

**The Florida Council of 100
Higher Education Funding Task Force
Position Paper**

March 2003

Introduction

Having been involved in higher education issues for many years, the Florida Council of 100 is keenly aware of the challenges that Florida universities and community colleges face moving forward in the 21st century. The Council’s Business/Higher Education Partnership, in existence from 1995-2002, published four reports in the late 1990s that had significant impact on key issues including funding, governance, tuition, and decentralization. Because of the phenomenal improvements in governance and decentralization made in Florida since 1999, we dissolved the Business/Higher Education Partnership and replaced it with a new single focus Higher Education Funding Task Force. This task force will emphasize improvements in funding policy for higher education in Florida.

This paper establishes the position of the Florida Council of 100 regarding funding policy issues for higher education. While there are several important funding issues being addressed by the State Board of Education and the legislature, our Higher Education Funding Task Force believes two issues deserve immediate attention: approving individual university authority to substantially increase tuition, and improving the merit-based aid/need-based aid relationship. We also urge continuing progress on two other issues that have been of consistently high importance to the Council of 100: support for the Florida Resident Access Grant (FRAG) program, and the state’s matching grants program. All these issues are also important to the Florida Board of Education’s Higher Education Funding Advisory Council and Governor Bush, as reflected in the Advisory Council’s recommendations released in December 2002, and Governor Bush’s proposed 2003-04 budget. This position paper outlines the Council of 100’s recommendations for addressing these particular issues of critical importance to all Floridians.

Table of Contents

Tuition and Fees.....	p.3
Financial Aid—Bright Futures and Need-Based Aid.....	p.5
Florida Resident Access Grant.....	p.8
Matching Gifts Program.....	p.9
Summary of Recommendations.....	p.10
Higher Education Funding Task Force Membership.....	p.11

Tuition and Fees

There is ample evidence that Americans gain economic and personal benefits from every additional year of education. According to the Census Bureau, in 2000, median earnings for people with a BA were over 1.7 times the median earnings for people with a high school diploma, a ratio that has risen substantially and consistently in recent decades. Obtaining postsecondary education is critical in order to succeed in today's information and technological age.

Florida recognizes the importance and benefits of a postsecondary education, and has established many universities and community colleges throughout the state. However, Florida has offered low tuition for several decades, though Florida is ranked 15th in state and local revenue support of public education (excluding tuition and fees). The state can no longer afford to allow attendance at only a small fraction of the true cost of instruction and fees that is far lower than most states charge.

Even after several tuition increases in the late 1990s, by 2002-03, Florida still ranked 49th among the states on the amount charged to resident undergraduates at public universities. Only Nevada charged less than Florida. The national average for flagship resident undergraduate tuition and fees in 2002-03 was \$4,596; in Florida, it was \$2,691, 41% less than the national average (Washington State Tuition and Fee Report, January 2003, Washington Higher Education Coordinating Board). It should be noted that only six Florida universities were included in the survey, and the tuition and fees reflect the average of those universities. Additionally, for community colleges, Florida ranked 33rd among the states in the amount of fees charged to residents for college credit programs.

If Florida continues at this pace, it will continue to be at the bottom of the rankings. Because of the impact of the economic downturn on state budgets, some states are increasing tuition in double-digit percentages. For example, the State University of New York system proposed a 41% undergraduate increase this fall, while the governor proposed a 35% increase. Arizona's public university president proposed a 40% tuition increase. Massachusetts increased tuition by 24% at public four-year institutions and 25% at public two-year institutions. Florida must keep up with other states as they continue to increase tuition substantially to address budget shortfalls.

The importance of tuition and fees should not be downplayed. Tuition is a revenue stream that communicates product value. We believe that those who benefit the most (the students) should be paying a fair share. Higher education would still be a good buy at a much higher tuition rate. For those students unable to pay for their education, we should have a vastly improved need-based aid program (see the section below).

Higher performing, high stature universities are important to Florida's economy, and that requires more money. In these times of reduced revenue expectations and vastly increased expenditure requirements, it becomes even more important for users of higher education, the students, to assume a fairer share of the cost of that education. It is time for Florida's tuition to increase to at least the national average.

We applaud Governor Bush's budget recommendation to increase tuition and fees at both state universities (7.5%) and community colleges (7%) during the 2003 legislative session, and to allow individual universities to have the option to further increase tuition 5%. However, to move Florida more quickly to the national tuition average, we recommend that universities be authorized to raise tuition another 7.5% for a total of 15% for resident undergraduate students.

Governor Bush proposes unlimited tuition flexibility for out-of-state, graduate, and professional degree students. We would go a step further and allow unlimited tuition flexibility at the local level for all in-state graduate and professional degree students, as well as out-of-state undergraduate, graduate, and professional degree students.

We are aware that this increase in tuition and fees will impact Florida's Prepaid Tuition Plan, the nation's largest, which has sold over 890,000 contracts since 1988. The plan, self-funded but ultimately backed by the state, provides a means for families to pay in advance for the cost of their children's future education. Contract prices are based on assumptions about the rate-of-return on investment portfolio and tuition increases. The actuarial assumptions for 2002 reflect annual university increases of 6.8% and annual community college increase of 6%. We support this plan that has enabled over 84,000 families since its inception to pay for their children's college education. We would not want to jeopardize such a beneficial program.

To accommodate the impact of higher tuition on existing prepaid plans, we propose that universities honor the existing prepaid contract amount as full tuition. Furthermore, for future plans, we propose that the state university system and the Prepaid Tuition Plan negotiate an increased percentage annual increase that the plan can accommodate, and that the universities then agree to honor that amount as full tuition indefinitely.

We believe these proposals enable the Prepaid Plan to continue to operate successfully, allow universities to have the legislative authority to increase tuition and fees so that Florida's education tuition is comparable to other states, and lead to increased stature for our universities.

Financial Aid—Bright Futures Scholarships and Need-Based Aid

Florida established the lottery-funded Bright Futures Scholarship in 1997 to, ideally, encourage high-performing students from leaving the state for higher education. The amount of the scholarship is linked directly to tuition and required fees, as indicated in the table below.

<i>Academic Scholars Award</i> --3.5 GPA and above; SAT scores of at least 1270	100% of tuition and fees covered
<i>Medallion Scholars Award</i> --3.0 GPA and 970 SAT score	75% of tuition and fees covered
<i>Gold Seal Vocational Scholars Award</i> --3.0 GPA on 15 credits required for HS diploma OR --3.5 or better unweighted GPA in minimum of 3 credits from same vocational program --Minimum scores on each subsection of the SAT, ACT or FL College Entry-Level Placement Test	75% of tuition and fees covered

Providing the scholarship to over 100,000 students in 2001-02, Bright Futures has had a tremendous impact on the lives of many students in Florida.

One would hope that state aid, in addition to recognizing academic merit, would also acknowledge financial need. However, many of the resident financial aid recipients who receive the Bright Futures scholarships were not in financial need in 2000-01, as indicated below.

Students <i>with</i> Bright Futures Scholarship (N=63,085)	71% did not need financial assistance	29% needed financial assistance
Students <i>without</i> Bright Futures Scholarship (N=60,299)	22% did not need financial assistance	78% needed financial assistance

Source: CEPRI

Nationally, Florida grants far less need-based aid to undergraduates compared to other states, and is among only eight states that funds non-need-based aid at a higher level than need-based aid. The national average for the proportion of total undergraduate state aid based on need is 78.6%; Florida's proportion is 24%. This is too sharp a discrepancy to ignore, and is a blemish on the great state of Florida.

Furthermore, the *2002 State-by-State Report Card for Higher Education Report*, published by the National Center for Public Policy and Higher Education, gave Florida a **D-** in affordability for several reasons:

- ? Florida families pay a higher percentage of family income for college expenses after financial aid

- ? Florida lags the nation in state need-based grant aid as a percent of federal Pell Grant aid
- ? Florida's poorest families pay a greater share of family income for tuition at lowest priced colleges
- ? Florida's investment in need-based aid is very low
- ? Florida students borrow more

Additionally, the increasing cost of education impacts the poorest families the most. According to a report published by the National Center for Public Policy and Higher Education in 2002, *Losing Ground*, tuition increases have eroded affordability for families across the United States. The poorest families are impacted the most as college costs consumes 25% of their income, an increase of 12% since 1980.

In the United States, the average estimated need-based state grant dollars to undergraduates, per FTE enrollment, in 1999-2000 was \$430.96; in Florida it was \$153.81. The College Board, a national non-profit association composed of schools, universities, colleges and other educational organizations, recently released its recommendations for making higher education more equitable and efficient. They argue that states should ensure that growth in merit programs is not at the expense of need-based funding. Providing need-based aid to students is more important than ever.

Much money is being spent in Florida on merit-based aid, where the financial need is not as great in many instances. In 2001-02, of the programs administered by the Office of Student Financial Assistance, \$81.2 million was disbursed to need-based programs, while \$174.9 million was disbursed to merit-based programs. We must not allow this out-of-balance trend to continue.

The Governor's budget attempts to rein in the costs of the Bright Futures program by providing a capped state subsidy to community colleges and state universities at the level of tuition for the 2002-03 school year. Community colleges or state universities that raise tuition or fees above the 2002-03 level will not be permitted to pass the increase along to Bright Futures recipients for the portion of tuition and fees the student has been awarded. Thus, the institution must use other sources for the difference, made all the more difficult by reduced state funding overall. Retaining the scholarship amount at the full cost of tuition by passing on the costs to the universities simply does not go far enough. Consequently, we propose significant reductions in the overall cost of the Bright Futures program.

As currently structured, the Bright Futures program cost, if unchanged, is forecast by the state university presidents to grow to half-a-billion dollars by 2010. We note here that the average Florida SAT score is 995 and the national average score is 1025. Today's Bright Futures program awards academic scholarships to students with SAT averages less than the Florida or national averages! As such, it does not reward excellence, nor does it ensure need-based aid.

The state university presidents have recently proposed some thoughtful and reasonable methods to reduce the Bright Futures cost by reining in the program costs while also increasing need-based aid. We join them in recommending a reduction in the number of

scholarship awards by increasing the academic eligibility for Bright Futures scholarships, i.e. increase the Academic Scholars Award SAT score from 1270 to 1330, the 95 percentile, and increase the Medallion Scholars Award from 970 to 1070, the 65 percentile. This will make Bright Futures truly scholarly, and result in significant program savings, which would be shifted to need-based aid. This would not jeopardize the ability of those low-income students who are no longer eligible to receive a Bright Future scholarship from obtaining a higher education degree. The amount of funds available for the scholarship would continue to grow based on the enrollment of scholarship recipients.

Additionally, we recommend that Florida's long-term goal should be to move towards the national average in the proportion of state aid that is granted to students based on need, rather than merit. In order for this to occur over time, the legislature must consider disconnecting the scholarship amount and the tuition amount to assure the financial viability of the program for the future.

In the final analysis, the primary goal of aid programs should be to provide additional need-based aid to Florida's neediest students so they have the same opportunity as those students who are less in need of financial assistance. We at the Council of 100 believe that all Floridians should have equal access to a college education regardless of their economic circumstances. Increasing need-based aid would help make that happen.

Florida Resident Access Grant (FRAG)

The Florida Resident Access Grant (FRAG) is a non-need-based program that provides tuition assistance to Florida's undergraduates who attend independent, nonprofit, SACS - accredited institutions in Florida. In the Business/Higher Education Partnership 1996 report, *The Emerging Catastrophe and How to Prevent It*, we recommended increasing the resident access grant for Florida students in the state's accredited independent colleges to 40% of the full cost to the state of supporting a student at the universities in an attempt to slow growth at public universities. This would have more than doubled the grant to about \$3,000 a student.

In the current 2002-03 academic year, this grant provided assistance (\$2,686 per award) to over 30,000 students, as indicated in the table below, which depicts the grant's funding history since 1997.

Year	Students	Award	Expenditures
1997-98	20,403	\$1,374	\$28 million
1998-99	21,657	\$1,790	\$38.7 million
1999-00	23,787	\$2,074	\$47.6 million
2000-01	26,301	\$2,355	\$70.6 million
2001-02	27,454	\$2,575	\$70.8 million
2002-03	30,115	\$2,686	\$79.9 million
2003-04 (proposed)	32,660 (estimated)	\$2,444 (estimated)	\$79.9 million

Source: *Tuition, Fees and Student Financial Aid, Presentation to the Higher Education Funding Advisory Council*, April 2002; *Maximizing Your Independent Higher Education Return-on-Investment*, Independent Colleges & Universities of Florida, 2/18/03

The Governor's budget for 2003-04 proposes \$79.9 million for FRAG, the same as the current 2002-03 year, which would have a significant impact on the projected growth for 2003-04. It is estimated that the number of FRAG students will be 32,660, a projected growth of 2,545 students. Additional funding needed to accommodate these additional students is \$6.75 million, in order to maintain the award amount at \$2,686. Obviously the Governor's proposed FRAG budget would fall short of the projected growth.

Matching Gifts Program

A matching gift program is an excellent way for state universities and community colleges to receive funding, particularly during a time of severe budget cuts and restraints. Authorized by the state, the state matches contributions made by a corporation or individual. The Florida legislature created three matching gifts programs for universities in 1994: the Eminent Scholars Program and the Major Gifts Program (combined into the Trust Fund for Major Gifts), and the Facilities Enhancement Challenge Grant.

The table below depicts the amount of private donations received through the three programs since their inception.

Private Donations	Amount of Funds Unmatched
Universities: \$894.5 million	\$212 million
Community Colleges: \$337.5 million	\$61 million
Total: \$1.2 billion	Total: \$273 million

Source: CEPRI

According to CEPRI, which conducted a cost/benefit analysis of these programs in 2001, there are significant benefits:

- ? Public-private partnerships to supplement state allocations
- ? Providing access through scholarships
- ? Ensuring sufficient facilities to meet the current demands of instructional and research programs
- ? Attracting top scholars who bring contract and grant revenue and research opportunities that benefit Florida's economy and citizens

Unfortunately, these programs have not been fully matched by the state. Universities and community colleges have a combined "unmet need" of \$273 million. Not only does the shortfall exist, it makes recruitment of additional potential matching funds more difficult.

The Governor's budget, however, for 2003-04 recommends only \$108.4 million. In a resource short environment, these private donations are an excellent source of additional revenue for universities and community colleges to raise funds that are currently not available. We would encourage the Governor and the legislature to reconsider this important program as a means for universities and community colleges to leverage scarce funds for programs and projects meeting priority needs.

Summary of Recommendations

1. Universities should be authorized to raise tuition another 7.5% beyond the across-the-board 7.5% recommended in the Governor's budget, for a total of 15% for resident undergraduate students, to move Florida's tuition rates closer to the national average.
2. Universities should have unlimited tuition flexibility at the local level for all in-state graduate and professional degree students, as well as out-of-state undergraduate, graduate, and professional degree students.
3. Universities should honor the existing Prepaid Tuition Plan contract amount as full tuition for existing plans.
4. The university system and the Prepaid Tuition Plan should negotiate an increased percentage annual increase that the plan can accommodate, and universities then agree to honor that amount as full tuition indefinitely.
5. Reduce the cost of the Bright Future scholarship program by increasing the academic eligibility for Bright Futures scholarships, i.e. increase the Academic Scholars Award SAT score from 1270 to 1330, the 95 percentile, and increase the Medallion Scholars Award from 970 to 1070, the 65 percentile.
6. Use available savings from the reduction of Bright Future scholarships to establish a credible need-based aid program, at a lower SAT requirement, for Florida's neediest students.
7. Fund the FRAG program at the highest level feasible.
8. Fully fund the matching gifts program as a means for universities and community colleges to leverage scarce funds for programs and projects meeting priority needs.

Higher Education Funding Task Force Membership

The Florida Council of 100, formed in 1961, is comprised of 100 of Florida's top business leaders. The Council of 100 is a private, nonprofit, nonpartisan organization that exists to promote the economic growth of Florida and to improve the economic well-being and quality of life of its citizenry. In concert with ex-officio members, such as non-elected state government officials and university presidents, the Council of 100 works to provide nonpartisan solutions to quality of life issues, such as education, transportation and government efficiency. The Council of 100 was the first of its kind in the United States and works in close harmony with the Governor, the Chief Justice, the Legislature, as well as with private organizations, to achieve quality of life improvements for the citizens of Florida.

The Higher Education Funding Task Force, chaired by Joe Lacher, President -Florida, BellSouth Telecommunications, Inc, consists of the following Council of 100 members:

Carlos Alfonso	Founding Principal & CEO, Alfonso Architects
Joe Arriola	Chairman, Intel Direct
David Armstrong	Chancellor, Community College System
Duby Ausley	Chairman, Ausley & McMullen
Dick Beard	President, RA Beard Company
Philip Blumberg	President & CEO, American Ventures
Chuck Cobb	Managing Partner, Cobb Partners
Marshall Criser	Ret. Partner, McGuire Woods LLP
John Dasburg	President & CEO, Burger King
O'Neal Douglas	Ret. Chairman, Am Heritage Life
Charlie Edwards	President & CEO, Smoot Adams
Ray Ferrero	President, Nova Southeastern University
Tad Foote	Chancellor, University of Miami
Judy Genshaft	President, University of South Florida
Steve Halverson	President & CEO, The Haskell Company
Joe Heel	Managing Principal, McKinsey & Company, Inc.
John Hitt	President, University of Central Florida
Sherrill Hudson	Partner, Ferrell Schultz
Burke Kibler	Chairman, Emeritus, Holland & Knight
Bob Moss	President & CEO, Centex Construction Group
Dick Nunis	Ret Chairman, Disney Attractions
Jim Rippe	Founder and Director, Rippe Lifestyle Institute
Donna Shalala	President, University of Miami
Gus Stavros	Ret. Chairman, Better Business Forms
Bobby Stein	Chairman & CEO, Chartwell Capital Management Co.
Stan Tate	Principal, Stanley Tate Enterprises
Bob Taylor	Chairman, Mariner Group
John Temple	President & CEO, Temple Development Co.
Stella Thayer	President, Tampa Bay Downs
Ron Vaughn	President, University of Tampa