

Higher Education in Florida:

A Third-Year
Perspective

BURSTING AT THE SEAMS

— Now



Business /
Higher Education
Partnership

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About the Business/Higher Education Partnership...

This partnership was established in early 1995 – a collaboration among the Florida Council of 100, the State University System, the Community College System, and the Independent Colleges and Universities of Florida. Its directors include 12 private sector CEOs from the Council of 100, nine college and university presidents and heads of the three member systems. In its first year, the partnership prepared a study, report and strategic vision for higher education in Florida. *The Emerging Catastrophe...And How to Prevent It* was released in January 1996. A follow-up report, *Catastrophe Forestalled* was published in February 1997.

The Florida Council of 100, founded in 1961, is an organization of the state's chief executives which informally advises the Governor and brings a business focus to issues important to the quality of life in Florida. This partnership has been one of the council's highest priorities for the last three years. Other major projects have included the development of Enterprise Florida, a study of the state's criminal justice system, and the Governor's Commission on Education.

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We're Not Done Yet Building Higher Education Capacity

December 1997

Dear Floridian:

We are drawing to a close on our third year of partnership between twelve corporate CEOs from The Florida Council of 100 and twelve university and college CEOs. This is our third report to the Governor, Florida Legislature, Commissioner of Education, and others interested in higher education in Florida on what we believe we need to do to improve higher education in our state.

We have been pleased with the positive response we have received to our two previous sets of strategic recommendations. The first report, written two years ago, was entitled *The Emerging Catastrophe and How to Prevent It*. The second was entitled *Catastrophe Forestalled*. These two reports dealt with many issues affecting the quality and the accessibility of higher education in Florida. We concluded that Florida can increase its capacity to educate more students and can concurrently increase the quality of their education experiences without a tax increase if the following four conditions are met:

1. The previous trend of spending a declining percentage of state revenues for higher education must be reversed;
2. Tuition must double in seven to ten years to a point where it covers approximately 50 percent instructional costs at universities and 33 percent at community colleges;
3. We must better utilize the capacity of our private universities and colleges; and
4. We must be more efficient.

During the last two years we have made good progress on all of those recommendations. As we reported in *The Emerging Catastrophe*, higher education funding in Florida had stalled out alarmingly, falling to a historically low share of state general revenues, 7.5 percent for the universities and 3.6 percent for the community colleges. In 1996, the funding commitment turned back up dramatically. It did again this year. Higher education's share has risen to 8.6 percent of general revenues for the universities and 4 percent for the community colleges. A recent independent survey rated Florida among the top three states in percentage higher education funding growth over the last two years. Congratulations to legislators, the Governor and other higher education officials for these very positive steps toward building the capacity of our system!

■ Letter from the Chairman

We are pleased, too, with tuition increases, in the range of 7 to 8.5 percent each of the two years for each of the two systems. If Florida can continue on that path, it will begin to approach the national norm, begin asking well-off students and their families to pay a fair share and generate added money for need-based scholarships.

Our third recommendation was that Florida more effectively use the capacity of its independent colleges and universities by aggressively increasing the Florida Resident Access Grant (FRAG). In 1996, that happened. With a \$9 million increase in the FRAG appropriation, the stipend rose from \$1,200 to \$1,725. But, disappointingly, 1997 saw no increase at all in the pool for the Florida Resident Access Grant. Because the number of Florida students in the state's 24 independents increased by another thousand, the per student grant actually fell to \$1,600. We hope the 1998 legislature will take a second big step toward bringing the grant to a meaningful \$3,000 a student. That will allow the independents to absorb a share of the tidal wave of Florida high school graduates now arriving at the steps of our public institutions.

We also observe continued progress on the fourth of our main priorities — increasing productivity and efficiency. Coordination among the three systems continues to improve as do degree output and teaching loads.

As we look to 1998, access and capacity are again our greatest concerns. Readers of our previous reports may remember that 1997 is the first of seven years in which the number of high school graduates spikes up. Not surprisingly, State University System full-time-equivalent enrollment, increasing 5,000 per year in years of normal growth this decade, was up to 5,500 this fall.

So while 1996 and 1997 were excellent years for higher education, we are not done yet building the needed capacity. Several of us serve jointly on the Governor's Commission on Education and have perhaps learned more than we wanted to know about the need for an infusion of capital spending to build enough classrooms to catch up with K-12 enrollment growth. As the baby-boom-echo generation moves on to college, we see a system "Bursting at the Seams" in its ability to deliver higher education to Florida citizens and soon strained in its physical capacity as well.

If we stay on course with the four main points of *The Emerging Catastrophe's* strategic plan, our prospects for meeting the challenge ahead are excellent. Without that coordinated approach, we fear sliding quality and shortfalls in access to higher education opportunity for some Floridians.

The Postsecondary Education Planning Commission's five-year master plan, now in draft form and to be published early 1998, will likely concur that access is Florida's great higher education challenge over the next decade. We hope PEPC will see continuing merit in our strategic approach.

On access issues, Florida has dealt itself a couple of wild cards. We have noted before, the large open-ended commitment of our Prepaid Tuition Plan, largest in the country with 426,000 contracts in force. In the last two years Florida has added a second major commitment

We're Not Done Yet Building Higher Education Capacity

to tens of thousands of high school students, who can win generous "Bright Futures" merit scholarships with good grades.

Bright Futures Scholarships were funded this year with much fanfare and good intention. We cannot quarrel with encouraging students to earn a postsecondary degree nor with the political logic of a visible enhancement funded with lottery dollars. But Bright Futures is not a happy match to Florida's higher education system. We were already long on merit programs while relatively short on need-based aid. Also, Bright Futures' definition of merit is no more demanding than S.U.S. admission standards. As a result, Bright Futures amounts to a tuition waiver to most entering university freshmen, regardless of family need. Some of the worst features of the program are fixable. We devote a full chapter of this report to recommending how that might be done.

While advocacy of this agenda remains our partnership's main priority, we have some new directions as well. Several of us have had the gratifying experience of being asked by business and education leaders in other states such as California for advice on how to establish similar partnerships. We also plan a Washington trip in 1998 in search of more of the seed money that will support university research and high-quality jobs for Floridians.

Just as we were finishing this report, we learned with great sadness that our colleague Bill Boyd died suddenly December 3 of complications from heart bypass surgery. We will miss Bill personally and miss his steady hand in advocating the interests of the Independent Colleges and Universities of Florida.

We also note, with congratulations and a tinge of regret, the conclusion of the outstanding service of Chancellor Charles Reed and of Clark Maxwell, executive director of the community college system. Charlie Reed departs early next year to head California's State University System; Clark Maxwell retires at the end of this year. Clark has presided over the growth of Florida's community colleges into one of the biggest and best such systems in the nation. Charlie has directed the universities with vigorous advocacy, vision and decisiveness for a long time now. Only those with long memories will recall the bad old days 15 years ago when central direction was weak and annual legislative squabbling among schools for resources was the norm. We state the obvious to say both are challenging jobs and will be challenging to fill. We hope that Reed's and Maxwell's successors will also see the wisdom of cooperation and coordination the two of them demonstrated as founding members of this partnership.

We again thank the Governor, the Florida Legislature, the Commissioner of Education and other friends of higher education for their support in advancing the recommendations of the Business/Higher Education Partnership.



Charles E. Cobb, Jr.
Chairman
Business/Higher Education Partnership

1997: Mostly Good News

A success story comes with a few cautions

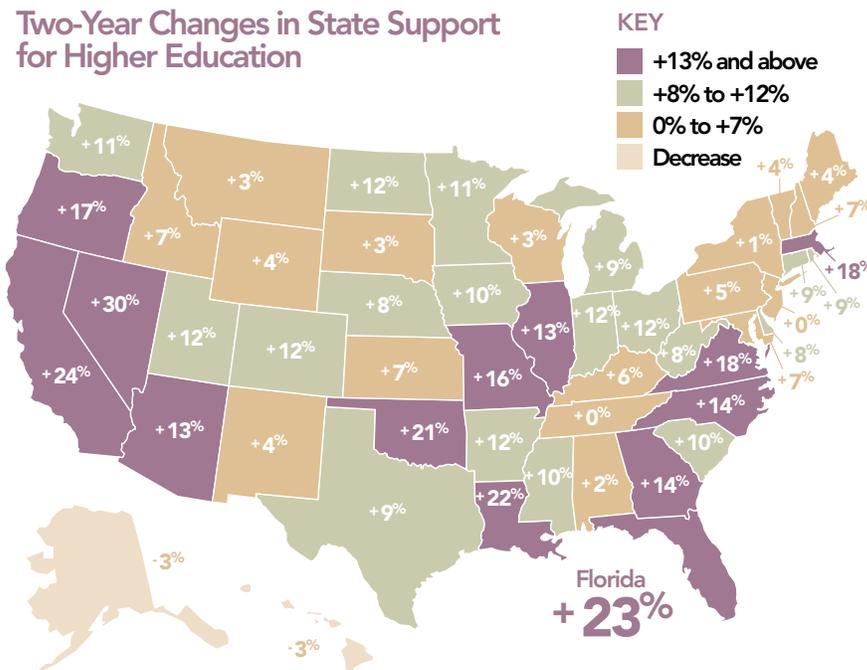
To get straight to the point, 1997 was simply an excellent year for state funding support of higher education in Florida.

And that comes on the heels of 1996, also a year of outstanding funding increases.

As a result, according to a national study of higher education appropriations, Florida's total state spending on higher education has risen 23 percent. Only California and Nevada (see accompanying map) posted even greater gains for the period.

Having previously published our share of negative indicators on the state's higher education commitment, we think it only fair to note this one prominently. Florida ranks among the top three states in increasing its recent effort to support a higher education system. The Legislature, the Governor and other education officials are all to be commended.

Two-Year Changes in State Support for Higher Education



SOURCE: Center for Study of Higher Education, Illinois State University; *The Chronicle of Higher Education*, November 14, 1997

But several cautions are in order:

- The two good years follow seven lean ones for higher education funding growth in Florida, dating to the recession of the late 1980s. So we are headed back the right way, rather than being all the way back.

- Compared to other states, we need to run fairly fast just to stand still. A good share of our budget growth is driven by Florida's unusual population and enrollment growth. The State University

System, where recent enrollment growth has been concentrated, has added 13,000 full-time equivalent students this year and last — an increase of more than 10 percent (not coincidentally California and Nevada are also among the handful of states with big current and projected enrollment increases).

- The ‘tidal wave’ demographic bulge in high school graduates begins now and continues unabated over the next six years. This ‘baby-boom echo’ creates significant added demand for higher education. And the demographic bubble, as we will discuss in detail later in this report, is only one among several significant factors intensifying access issues for our state.

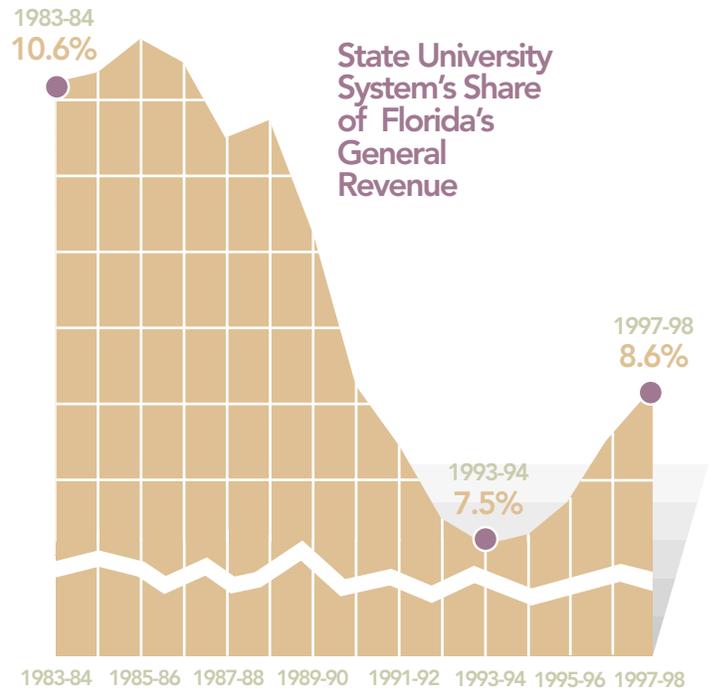
In short, the window for patting ourselves on the back is a brief one. A lot more of the same sort of challenge lies directly ahead.

The best single indicator we know of for a “bottom line” on higher education is production of baccalaureate degrees per age 18-44 population. For 1994, the latest year statistics are available, Florida ranked 46th among the states at 78.4% of the national average. It is a fair guess that our performance has improved some in the three years not yet measured — but also that we are nowhere near the national norm yet.

A few additional comments on funding:

- *The Emerging Catastrophe* noted that the percentage of general revenue flowing to the universities and community colleges had fallen to historic lows (7.5 percent for S.U.S. and 3.6 percent for community colleges). We recommended that the legislature *at least* stabilize that percentage and reinvest additional money as available. As one would expect, the excellent results of the last two years show real improvement by the measure we chose. S.U.S.’s share of general revenue is back up to 8.6 percent (see chart) and community colleges, comparably, to 4 percent.

- We believe our initial report sounded a needed alarm. We know its recommendations were received attentively by the Legislature. But we are also well aware of how much a strong economy and healthy flow of state revenue have contributed to better results for the universi-



SOURCE: Florida's Ten Year Summary of Appropriations and Governor's Appropriation Ledgers.

ties and community colleges. One sage observer of state budgeting processes has theorized that higher education tends to get what's left — capturing a good share of the premium in prosperous years and getting pinched extra hard in tough times. That is consistent with what the two-year appropriations map shows — relatively strong increases generally, not just in Florida and other high-growth states.

There obviously are plenty of reasons to wish for the robust condition of the national and state economy to continue indefinitely. But an eventual downturn would hold particular problems for Florida's higher education sector. Florida relies on a durable goods sales tax, a progressively smaller share of our state's economy even in an expansion. Worse, revenues fall faster than economic activity during a recession. But enrollment is counter-cyclical. In good times with good employment and overtime possibilities, working adults pursue degrees at a slower rate. When the economy dips, more people pause for retraining or upgrading credentials. This was a factor in the 1991-1992 crunch; it is the most likely explanation of why community college enrollment has stayed relatively flat in recent years. The dynamics here are such that a current sunny funding picture could turn sour in a hurry — if and when the economy dips.

* * *

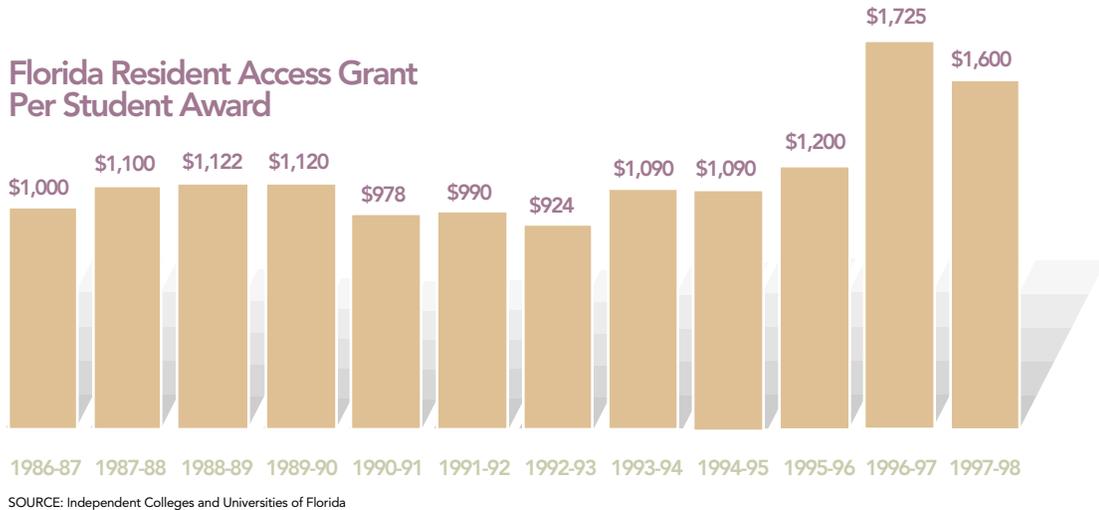
1997 was also a year of progress on the second of *The Emerging Catastrophe's* main recommendations — steadily increasing Florida's exceptionally low tuition.

The Legislature allowed the university to raise its basic tuition and fees 7.8 percent to \$2,033. At community colleges the weighted average increase was 8.3 percent to \$1,225. S.U.S. presented its graduate and non-resident students a 12.8 percent increase. These changes approximately fit the pattern we recommended — steady 7 to 10 percent increases over a decade until both tuitions approach the current national average — about \$3,500 a year for the universities, and about \$1,550 for community colleges.

But we have a long way to go. Florida still ranks 49th among the states in university tuition, 35th among the states for community colleges. And a longitudinal perspective is helpful here. A recent study ranked Florida dead last among the 50 states in percentage tuition increase at its flagship university over the last 16 years (39.7% at University of Florida compared to 279% at University of Texas and 198% at the University of California at Berkeley).

* * *

In a year of healthy funding increases, pardon our partners at Florida's independent colleges for feeling plain left out. The most important source of support for their in-state students, the Florida Resident Access Grant did not increase at all. In fact with the pool for



FRAG stagnant at \$26.8 million, an additional 1,000 Floridians enrolled this fall. So the per student grant fell from \$1,725 to \$1,600. Compounding the offense, more of that amount was shifted to non-recurring funding (meaning even the current base is in play in subsequent legislative sessions).

As *The Emerging Catastrophe* argued, the capacity of the independents can be a key asset in delivering higher education to the current tidal wave of students. (We will revisit that case in detail in the subsequent chapter on access in this report). The 1996 Legislature responded with a \$9 million increase in the FRAG pool taking the stipend up more in that one year than during the previous 16. We hope that in 1998 the Legislature will resume aggressive increases in the FRAG, taking it to \$3,000 per student over the next two to three years. ✦

Bright Futures Scholarships: Trouble Brewing

What fit Georgia is a mismatch to Florida dynamics

Georgia envy is not a common condition in Florida. It is understandable, though, that our state's elected leaders looked North across the border at the raging success of HOPE scholarships and were inspired to go and do likewise.

So now we have our very own Bright Futures Scholarship program, approved by the legislature in 1996 and generously funded in 1997. It works like this:

- High-school students who maintain a 3.5 grade point average and score 1270 or more on their S.A.T.s qualify for a full tuition scholarship, plus a book allowance. The grant may be used at a state university, community college or accredited Florida independent. For an S.U.S. freshman with a full course load the scholarship is about \$2,600.

- Students who do well but not quite as well (a 3.0 average and at least 970 on the S.A.T.) may receive three quarters of that amount.

- Bright Futures was funded at \$75 million for 1997-98, enough for 42,000 grants. Indications, as this is written, are that about 47,000 students actually applied and qualified. The state has set aside an extra \$5 million to cover the overrun.

There is clearly the germ of an excellent idea in Bright Futures. It traces back to the much-publicized philanthropy of a New York businessman who adopted an inner-city junior high and promised a college scholarship to those who stayed in school and maintained good grades. Barnett Banks and Publix supermarkets, along with other Florida corporations, took a similar Pinellas program statewide as "Take Stock in Children." It combines the promise of a scholarship with mentoring and recognition of youngsters through their high school years. The Prepaid Tuition Program has served 9,000 students in its similar STARS outreach program. Both Take Stock and STARS have demonstrated great success in keeping students in school and achieving.

So, if some of this sort of incentive is good, wouldn't lots more be better? Here, some of

the differences between Georgia and Florida are instructive:

- Georgia successfully matched a new scholarship program to the introduction of a new lottery. In Florida the scholarships are packaged as an enhancement. In effect, though, the Bright Futures money comes out of the existing lottery pool supporting education, pre-K-12 and higher. It is an enhancement more in appearance than substance.
- Georgia, in the midst of several initiatives to upgrade its higher education system, lacked much of a merit-aid program. That was not the case for Florida as it launched Bright Futures. Florida already had one of the half-dozen biggest merit programs among the states and one of the most lopsided mixes of merit aid compared to need-based aid. Florida might have had some difficulty retaining a good share of its brightest students a dozen years ago. That is no longer true. Several schools are leaders in attracting able in-state and out-of-state students with merit scholarships.

- Unlike related federal proposals, neither HOPE nor Bright Futures has a means test. The correlation between high family income and high educational achievement is well estab-

lished. So the better off you are, the better your chance of winning one of these scholarships. Florida also has, among the states, an unusual reliance on a “2 plus 2” system of higher education. About 70% of S.U.S. graduates start out in the community colleges. Several of the newer universities began life as “upper division” schools, offering only junior and senior year courses. All now admit freshmen, but our pattern means the Florida universities — the top academic schools like Florida and Florida State as well as the system generally — are among the most selective public institutions in the country.

How much will Bright Futures cost?

Year one of Florida’s new merit scholarship program carries an \$80-million price tag. So will succeeding years be \$160 million, \$240 million and \$320 million?

No, because Bright Futures incorporates two existing merit programs as well as launching a new one. So only 12,000 of the 47,000 qualifying students are additional entering freshmen.

The Department of Education estimated second-year costs between \$100 and \$110 million with third- and fourth-year increases in the \$35-million range. But with compounding cost factors, the program could easily run to more than \$200 million by the turn of the century. †

The bottom line is predictable and more than a little alarming: *nearly any student who can get into an S.U.S. school as a freshman also meets the Bright Futures definition of merit and qualifies for a scholarship.* At University of Florida this fall, preliminary indications are that 95% of entering in-state freshmen are on

Bright Futures. At University of North Florida, a more typical school with a regional base of students, the figure is 92%. So our policy amounts to waiving tuition, in full or in large part, for most entering S.U.S. students.

Consider, too, that the biggest lottery players (as a percentage of income) are people of modest means. So we have engineered a popular wealth transfer from low and mid-income people to the well-to-do. In fairness, some of the Bright Futures pool (12 to 20 percent in its three component programs) does go to students who demonstrate need. But the award is not set aside for those with Prepaid Tuition contracts. So the high-achieving student whose family or a wealthy grandparent has purchased a contract simply pockets the second award.

The expense prospectus for Bright Futures is disquieting too. We start at \$75 million and, as noted, seem to have underestimated the base. More students are coming because of the “baby boom echo,” a demographic spike. Grade inflation is a phenomenon of our times, anyhow — isn’t it fair to assume some kind-hearted high school teachers will raise C+s to Bs to help ambitious youngsters win the scholarships? Also the stipend needs to rise year-by-year as tuition and fees rise (as they should). Those who are good at math (like the Bright Futures scholars) will readily understand that four or five rising cost factors compound quickly. Bright Futures stands to be a commitment of several hundred million dollars within a few years.

Our most recent report (*Catastrophe Forestalled*, February 1997) offered a number of these cautions. But we raised them without any real expectation we, or anyone else, would stop the political momentum of the Bright Futures train. Similarly, while there may be a case for rethinking Bright Futures entirely, we will settle for starting to fix the worst of its consequences. Already, in special session, the Legislature has fixed a glitch that was encouraging students to take easier, academically thin, courses. Here are some additional recommendations:

- **Concentrate in 1998 on building need-based aid.** Education Commissioner Frank Brogan’s draft budget recommendation of a \$32.7 million increase in need-based programs is right on point.
- **Raise the definition of merit over time.** A 3.0 and 970 S.A.T.s are too low. Deserving poor and minority students could better be targeted by bolstered need-based aid.
- **Institute some means test, even be it at a high level like \$100,000 or \$120,000 of family income.** We recognize that college can be a straining expense to families earning \$60,000, \$70,000 or \$80,000. But congressional tax credit actions and proposals of both the Clinton administration and Dole campaign all recognize the principle that there needs to be some cutoff, lest this become public assistance to the rich.

HOPE Scholarships Transform the University of Georgia

■ *Applicants have better credentials, but grade grubbing and grade inflation are growing*

At the end of the University of Georgia's winter-1997 quarter, Professor Will Holmes found that only five of the 96 students in his American-history class had a grade above 90, which merited an A. He saw that several B students had done very well on the final exam; he also knew that some were working hard to earn a 3.0 grade-point average to keep their full tuition scholarships from the state.

"I just weakened," says Dr. Holmes. "My T.A.s and I participated in some pretty wholesale grade inflation."

Faced with a university-wide grade scale that lacked pluses and minuses, Dr. Holmes decided to give As to students with an 87.35 or above, as well as to some who had lower scores but did especially well on the final. Doing so

raised the number of As to 23.

Georgia is beginning to find out what an infusion of merit aid is doing to their students and their public campuses. . .

The evidence is mixed — some professors see little to distinguish today's class from yesterday's, except that today's is obsessed with reaching a B average

"For me and my friends, trying to keep a 3.0 is always on our minds," says Shea Cunningham, a junior who is majoring in art

(The mean grade point average of entering freshmen at the University of Georgia rose to 3.52 in 1997 compared to 3.33. SAT scores have not risen comparably.) †

— *The Chronicle of Higher Education*, November 7, 1997

- **Continue to review and revise our mix of scholarship programs.** Too few are available to the older 'non-traditional' student working a job and working toward a degree part-time.

We still carry around in our heads the pattern of an earlier day when many of us went directly from high school full-time straight through college in four years. The Postsecondary Education Planning Commission's ambitious tracking of 80,000 Florida 1991 high-school graduates found only 3.2 percent had earned a baccalaureate degree in four years. Experience would show another 18% or so will eventually earn a college degree — but over five, six, even 10 or 15 years. Much of the discussion in all our reports has been of tuition levels. But according to PEPC, other resident costs at Florida universities are quadruple tuition and fees. Any postsecondary student also needs to calculate the (considerable) value of a degree against income foregone, and sometimes debt incurred, while earning that degree.

As Florida's aid programs become better tuned to the way its citizens go to school now, the state will make good on the commendable intent of Bright Futures: access to postsecondary opportunities for those qualified to benefit and a larger portion of our population equipped and certified with the skills 21st century employers will be seeking. †

1998: A Focus on Access

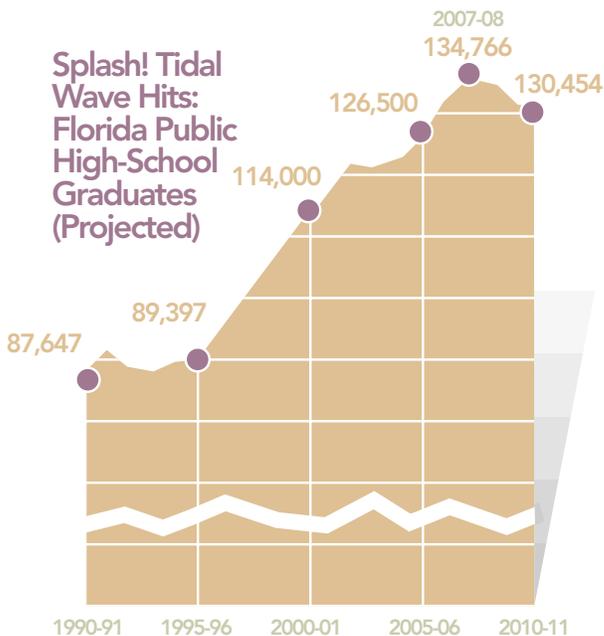
We are driving up demand. Where will the supply come from?

For years, the children of the baby boomers have been flooding into Florida's K-12 system. Its enrollment has grown even faster than Florida's population. Now that group is approaching college age. This fall and the next six each will predictably yield an additional 4,700 high school graduates, a year-to-year increase of about 4 per cent, an increase for the seven years to a level 33,000 higher than the 89,000 graduates of recent years. The curve will flatten some during the rest of the 2000

decade but never turn back down, and the number of graduates rises to a peak of 135,000 in 2008. So that is an immediate and irreversible pressure on access.

Of course, "college-age" young people are not the only ones going to college these days. State University System enrollment has increased 5,000 full-time equivalent students most years of this decade with the number of high-school graduates flat. The increase reflects population growth, more adults choosing to work toward degrees and a modest increase (within parameters set by the legislature) of the portion of students starting and continuing in the uni-

versities. This fall, with the opening of Florida Gulf Coast University and the first "tidal wave" class of high school graduates, the FTE enrollment increase swelled from about 5,000 to about 5,500, and 6,000 are expected next fall.

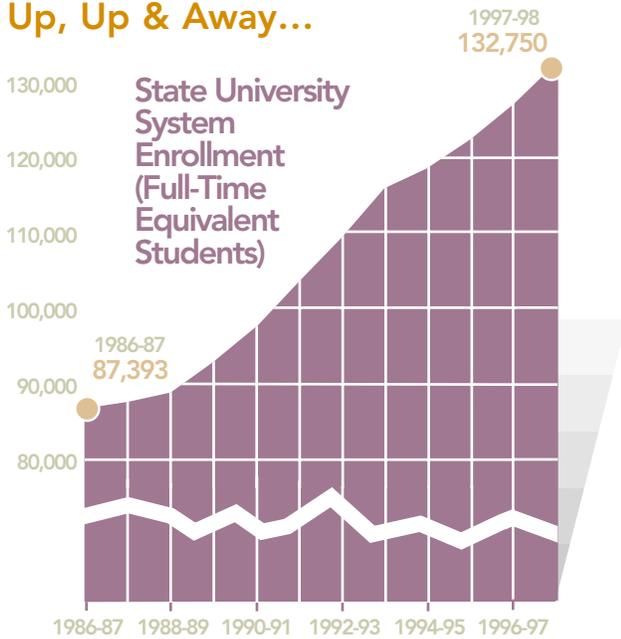


SOURCE: Florida Department of Education.

Florida's future population growth is necessarily an educated guess, not a fact. But for 15 years now, population has been rising by a third-of-a-million people, on average, per year. With a booming regional economy and full employment, why bet on any growth scenario but up — and up fast?

As the discussion of the last chapter indicated, the Bright Futures program is another upward pressure on

Up, Up & Away...

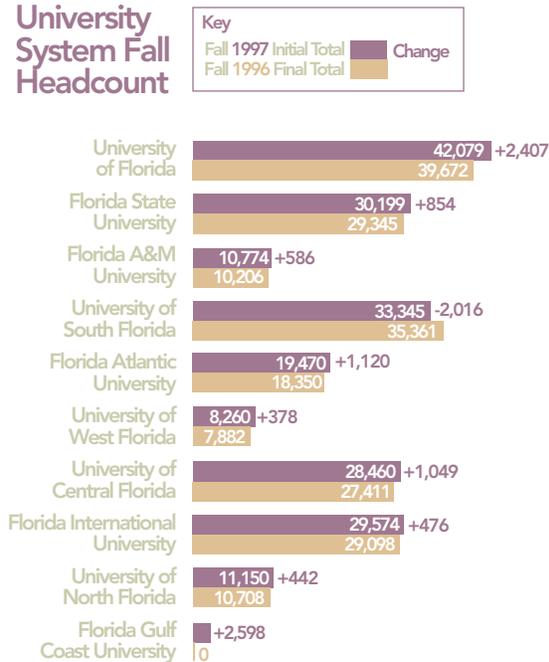


SOURCE: State University System

access. It will certainly put postsecondary education in the sights and in financial reach of more students and their families. That's the aim of the scholarships.

Also, as we have discussed in previous reports, Florida has the largest Prepaid Tuition Plan in the nation. Some 426,000 contracts covering 337,000 students are in force, and another holiday season sales push is on in the well-marketed program. About 20 percent of the contracts are bought by grandparents and other relatives, rather than parents. The single most popular age group for enrollment is birth to one! So while 22,000 students are currently in colleges and universities with prepaid stipends, 15 times that number are lined up for future enrollment. The prepaid contract carries no guarantee or preference for admission to a given university or to the university system. We would not go as far as a *Florida Trend* article this summer predicting that Prepaid will inevitably hold tuition rates down and depress quality. As we quoted Chancellor Charles Reed in our last report, the tail shouldn't wag the dog in this instance — and so far it has not. But Prepaid is a pressure point within Florida's system — one further factor driving demand up and bringing access issues to the fore.

State University System Fall Headcount

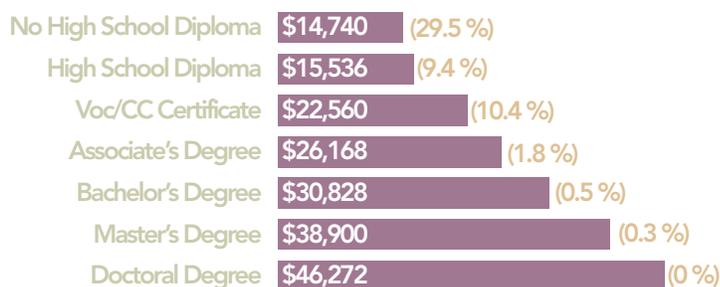


SOURCE: State University System Initial Enrollment Reports, 9/97

should become standard, like a high-school diploma, by early next century. His State of the Union address was heavy on education themes and proposed a federal version of HOPE Scholarships. Along the way, Congress settled on a tax credit equivalent to typical community college cost and authorized tax-sheltered education savings accounts. It is too soon to gauge the likely effect — but safe to say that, as policy and politics, increasing access to higher education is a federal priority.

To this long list of access pressures (and we are almost done), add welfare reform and job training. A year ago our community college partners gained the ability to offer vocational courses at all 28 of their institutions. So they are part of the effort in Florida (as elsewhere) to bolster and focus job training efforts. The connection is evident: If we are going to require citizens to get off the dole and stay off, we need to do more to help them gain the skills and habits that will make them employable.

Earnings, Education & Welfare: Yearly Earnings by Level of Education (% Receiving Public Assistance)



SOURCE: Postsecondary Education Planning Commission (PEPC) Master Plan Draft

pleted a provocative doctoral thesis at Florida State on access issues and has since worked for PEPC and Florida Gulf Coast University, told the *Chronicle of Higher Education* earlier this year, “Heaven help us if K-12 reform succeeds.” Which is to say, if a bigger portion of graduating students are *able* to do postsecondary work, that will create still more access demand. So heaven help us if we do succeed in making a high school diploma mean something again — heaven help us too if we don’t.

* * *

And so... what should Florida do in response to a higher education system bursting at the seams with demand for services —right now?

Well, for a start, we hope this litany of access issues points to the wisdom of continuing on with the linked series of four recommendations in the original *Emerging Catastrophe* report:

1. Continue to reinvest in higher education funding. At a minimum, higher education’s share of general revenue should stay stable. If 1998-99 revenues are up \$1 billion,

Finally, add to the equation the potential for improvement in Florida’s pre-K-12 system. Florida has begun to implement the ambitious Sunshine State Standards, tougher high school graduation requirements and a multi-year effort to raise levels of student achievement. The work of a number of our directors on the Governor’s Commission on Education leaves us convinced that this kind of upgrade of pre-K-12 is not quick, easy, cheap or certain. But it does look possible if we persevere on a course well-launched. John Huffman, who com-

the S.U.S. budget should increase at least \$86 million and the community colleges at least \$40 million. If additional revenue can be made available, as has been the case the last two years, it should be.

2. Continue tuition/fee increases in the 7 to 10 percent range. Now, more than ever, Florida needs the revenue stream of increased tuition, in part to bolster need-based aid. We have consistently made the case for the public interest in higher education. There is also a huge benefit in earning power to the individuals who complete degrees. We continue to believe that it is appropriate to ask students and their families who can afford to contribute to pay a fair share, up to 50 percent of instructional cost at universities and 33 percent at community colleges.

3. Increase the resident access grant for Florida students to a level of \$3,000 over the next two years. The pool should be increased by \$12.6 million (as recommended in Education Commissioner Brogan's draft budget). Depending on the number of Florida students enrolling, that should yield a stipend of about \$2,300. The independents have said they can help greatly with the access crisis, taking 10,000 additional FTE students, perhaps more, in coming years. But that helpful scenario is unlikely if the FRAG stays stagnant.

4. Continue emphasis on efficiency and productivity through privatization and decentralization. We will discuss results in the final chapter, and progress toward this goal doesn't necessarily require further legislative action. Suffice it to say that for the system to meet coming access demands, there must be continued emphasis on getting students to move promptly to earning a degree and to smooth articulation among the three systems.

* * *

Our emphasis, to this point, has been on building the operating capacity of Florida's higher education system. But a second look at the system's capital needs is also in order. There is already some anecdotal evidence of crowding. Some students at some big universities take some big lecture courses watching on a monitor rather than in the room with the professor. The University of Central Florida uses the cineplex in a nearby shopping center (during off hours for movie watching) as overflow classroom space.

S.U.S. estimates new construction needs of \$1 billion and renovation needs of \$500 million over the next five years. PECO (Public Education Capital Outlay) funding is expected to generate only about a third that amount. Similarly the community colleges foresee a five-year unmet need of \$1.4 billion if PECO funding continues flat.

But there are some bright spots. At most campuses, new buildings (due in part to long con-

struction cycles) are coming out of the ground, despite several years of reduced flow of PECO funds. Since PECO is the primary public source of construction money for universities and community colleges, none have faced the double bind of a school district like Broward where PECO fell and local funds dried up completely. In a healthy climate for fund-raising and philanthropy, private donations (the larger ones matched by the state) have been and should continue to be part of the answer on needed space.

As the Governor's Commission on Education concluded, K-12 needs are so urgent now that they take precedence. K-12 will get virtually all of the \$2.9 billion for education facilities recently authorized in special legislative session.

But after the current special, five-year K-12 building program, our state's priorities for distributing PECO funds should shift. The shares to S.U.S. and community colleges should rise to at least 30 percent for each system (compared to 20percent each gets currently). This is simply a matter of following the bulge of student and facilities need as the "baby boom echo" cohort moves out of K-12 and on to postsecondary education. Our view on shifting construction priorities was part of the recommendation of the Governor's Commission on Education. Florida TaxWatch has also endorsed this principle for years and reiterated it last fall.

As we wrote last year in *Catastrophe Forestalled*, PECO revenues have dipped, then flattened, at an inopportune time. Looking ahead, the tax is a ripe candidate for study, reform, and, perhaps, even replacement. One avenue would be to broaden the tax to include utilities like cable, water and sewer, and private power and phone systems now exempted. Another would be to craft a new telecommunications tax that captures sunrise industries and is tailored to an era of deregulation and broadened competition. We're not wedded to a particular solution but share the view that PECO-as-is does not look to be a reliable provider for Florida's education construction needs in the years ahead.

* * *

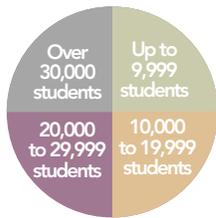
The current access crunch forcefully raises one additional question. Will Florida need to build some new postsecondary schools to meet the demand? If so, what kind of schools?

A few important parameters for deciding have been established. At the Regents' first meeting of 1997, Executive Vice Chancellor David Spence presented a detailed report on institutional growth including these main points:

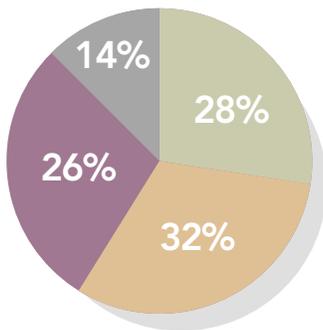
- In a national spectrum, Florida stands out for having relatively few, relatively large universities. That is also true of community colleges (see accompanying charts). And 24 independents are not especially many for a state of Florida's size.

Distribution of Enrollment in Public Four-Year Institutions of Higher Education

Key to School Size:

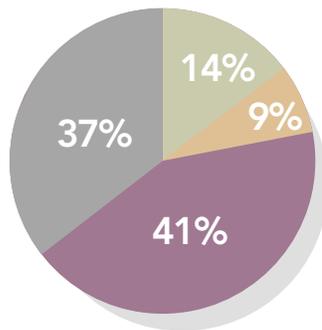


United States



Average size of Four-Year Public Institution in United States: **9,725**

Florida



Average size of Four-Year Public Institution in Florida: **21,992**

• Several Florida universities are growing to the mega-dimensions at which pressure to add a full complement of advanced degree programs is nearly irresistible. University of South Florida has already grown to this size; University of Central Florida, Florida Atlantic and Florida International are getting there fast.

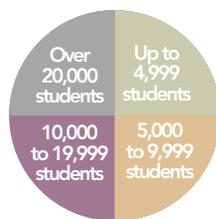
The hitch is that with advanced degrees and heightened research ambitions come considerably higher expense, sometimes called “mission creep,” in academic circles.

So the line of least resistance on access — that is continuing to accommodate thousands of more students a year at Florida’s ten existing universities — could be among the most expensive.

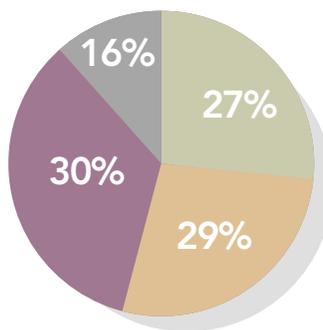
There are a host of other alternatives. Some are modest, like directing a bigger share of admissions to S.U.S.’s three smaller, undergraduate-oriented institutions. Some are dauntingly ambitious and expensive, like seeking to create a new middle-tier system of undergraduate-only four-year institutions as California has done. Some raise difficult issues of mission and focus, such as allowing certain community colleges to offer baccalaureate degrees. Suffice it to say that working through these alternatives and at least setting basic direction on where to add capacity to Florida’s system is work well-started and worth completing during 1998. ✦

Distribution of Enrollment in Public Two-Year Institutions of Higher Education

Key to School Size:

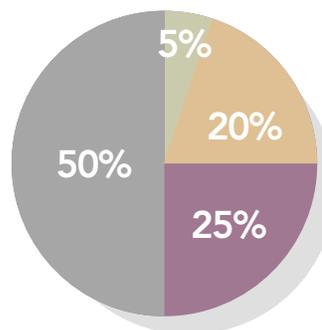


United States



Average size of Four-Year Public Institution in United States: **5,370**

Florida



Average size of Two-Year Public Institution in Florida: **11,608**

Other Issues Old and New

How to keep the system on course for maximum productivity

In all three reports, we have tried to keep our focus on a broad strategy for developing Florida’s higher education system to meet current challenges. But there are, of course, other issues. Here are comments on a few of them:

REMEDICATION — KEEP A WATCHFUL EYE: *The Emerging Catastrophe* noted that more than 60 percent of high-school graduates entering community colleges need some remediation before they can undertake postsecondary work. This is an indication of the lack of rigor in the K-12 system (which Florida is undertaking to correct), NOT a failing of the community colleges. The colleges, in fact, are to be commended for offering remediation to students motivated to continue their schooling and for enforcing a standard, instead of letting unprepared students slide on.

The bad news, however, is that in two short years a bad situation has deteriorated. Now, with a uniform, slightly more rigorous placement test, 80 percent of entering students, system-wide, need some remediation. At Valencia Community College, serving a central Florida population, the figure is close to 90 percent, according to President Paul Gianini. With attention focused on remediation, there have been efforts to track how students who need those courses do over time. Here too, the results aren’t heartening. Informal tracking at one large community college found that more than half of those who needed remedial math never passed the remedial math course. Only a fraction of that group ever advanced on to complete a two-year or four-year degree.

This is an issue for the whole of Florida’s education system that bears close watching. About the worst of all possible solutions to the “tidal wave” challenge would be for a progressively larger share of high school graduates not to pursue postsecondary studies because they are unable to do the work. Florida’s already poor percentages of degree completers in the workforce would head further in the wrong direction.

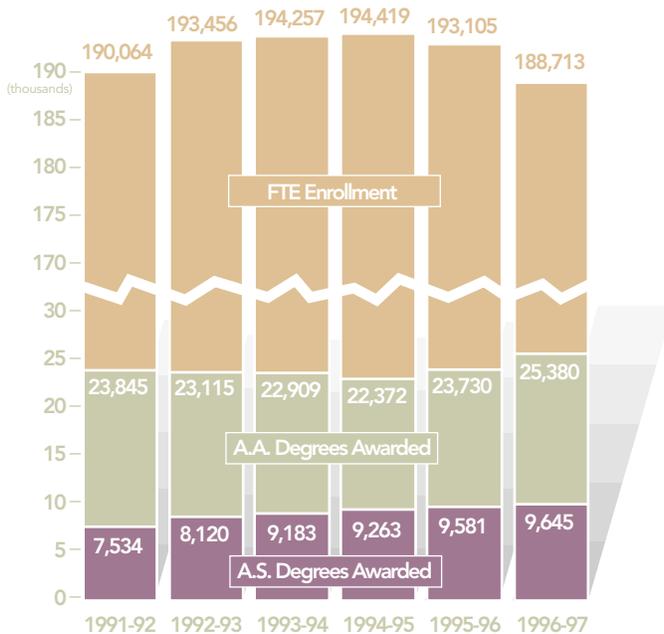
TECHNOLOGY TAKES OFF: We have not undertaken to recommend any master strat-

egy for distance learning and technology development. Events of the last several years suggest that there is a lot to be said for letting nature take its course — or, more exactly, letting individual institutions develop the particular applications that make sense.

At S.U.S., for instance, consider these three distinct approaches:

- Florida Gulf Coast University opened this fall with a heavy commitment to technology and to scheduling classes during non-traditional hours (accommodating those students who work). A rough estimate for capital cost saving from this combination is 15 percent.
- The University of Florida has formally included a technological competency requirement for all undergraduates. Standard operations of campus life are simply being shifted online for everyone (as a business might).
- Florida State University has become the American licensee for the distance learning materials of London’s Open University, a world leader in the field. The plan is to offer a rich sequence of courses at various community college sites in Florida and in other ways. This is part of a heavy commitment by Florida State President Sandy D’Alemberte to making the school a leader in developing online courses.

**Community Colleges:
Enrollment Steady;
Degree Production Up**



SOURCE: Community College System; Vocational certificates (not shown here) have also increased.

For their part, the community colleges are now offering nearly 1,000 distance learning courses. A third of the colleges offer a complete A.A. degree (though relatively few students have undertaken a full degree by this method yet). Distance learning is also a good match for more broadly delivering programs in hot employment categories — such as Florida Community College at Jacksonville’s Histotechnology program or Broward Community College’s Physical Therapy sequence.

EFFICIENCY AND PRODUCTIVITY: Generally schools continue to respond to the demand that professors teach more and students move quickly to degree with credit hours held to reasonable maximums. Community colleges, with flat enrollment

overall and slight enrollment declines in the A.A. and A.S. tracks have increased degree production steadily over a period of six years (see accompanying chart). S.U.S. has made similar gains. The independents, many of them smaller colleges, have recently joined together as a buying collective for certain goods and services that can be obtained less expensively with the leverage of greater volume.

As the previous discussion indicated, technology begins to show promise of reducing bricks-and-mortar costs, or best case, providing an alternative path to baccalaureate degrees.

PERFORMANCE-BASED BUDGETING — YES...BUT: The practice advances, year-by-year. It make sense to ask for a definition of goals and then to incentivize strategic improvements. That sort of performance-based funding seems to be working fine for the community colleges. Making bigger budget decisions in some semi-automatic way still looks improbable.

FULL-FREIGHT TUITION — GO SLOW: Our recommendations on tuition increases envision a fair sharing of costs since there is both a public benefit to having a better trained work force and a benefit to the individual in earning power. That dual view of who benefits makes us dubious about directives to state schools to charge the full cost of instruction under certain circumstances. That is now the law for second attempts at remedial courses in community colleges. It has also been proposed for non-degree courses at state universities. Acknowledging that degrees are crucial, we don't quite see that the public interest drops to zero when a teacher takes professional development courses or a financial person studies to pass the G.P.A. Maybe more modest surcharges would be in order. And wouldn't it make more sense to allow individual institutions to price to market — and keep the added revenues generated?

FRAG QUALIFICATIONS: The grant goes to Florida students enrolled full time in accredited, Florida-based institutions. Should it be offered too to those in non-accredited or for-profit schools? Or to students in Florida branches of out-of-state institutions? While not denying all these entities may have something of value to offer, we think not. The FRAG has the dual purpose of assisting students and strengthening Florida institutions in the independent sector. That is as it should be.

GOVERNANCE AND TENURE: We took note of both subjects in *The Emerging Catastrophe*. Florida has been served well by a strong Board of Regents and a strong Chancellor with appropriate operating independence delegated to individual campuses. That remains true, even though the tinkers may be freshly tempted to tinker with the system given the impending departure of the current strong Chancellor. A more decentralized system

works well for the community colleges with their localized missions and need to adapt course offerings to an area's economic shifts.

Florida is also to be commended for aggressively questioning traditional tenure practice, pioneering post-tenure review and long-term contracts. We support expanding the use of long-term contracts from Florida Gulf Coast University to other S.U.S. schools.

LINKAGES: We have little new to say on this topic but close by reaffirming our belief in the crucial connection between higher education and Florida's economic development prospects. This year, for instance, our higher education capabilities allow us to compete for a giant South Korean semiconductor factory — and to train hospitality managers on a seasonally tailored work-study program (working more in high season, studying more in slack times). The state needs both an increase in bachelor degree production and substantial increase in short-term training and one- and two-year occupational programs that are the community college's specialty. It is ultimately the Florida higher education system's role to produce for our state both the workers needed and many of the enterprises we will need for 21st-century prosperity. ✦

Productivity: Are Colleges Like Orchestras?

David Breneman, dean of the School of Education at the University of Virginia and a leading expert on higher education economics, visited Florida this fall on a research/consulting assignment. Asked how much more efficient higher education institutions can become, he cited an economic theory that labor-intensive enterprises (like postsecondary teaching) may hit a natural plateau.

The idea is a bit more easily understood by example. How can an orchestra increase productivity? It takes the same number of musicians the same time to

practice and play the same repertoire. So, over time, as the living wage for orchestra members rises, productivity may stagnate or decline.

Of course colleges and universities are bigger and more complex than orchestras. Professors can be asked (as they have) to increase teaching loads. There is savings potential in privatizing services and income potential in everything from logo sweatshirts to medical school clinics. Distance learning should help too — but there is something orchestral to the core student-faculty interaction. ✦



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