30th among the states in the amount of fees charged to residents for college credit programs.

Recommendation:

Allow tuition and fee flexibility to move to the national average of public institutions*

Pros

- Provides additional fiscal resources to institutions
- Increases incentive to enroll students and expand access
- Increases student's incentive to complete programs and use state-subsidized institutions efficiently

Allow institutions flexibility to propose tuition and fee increases up to the national average of their peers. Proposals for increases should be tied to mission of the institution and recognize state goals for improving quality and expanding access.

To implement this recommendation, institutions should submit a tuition and fees plan for approval by FBOE. Plans need not be limited to across-the-board increases.

- Allow different tuition levels for different programs
- Use tuition rate incentives to encourage students to accelerate their progress
- Charge more for excess hours beyond graduation requirements
- Require institutions to fund need-based financial aid programs
- Offer incentives for 2+2 and off-peak enrollment to make better use of staff and facilities
- Offer block tuition rates
- Refund out-of-state tuition differentials for out-of-state students who obtain employment and remain in Florida after graduation

See attached *Minority Report*

Cons

- Increases costs for many students
- Increases demand for need-based financial aid
- Requires changes to Bright Futures
- Jeopardizes current configuration of Florida Prepaid College Program

12-06-02

Prepaid Tuition

Present Situation: The Florida Prepaid College Program is by far the largest and most successful program of its kind in the nation. Its size and popularity make it difficult for institutions to decentralize pricing decisions, especially since tuition contract payments are guaranteed by the state. Since its inception in 1988-89, the program has sold nearly 732,000 contracts, and the value of future contracts at present is \$3 billion. Contract prices are based on assumptions about the rate-of-return on an investment portfolio and tuition increases, and the tuition increases used in the present formula may be low -- 6 percent annual rate for community colleges and 6.8 percent for the universities.

Recommendation:

Honor existing commitments and re-price and/or restructure future contracts to accommodate different tuition assumptions*

Pros

- Reduces constraints on tuition and fee policies
- Allows institutions the flexibility to raise revenues to improve programs and expand access
- College savings programs ("529 plans") may provide higher cover more educational costs

Honor all existing Prepaid commitments. Encourage participation in section 529 college savings programs. Commission a study to compare Florida's program with those of other states.

- The study must describe a transitional program; may recommend scholarship options for needy families and institution-based programs
- The study should be available for the 2003 Legislature

Con

- Creates more complexity

See attached Minority Report

12-06-02

Financial Aid

Present Situation: Florida equals the other large states in *total* financial aid for undergraduates, but lags far behind in the proportion of aid that is based on need. Comparing the 10 largest states in 2000, Florida is in second place for grants that are not need-based, but next-to-last in grants to help financially needy undergraduates. (Per full-time-equivalent student, Florida averages \$773 in non-need-based aid but only \$154 in need-based aid.) If fees increase, so will inequities in access for students of modest means.

Recommendation:

Increase need-based aid*

Pros

- Provides a means for students to continue their pursuit of postsecondary credentials in spite of tuition and fee increases
- Provides a means to recover non-traditional students

Increase state financial aid available to students who have need.

- Require public institutions to create need-based programs and dedicate revenues of at least 20 percent of tuition and fee increases; encourage independent institutions to adopt the same policy
- Use any savings realized because of this change for need-based financial aid
- Provide need-based financial aid to students seeking technical certificates
- Create a program of financial aid for non-traditional and part-time students

*See attached Minority Report

Con

- In the short run, other priorities may seem more important because of reduced resources

12-06-02

Bright Futures

Present Situation: The popular Bright Futures scholarship program provides merit-based financial aid funded by the lottery. The amount of the scholarship is linked directly to tuition and required fees. The program significantly reduces a revenue source formerly provided by students and their parents. The program is growing rapidly, but lottery funds are projected to remain flat. The number of students graduating from Florida high schools will continue to increase, and so will demand for the scholarships. Increasing tuition and fees results in a corresponding cost to the state for Bright Futures—estimated \$2M additional for Bright Futures for every 1 percent increase in tuition and required fees¹

Recommendation:

Index Academic Scholarship to statewide average university tuition and required fees. Index remaining two awards to the statewide average community college tuition and required fees

Pros

- Encourages talented students to stay within the state
- Benefits students and the state by encouraging use of 2+2 approach
- Motivates students to prepare academically for college
- Does not change eligibility criteria (courses, grades, test scores)

- Phase in changes to honor current expectations of current high school students
- Use any savings realized because of changes in Bright Futures for need-based financial aid
- Continue to offer both Bright Futures and the Florida Resident Access Grant (FRAG) to eligible students at independent institutions

Con

- The program's popularity among students, parents, and politicians makes change unwelcome

¹ Source: *Student Financial Aid Estimating Conference*, August 8, 2002

12-06-02

K-20 Accountability System/Performance-Based Funding

Present Situation: According to Florida's new education code (s. 1008.31, F.S.), state budgets must dedicate for performance-based funding at least 10 percent of appropriated state dollars for Florida's education sectors. The statute outlines a schedule of implementation, beginning in December 2002 with the state universities. The statute also calls for the development of a K-20 Accountability System that will in part define the performance expectations for the budget process. The Higher Education Funding Advisory Council acknowledges the work of the K-20 Accountability Council and supports the integration of this work into performance-based funding requirements.

Recommendation:

Meet statutory requirements in phases—based on reasonable expectations—and tie K-20 accountability to performance-based funding

Pros

- Meets legislative requirements
- Provides sufficient time to gain support from sector leadership
- Builds on workforce development lessons

Performance-based funding requirements for all systems should balance accountability requirements with sector goals. The following characteristics should be considered:

- Include at least the following components of performance funding: (1) Combine K-20 and sector-specific performance expectations, (2) Recognize improved performance and sustained high performance, and (3) Provide initiative and incentive funding directly to institutions and students
- Phase in the requirements based on reasonable expectations about meeting and reporting performance goals
- When an institution (or local educational agency) fails to earn all of the dedicated performance funds, require the institution to prepare an improvement plan for FBOE approval, and then allow the use of the funds to implement the approved plan
- Budgets should reflect "student-centered" principle espoused by the FBOE

Cons

- Will delay full implementation of the budget process for sectors
- May not meet original legislative intent

12-06-02

**Florida Prepaid College Board's Response
To the Higher Education Funding Advisory Council
Recommendations**

Addendum dated December 6, 2002

On December 2, 2002, Stanley G. Tate, Chairman of the Florida Prepaid College Board submitted a letter to the members of the Higher Education Funding Advisory Council outlining the Prepaid Program's concerns regarding the staff recommendations for Flexibility of Tuition and Fees and Prepaid Tuition. On December 3, 2002 the Council met and, with the exception of Mr. Tate, voted unanimously to adopt the staff recommendations. The purpose of this report is to supplement the letter submitted by Mr. Tate, which Secretary Home agreed would become part of the final report of the Council.

In 1987, the Legislature authorized the Florida Prepaid College Program to help families plan and save for their children's college education. By far, Florida's Program is the most successful in the country. Over 736,000 contracts have been sold, through this year's enrollment period. Almost half of the families who participate in the Program have annual incomes below \$50,000. This year, the Program will have over 42,000 participants enrolled at Florida's community colleges and universities. Since the Program began almost 84,000 families have used their prepaid benefits.

The Council's actions will grant each public university unfettered discretion to establish its own tuition and fees. The stated goal of the recommendation is to allow institutions the ability to increase fees up to the national average of their peers. The Florida Legislature would no longer control the cost of tuition at any of the State universities.

The Council has recommended the following strategies, in addition to the absolute discretion to be granted:

- Allow different tuition rates for different programs offered at the institution.
- Use tuition rate incentives to encourage students to accelerate their progress.
- Increase tuition rates for students enrolling in more hours than required for graduation.
- Require institutions to fund need-based financial aid programs.
- Offer incentives for 2+2 and off-peak enrollment to make better use of staff and facilities.
- Establish tuition rates for a block of credit hours.
- Provide institutional student aid to reduce the impact of tuition and fee increases on lower-income students.
- Refund out-of-state tuition differentials for out-of-state students who obtain employment in Florida after graduation.

The Council's actions do not provide any constraints on this discretion. Section 240.551(9)(b)(1), Florida Statute requires the Board base the cost of prepaid tuition contracts "on the average current and projected fees within the State University System." Allowing universities to set different levels of tuition would make determining prices for prepaid tuition plans much more difficult (if not impossible) and make actuarial assumptions for future tuition increases much more volatile.

Since the eleven public universities now charge the same tuition rates established by the Legislature, there is little financial risks to the purchaser or to the State in establishing tuition contract prices. However, removing tuition increases from legislative review would allow variations in tuition rates between the public universities that could result in the contract purchaser paying more for Prepaid contracts than the actual cost of tuition at the time of matriculation.¹ Variations like these will prevent the Program from pricing the contracts fairly, and would wipe out the guarantee provided to Prepaid beneficiaries by the Legislature.

The Council also adopted a recommendation to honor all existing Prepaid commitments. As part of the General Appropriations Act, the Legislature establishes the matriculation fees charged by our eleven public universities. The Program's tuition contract includes the matriculation fee, building, capital improvement fee and financial aid fees. Other fees, such as those charged for activity and service, health and athletic (also known as local fees), are approved annually by each institution's board. Section 240.551 provides that the State will meet the Program's obligations if monies in the Trust Fund are not sufficient to meet these obligations. This guarantee is contained in each contract between each purchaser and the Board.

The Board has consistently taken steps to ensure sufficient funds are available to meet the Program's obligations. Years ago, the Board developed a Comprehensive Investment Plan that specifies the investment policies used by the Board. That Plan is subject to review and approval by the State Board of Administration. The Board also requires an independent annual analysis of the actuarial adequacy of the fund. As part of this analysis, the Board's independent actuaries estimate projected tuition rates for the current year and the ensuing twenty-two years (the period of time Prepaid Program participants might attend college). These rates are based on actual increases approved by the Florida Legislature during a thirteen-year period covering 1987-2000. Approval of the measures advocated by the majority of the Council will prevent future sales of Prepaid contracts.

An affordable, accessible, quality education is one of the most critical services our State can provide to its children. For these and other reasons the Board urges that the Governor, the Board of Education and the Legislature maintain control of undergraduate tuition rates and allow the Prepaid Program to continue to provide Florida families with an affordable means to save for their children's future college education.

¹ For example, assume the tuition rates at the public universities range from \$65 to \$130 per credit hour. In addition, assume the annual rate of tuition increases have been 6% to 15%. The Program's actuaries will establish the prepaid contract price based upon a weighted average tuition rate, and the annual projected tuition increases. If the weighted average tuition rate for the contract is \$110, and the beneficiary attends a public university on the low end of the average (\$65), the purchaser would have paid more for the contract than the actual tuition costs at the time of matriculation. Conversely, if the purchaser determines that the beneficiary will attend the most expensive public university, the difference between the contact price of \$110 per credit hour and actual rate of \$130 per credit hour, will result in a "financial loss" to the Trust Fund.