

Higher Education in Florida

# THE EMERGING CATASTROPHE

And  
How to  
Prevent It



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Higher Education  
Partnership

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# A Vision for Higher Education in Florida

Dear Floridian:

In the fall of 1994, Dr. Jack Critchfield, the chairman of Florida Progress Corporation and the former president of Rollins College, turned the chairmanship of the Florida Council of 100 over to Dick Nunis, the chairman of Walt Disney Attractions. They both agreed that one of the Florida Council of 100's highest priorities for 1995-1996 was to develop a strategic plan for higher education in Florida and to prepare this plan in partnership with the State University System, the Community College System, and the Independent Colleges and Universities of Florida. Thus, the Business/Higher Education Partnership was formed with 24 directors—12 private sector CEOs from the Florida Council of 100 and 12 university and college presidents and chancellors. The 24 directors of the Business/Higher Education Partnership have been meeting frequently during the last 12 months to produce this vision of higher education in Florida.

The first conclusion of the Business/Higher Education Partnership is that Florida has an excellent structure for higher education. In our judgment, the form of governance and organization for Florida's 10 state universities, 28 community colleges, and 23 accredited private universities and colleges has provided Florida with a superb system. In addition, we believe a structure that encourages most students to spend their first two years of higher education in a community college and then transfer to one of the universities is cost-effective for Florida taxpayers and provides for the greatest access to higher education for Florida's residents. Coordination between the state universities, the community colleges, and the private universities and colleges is a continuing challenge and should be improved. However, we are not recommending any dramatic changes in the organization and governance of our university system.

Our greatest concern is that Florida's higher education system, which has cost the Florida taxpayers many billions of dollars to build, is now being underfunded at a critical time in our state's history. The share of the state's general revenues going to the state universities has fallen from a high of 13% several years ago to 7.5%; similarly, the share to community colleges has gone from 5% to 3.6%. At the same time, Florida's policy-makers have decided to spend additional state resources on crime prevention and prisons while the voters have instituted taxing caps. Even though this is a difficult financial time for Florida, these percentage allocations to higher education must not go any lower.

## ■ Letter from the Chairman

Greater financial pressures are to come. The number of Florida high school graduates should increase to 138,500 a year by 2007-08 from the 1995-96 level of just under 91,500 graduates each year. Assuming that 40% of this increase of 47,000 graduates seek higher education (about 18,800 each year), 75,000 more students (18,800 x 4 years of college for each student) will seek a place in our colleges and universities by 2008. More conservative ways of calculating the enrollment increase put it at 50,000 to 60,000.

What will give in this crunch? Quality and access. In California where 2,500 full-time faculty have been “early retired,” enrollment is down by 200,000, and the promise of an open door to qualified applicants rescinded.

As bad as this scenario would be for individuals, it would be a disaster for Florida’s economy. Florida cannot prosper in the 21st century and be internationally competitive without a stream of well-trained graduates. Florida needs the businesses and high-paying jobs that spin off from top research universities. Consider, for instance, such centers of high-tech innovation as Silicon Valley south of San Francisco or Route 128 near Boston or Research Triangle Park in North Carolina. All these productive research clusters were university-driven. Florida has sampled such benefits in the growth of the university-assisted laser industry near Orlando, in the super computer and National High Magnetic Field Laboratory that Florida State University and University of Florida drew to Tallahassee and in the dollars that academic health centers (and spinoff drug and medical technology companies) and international trade centers bring to Tampa Bay, Gainesville and Miami.

Let’s be clear about the cost of inaction or of continuing the flat-funding trend of recent years. It would mean a loss of jobs for Floridians. It would mean a loss of access to higher education opportunity here for our children and grandchildren as they come of college age. It would compromise quality in a system that 10 years ago was at the threshold of excellence.

So, in addition to stopping the declining percentage of state resources going to higher education, we believe that there needs to be increased tuition and user fees—though we know this may not be popular with students, parents, and legislators. Some states (Virginia) support their excellent higher education system with high tuition and fees and low public subsidies. Others (North Carolina) have low tuition and high levels of state support. Florida is among four states that have both low tuition and low per capita state support. Florida ranks near the bottom among all states in both categories. Tuition at state universities needs to rise to 50% of the estimated instructional cost for undergraduates at state universities, from the current \$1,775 a year to about \$4,000. An annual tuition of about \$3,500 today and \$4,000 a year several years from now would be approximately the average tuition of state universities in other parts of the nation. In addition to being approximately 50% of the instructional cost, the \$4,000 tuition would be about

## A Vision for Higher Education in Florida

one-third of the total cost of \$12,000 that the state of Florida spends on instruction, facilities, and other costs per student each year for providing higher education. Therefore, the state support would be about \$8,000 or two-thirds of the full costs of \$12,000.

There are three important qualifiers to this recommendation of increased tuition and fees: (1) a substantial part of the added revenue should be converted into scholarships; (2) the state should continue to spend 7.5% of Florida's general revenue on the university system; and (3) the impact of higher tuition on Florida's Prepaid Tuition Plan (the nation's largest with more than 300,000 contracts in force) must be considered. The plan is self-funding but ultimately backed by the state. It guarantees free tuition at state schools to families contributing a fixed yearly payment. It was started in the happier days of the mid-1980s when the tradition of low tuition was not under pressure. Higher tuition will make future contracts more expensive and could even hurt the plan's actuarial soundness. But that is not a reason for tuition to remain far below true costs.

Two other sources of funding have been healthy areas of growth in recent years. Private gifts to state universities have risen from \$89 million in 1988-89 to \$189 million this year. Federal and corporate-sponsored research grants now amount to \$750 million a year. While increased grants for research from the federal government will be difficult, private research opportunities are abundant. For example, Florida's grant-making foundations have increased in size during the last 10 years by sixfold and now have about \$8 billion of resources. Both of these sources of financing should be encouraged to continue to increase.

In meeting the challenge posed by the coming tidal wave of students, Florida has an ace up its sleeve—its 23 accredited private universities and colleges. Increasing grants for residents to attend independent colleges and developing more contracts with these schools for specific programs will be a cost-efficient way to serve some of the added demand. In 1979, Florida began providing a \$750 "resident access grant" to Floridians who enrolled in one of these schools. But 16 years later, that amount has risen only to \$1,200, making it less relevant in today's financing picture. The Legislature has passed but largely not funded, additional need-based aid to independent colleges. We believe that the resident access grant should be more than doubled to about \$3,000 per Florida resident so that the independents pick up a bigger share of the coming wave of Florida high school graduates. This \$3,000 grant to Florida residents would be much less than the approximately \$8,000 per student that we recommend the state subsidize in the university system. Also, we applaud the state for increasing the number of contracts with the private universities and colleges as this is a cost-efficient way for Florida taxpayers to provide certain in-demand degree programs without building new costly university facilities.

Our community colleges are among the biggest and strongest in the United States, but they cannot fulfill their mission without up-to-date technology and instructors.

## ■ Letter from the Chairman

Community colleges play a critical role in training workers for prized high-wage jobs. Whether it's teaching biomedicine or computer programming, success requires faculty and equipment that are cutting edge—an expensive and difficult challenge in an era of tight funding. Community college presidents and the system's administrators feel that year by year they are losing the means to meet the challenge.

The directors of the Business/Higher Education Partnership believe that the universities and colleges in Florida can be more productive and efficient. We believe that a higher percentage of the students should graduate within four years (only 24% of those who start at the universities graduate within four years and 46% graduate within five years). While this low graduation rate is partly explained by how many students work while pursuing their higher education, the system also makes it very difficult for full-time students to graduate within four years.

Professors should teach more, duplicative schools and programs should be minimized, and the tradition of tenure should be continually challenged. The business members of the Partnership were particularly critical of the concept of tenure protecting those professors who have lost their productivity or whose specialization is no longer current. We applaud the Board of Regents' challenge on tenure and their new processes for post-tenure review. We also applaud the experiment at Florida Gulf Coast University near Ft. Myers, which will open as the state's tenth university in 1997, where multi-year contracts will replace tenure.

We believe that there needs to be more decentralization of decision-making within the university system. We believe that university presidents and deans need to be given the chance to be entrepreneurial in managing their education businesses. Presidents should be given the authority to raise tuition and then spend those funds within their university. They should be given the opportunity to cut expenses and spend that money within their institutions. They should be given the opportunity to create additional revenues from research and development and from the selling of services and be able to also use this money in their universities.

This decentralization of decision-making, combined with deregulation, will enable our universities and parts of the university system to effectively operate as private organizations. We are very impressed with what has happened at Shands Hospital at the University of Florida. Even though this hospital is part of the university system, it has been allowed to "privatize" and operate independent of the state's employee practices, purchasing regulations, and financial management rules. This deregulation and privatization has enabled Shands Hospital to be much more productive and efficient. We would like to expand on this model for other parts of the university system.

During the fall of 1995, Florida newspapers tried to create the impression that there was a

## A Vision for Higher Education in Florida

disagreement between Chancellor Charles Reed and University of Florida President John Lombardi on the above subject of decentralization of decision-making and the privatization of various units of the university system. However, both Charlie Reed and John Lombardi, as directors of the Business/Higher Education Partnership, have been strong supporters of our recommendation of more decentralization of decision-making and privatization. We are confident there is no fundamental difference between the two of them or other leaders within the university system on these issues.

We recognize that there are many legislators who are uncomfortable in giving the university presidents and deans more autonomy until the administrators at our universities do a better job of general management. We recognize that there needs to be “confidence-building” analogous to the step-by-step confirmation of trust necessary in disarmament. Still, the Business/Higher Education Partnership believes that we must strive to decentralize the decision-making apparatus as soon as possible.

I'd like to thank both the corporate and higher education leaders who provided invaluable help for this strategic plan and to also thank members of the Legislature, the Governor's office, the Commissioner of Education, the Board of Regents, trustees at the private universities and community colleges, and other leaders interested in higher education in Florida for their assistance. I particularly want to thank Rick Edmonds, the former publisher of Florida Trend, who has been the staff director of the Business/Higher Education Partnership and the primary author of this work.

I am very pleased that Stewart Turley, the chairman of Eckerd Corporation, has agreed to lead a group of our directors in marketing this strategic plan. Stew and his committee are developing an aggressive program for disseminating the vision and conclusions of this report to businesses and other opinion leaders throughout Florida. I am similarly delighted that Burke Kibler, the chairman of Holland & Knight, has agreed to head our legislative committee. His group will be meeting with leaders in the Florida Senate and the Florida House of Representatives regarding implementing a legislative agenda of our recommendations.

It is the hope of the Business/Higher Education Partnership that this report and our follow-through with Florida citizens and the Florida Legislature will help the state of Florida to get back on track towards developing one of the best higher education systems in the United States.



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



# Introduction

## ■ The History and Purposes of Higher Education in Florida

**W**e are here to make the case that higher education is a vital strategic asset for Florida. On a steady path of growth and improvement as recently as a decade ago, the system is now at risk of decline. For Florida, that would be a catastrophe. But it is a preventable one. With the right combination of money from several different sources and varied increases in efficiency and productivity, the system can be put back on path. Florida's economic vitality as the 21st century dawns hangs in the balance.

We will lay the case out, in roughly that order. But two points of preface may be useful in understanding how Florida got to where we are in higher education and the nature of the challenges we now face. Let's look briefly at history and our underlying purposes.

### ■ HISTORY

Higher education began in Florida with a pair of frontier seminaries founded in the 1850s — the forerunners of the University of Florida and Florida State. Later in the 19th century, they were joined by four private colleges — smaller versions of the current-day Florida Southern, Rollins, Stetson and St. Leo. Turn-of-the-century governors William Sherman Jennings and Napoleon Bonaparte Broward began to assemble a state university system.

From modest beginnings to the present — in which more than 500,000 Floridians pursue degrees — was a painstaking journey. It took a large cast of visionaries. People like Governor LeRoy Collins, who saw Florida's explosive growth into an urban business center and dreamed of higher education opportunities within driving distance of every citizen (a dream largely realized in our community college system).

Or Mary Bethune, the sharecropper's daughter, who got off a train in Daytona Beach with a trunkful of books, and launched the little school that grew into Bethune-Cookman College, one of several Florida institutions primarily serving African-Americans.

And the growth required an investment of billions of public and private dollars during the long post-war boom era. Florida opened public universities successively in the Tampa Bay, Palm Beach-Broward, Orlando, West Florida, Miami and Jacksonville areas. A tenth public university will open in 1997 near Fort Myers. And Florida's higher education resources have grown to include a system of 28 community colleges and 23 accredited independent colleges and universities.

Development of the system was not without occasional trouble and controversy. In the late 1950s and early 1960s, the state senate's Johns Committee conducted an extended hunt for "subversives" on university faculties, and there was an echo of that hostility to the campus during the Vietnam era. Though a Board of Control, predecessor to the Board of Regents, was formed in the early 1900s, there have been periodic moves to substitute some other governance structure. As recently as 1980, the legislature voted to establish individual boards of trustees for individual universities, a bill Governor Bob Graham vetoed, arguing the regents' continued control would best promote orderly growth and quality.

The point in this story is that generations of Florida leaders, citizens and philanthropists have found that it makes sense not just to fund higher education but to invest generously in its expansion and improvement.

## ■ PURPOSES

What is the fundamental interest of the State of Florida in higher education?

An answer: To add value to the quality of life of Floridians. (That is the mission, also, of the Florida Council of 100, the business group sponsoring this study.)

Our colleges and universities fulfill that mission in at least a half-dozen ways:

- By offering courses that lead to the earning of technical, associate, baccalaureate, advanced and professional degrees

### State University System

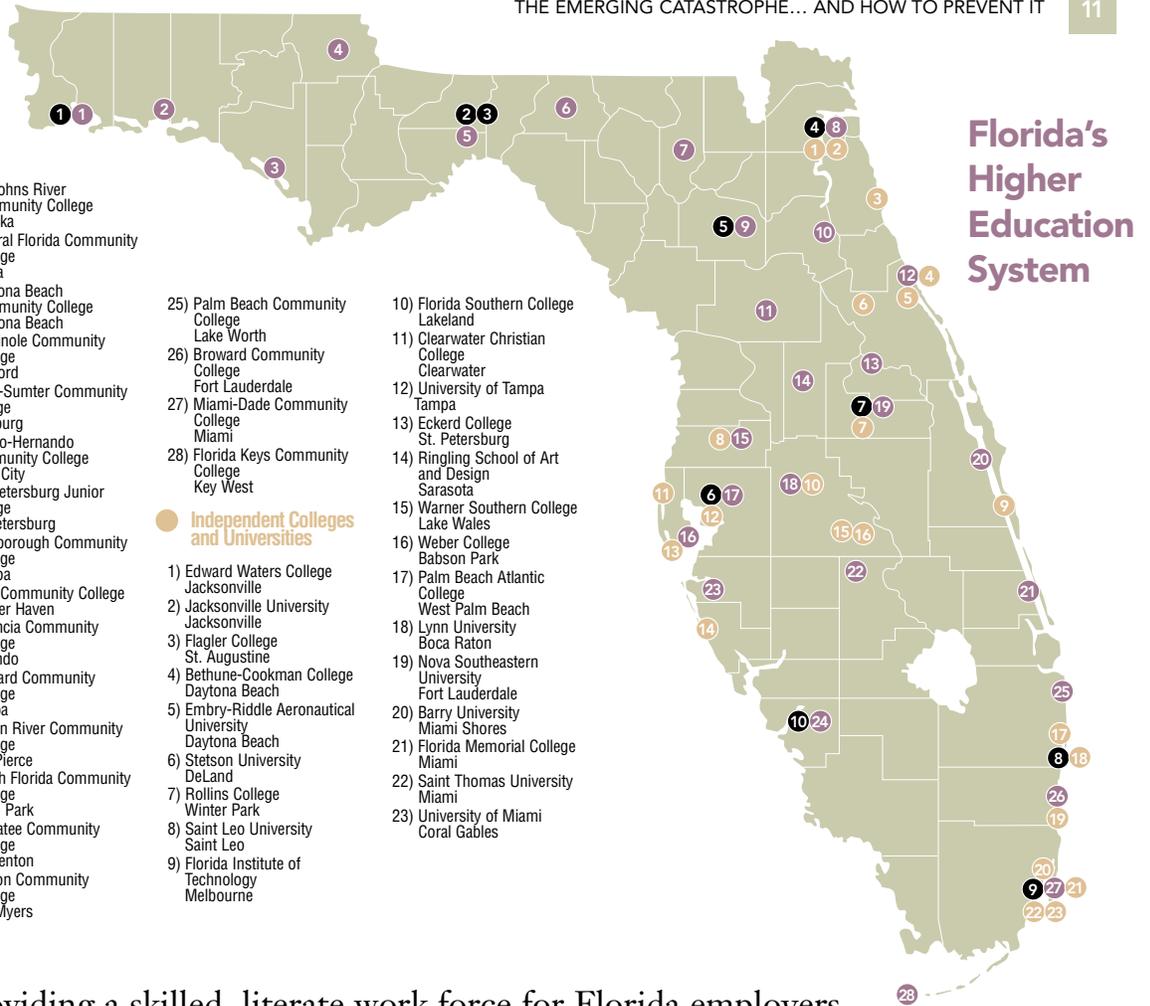
- 1) University of West Florida  
Pensacola
- 2) Florida A&M University  
Tallahassee
- 3) Florida State University  
Tallahassee
- 4) University of North Florida  
Jacksonville
- 5) University of Florida  
Gainesville
- 6) University of South Florida  
Tampa
- 7) University of Central Florida  
Orlando
- 8) Florida Atlantic University  
Boca Raton
- 9) Florida International University  
Miami
- 10) Florida Gulf Coast University  
Fort Myers

### Community Colleges

- 1) Pensacola Junior College  
Pensacola
- 2) Okaloosa-Walton Community College  
Niceville
- 3) Gulf Coast Community College  
Panama City
- 4) Chipola Community College  
Mariana
- 5) Tallahassee Community College  
Tallahassee
- 6) North Florida Junior College  
Madison
- 7) Lake City Community College  
Lake City
- 8) Florida Community College at Jacksonville  
Jacksonville
- 9) Santa Fe Community College  
Gainesville
- 10) St. Johns River Community College  
Palatka
- 11) Central Florida Community College  
Ocala
- 12) Daytona Beach Community College  
Daytona Beach
- 13) Seminole Community College  
Sanford
- 14) Lake-Sumter Community College  
Leesburg
- 15) Pasco-Hernando Community College  
Dade City
- 16) St. Petersburg Junior College  
St. Petersburg
- 17) Hillsborough Community College  
Tampa
- 18) Polk Community College  
Winter Haven
- 19) Valencia Community College  
Orlando
- 20) Brevard Community College  
Cocoa
- 21) Indian River Community College  
Fort Pierce
- 22) South Florida Community College  
Avon Park
- 23) Manatee Community College  
Bradenton
- 24) Edison Community College  
Fort Myers

### Independent Colleges and Universities

- 1) Edward Waters College  
Jacksonville
- 2) Jacksonville University  
Jacksonville
- 3) Flagler College  
St. Augustine
- 4) Bethune-Cookman College  
Daytona Beach
- 5) Embry-Riddle Aeronautical University  
Daytona Beach
- 6) Stetson University  
DeLand
- 7) Rollins College  
Winter Park
- 8) Saint Leo University  
Saint Leo
- 9) Florida Institute of Technology  
Melbourne
- 10) Florida Southern College  
Lakeland
- 11) Clearwater Christian College  
Clearwater
- 12) University of Tampa  
Tampa
- 13) Eckerd College  
St. Petersburg
- 14) Ringling School of Art and Design  
Sarasota
- 15) Warner Southern College  
Lake Wales
- 16) Weber College  
Babson Park
- 17) Palm Beach Atlantic College  
West Palm Beach
- 18) Lynn University  
Boca Raton
- 19) Nova Southeastern University  
Fort Lauderdale
- 20) Barry University  
Miami Shores
- 21) Florida Memorial College  
Miami
- 22) Saint Thomas University  
Miami
- 23) University of Miami  
Coral Gables



## Florida's Higher Education System

- By providing a skilled, literate work force for Florida employers
- By helping to solve critical state problems through basic and applied research, extension and public service
  - By increasing the earning power of Floridians, whose lifetime earnings rise with the attainment of degrees
  - By offering continuing education courses and supporting cultural and artistic enterprises
  - By helping foster informed and responsible citizenship

Some of these improvements are more susceptible to cost-benefit measurement than others. Even the ones not so quantifiable are important.

We wish to emphasize two critical purposes of our higher education system in the current business climate:

(1) It remains the avenue through which individuals can upgrade and update their skills and advance to better jobs. Maintaining that opportunity is a goal that resonates even for the 50 percent of Florida voters who are not themselves college graduates.

(2) The new knowledge and new businesses that spin off from research universities are crucial to Florida's continued economic success in the next century. ✦

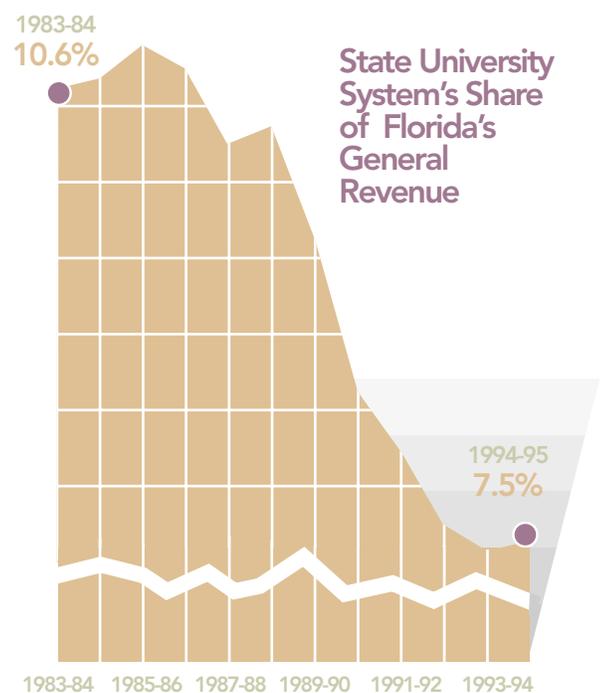


# The Emerging Catastrophe

## How the system grew and stalled out

**W**hen a group of business leaders and educators similar to ours studied Florida's higher education system a decade ago, their report was entitled "Pathways to Excellence." Their concern then was how Florida could move from being a good system to being among the very best. Florida's state universities were beginning to reach successfully into private fund-raising, recruiting dozens of "eminent scholars" each year to million-dollar endowed chairs. Federal and industry research grants were flowing freely. In the first years of the 1980s, state revenues rose with the population and economic booms, and higher education continued to get its share of a growing pie.

In mood, if not in time, that era now seems a long way away. Regular funding increases for our universities and community colleges began to stall out in 1989. But even after that recession passed, the slide continued. The state university system's share of the state's general revenue budget has fallen from a high of 13 percent in 1970-71 to about 7.5 percent. The community college share has fallen commensurately to under 4 percent. Both systems are getting by on an effective 30 percent less per student (adjusting for enrollment increases and inflation). University faculty salaries, which rose as high as 13th among the states, are back down to 42nd. Community college salaries are far below the national average. Most efforts to provide added support to Floridians enrolled in the state's independent colleges have gone



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

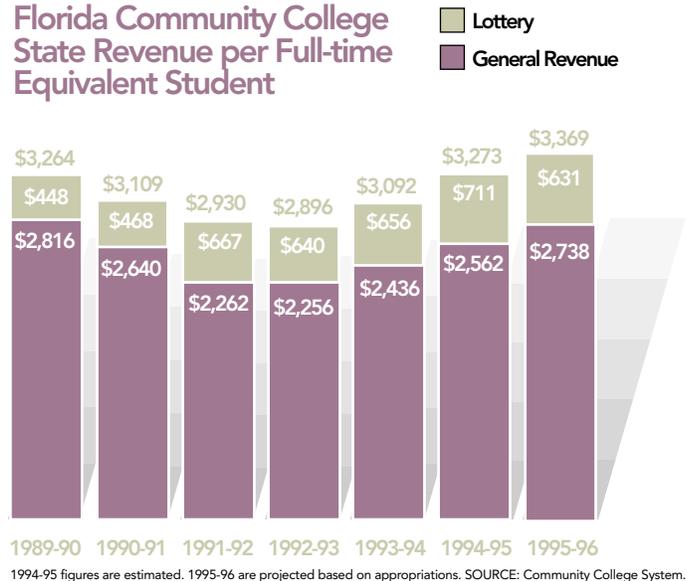
unfunded this decade.

Initially some of the funding slack was taken up with substitution of lottery money. But now lottery proceeds to the two systems are flattening as well. Each system gets a 20 percent share of PECO (Public Education Capital Outlay) funds, generated by a gross receipts tax on utilities, to pay for building projects. But after several years at \$200 million plus for each system, the allocation is projected to dip to under \$100 million for each of the remaining years of this decade. The state is nearly “bonded out” in this capital improvement fund.

The nineties have brought urgent competitors for scarce state revenues: continued growth of the K-12 system, federally mandated entitlement programs like Medicaid, a wave of concern over crime and public safety that has translated into longer prison terms and aggressive prison building. By any informed estimate, the next several fiscal years will be tight ones with big “structural deficits” for the legislature and governor to work around. And a constitutional revenue cap will make it difficult to catch up in better years.

All that said, Florida’s *de facto* disinvestment policy for higher education needs to stop. The share of revenues going to the universities and community colleges needs to stabilize now and increase later. A popular perception may be that in tough times these

### Florida Community College State Revenue per Full-time Equivalent Student



### A few facts on Florida’s higher education system:

- Some states with excellent systems (like Virginia) support a system with high tuition and low state subsidy; others (North Carolina) have a tradition of low tuition and high state appropriations. Florida is among a handful of states that does neither.
- By various measures we rank from the middle to near the last in public support of higher education among the states; we are 45th in tuition.
- Together, our public and private universities rank 45th in baccalaureate degrees produced per 18- to 44-year-old population. †

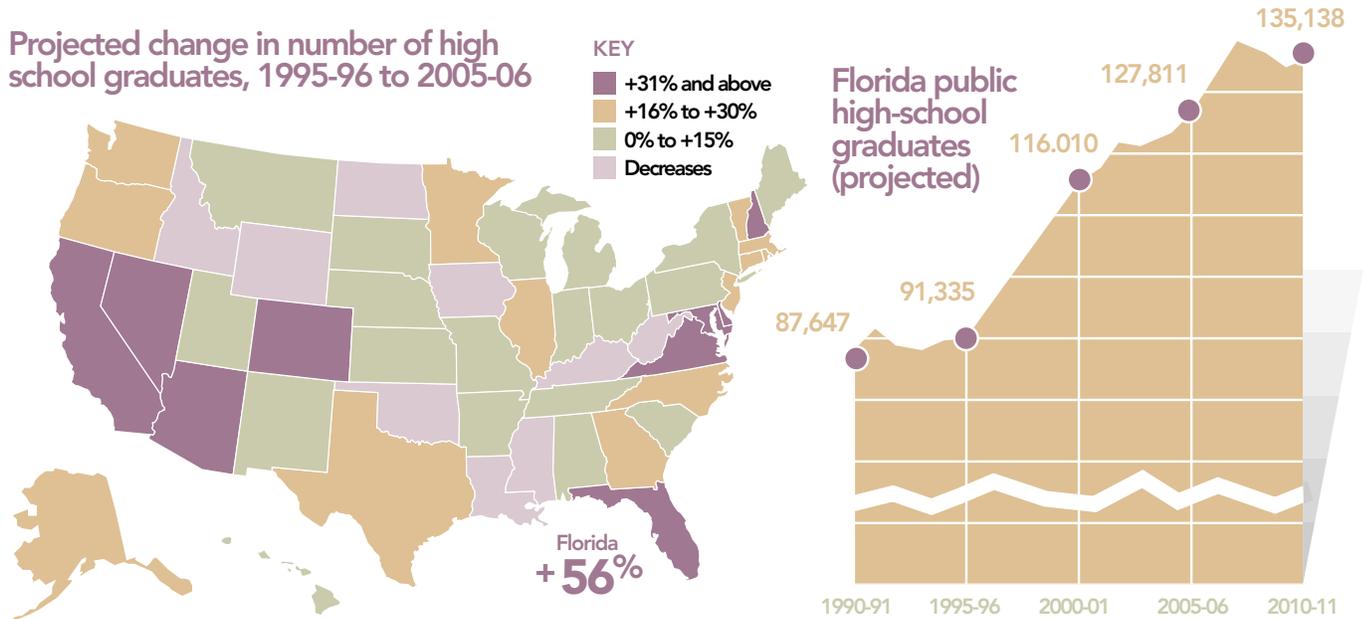
schools should “tighten their belts.” They should and they have, to the tune of 30 percent. And they stand ready to reach boldly for bigger gains in efficiency and productivity. But the system has been living on short rations for too long now. Quality and access are both threatened. Doubly so when you look at the challenges — and the sheer numbers of college-age students — coming in the years just ahead.

### The coming tidal wave of students

Each of the first five years of this decade, slightly under 90,000 students have graduated from Florida’s public high schools. About 40,000 of those seek to continue their education in the state’s universities, community colleges and independent institutions.

During the next 12 years the number of high-school graduates will swell gradually to a peak of just under 140,000. Tracked on a graph (see chart below), the growing number of graduates looks like a storm-force wave. Absent some careful preparation, the wave could have a devastating impact on our state’s already strained higher education system.

Unlike some predictions about the future, this one has an element of near certainty. As demographer Harold Hodgkinson likes to say, “little children grow up; you can count on it.” These are youngsters, the so-called “baby-boom echo” generation already in our schools (with a factor for expected population growth added). Florida



SOURCE: Western Interstate Commission for Higher Education.

SOURCE: Florida Department of Education.

will experience a particularly intense version of the wave for a variety of demographic reasons — sustained population growth, a shift over time to younger population, immigration of families with school-age children.

By one projection, the higher education system will have 75,000 more qualified students seeking to be served by the latter half of the next decade. Alternative ways of calculating the added enrollment put it at a more conservative 50,000 to 60,000. Either way it is a surge. And if (as one might expect and hope) more high-school graduates come out well-prepared for advanced work and a higher proportion seek advanced training to enhance their career prospects, the pressure on the system will be that much greater.

To repeat, what gives in this kind of crunch is access and quality. The pressure will be to slide off an open-door commitment to educate all qualified applicants. Or to shoehorn them in at the expense of quality as resources stretch thinner and thinner.

It is worth noting, finally, that no other Southern state, including Texas, faces a surge of high-school graduates of even half this dimension. The Chronicle of Higher Education reports in its September 1 statistical yearbook that Florida's number of high-school graduates will rise 56 percent over 10 years. Only Nevada has a greater percentage increase. And only California has a greater increase in absolute numbers. So there is a unique Florida twist to this problem — one that is ours and ours alone to solve.

## Quality and access at risk

**T**his report has already said several times that access to higher education in Florida and the quality of that education are both under seige. That may invite some basic questions. How so? What exactly is declining or about to decline?

Florida has long had an open door policy — any high school graduate may seek higher education. That doesn't mean that every high-school graduate can enroll in the most selective universities or even a given program of study. It does mean that any high school graduate may begin work toward a degree at a community college, even if doing that post-secondary work requires some remedial courses first. The community colleges will undertake to provide remedial help. And those who graduate from a com-

## California's Crash and Burn

California often experiences big state trends some years in advance of Florida. Should you doubt a higher education disaster is possible in Florida's future, look at California now. There 2,500 full-time faculty have been laid off or "early retired." Enrollment in that state's three public higher education systems is down 200,000. The open-door promise has been rescinded. And this is in the face of an anticipated tidal wave of high-school graduates much larger than Florida's — an estimated 400,000 to 500,000 increase in the next 15 years.

In early 1995, a business-supported study group like ours headlined its report on higher education in California "A State of Emergency." "A great system has toppled from its pedestal," the report concludes. "It has been painful to watch the demise of this part of the California dream." The state's higher education planning board recently published recommendations, among other things, on how to ration access to higher education if it must be restricted. †

One might logically forecast, however, that if more students flood into underfunded schools, class sizes will slide up and access to senior professors will become more difficult. Already there are some worrisome indicators. Since Florida competes in a national marketplace for academic talent, the slippage of faculty pay to the bottom 10 among the states should not be shrugged off. The universities probably still have forward momentum from the surge of faculty talent recruited during the expansive 1980s. But if the resources for going after top talent dry up and the balance tilts toward more top people leaving for better positions elsewhere, that spells a quick, though barely visible, decline.

Another indicator: libraries, never a strength of the Florida universities and col-

munity college with a two-year associate degree may advance to complete a baccalaureate at one of the ten state universities.

To reverse this pattern and rescind this commitment would be harsh for the coming generation of high school graduates and for other Floridians trying to better their lot through education. For this is a time, as is obvious to everyone, where more of the good job opportunities require some advanced training or a lot of advanced training. And if restrictions on access creep in, it is almost bound to be the economically vulnerable who get squeezed out first.

But the alternative for colleges and universities — spreading stagnant resources over a fast-expanding body of students — is a formula for diluting quality.

Quality in higher education is not always susceptible to hard measures.

leges, are bordering on second-rate. A recent survey shows that Florida's top research libraries spend 40 percent less per student on library material than comparable southeastern universities.

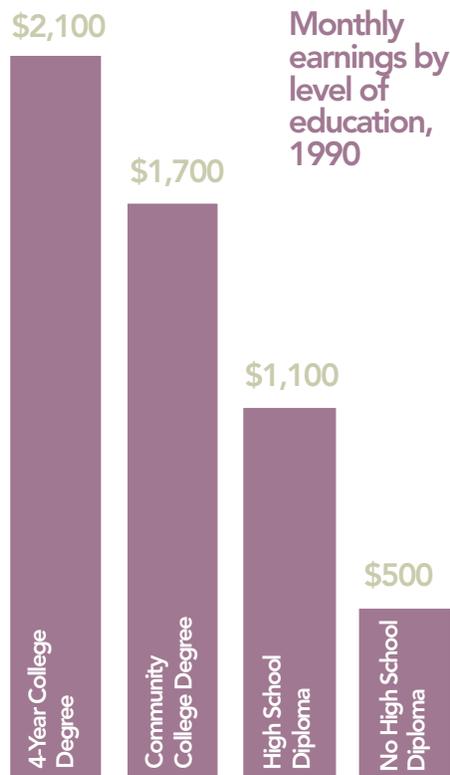
An example from the community college system may further define how subtly quality can slide. Since the tight budget years began in the late 1980s, the system has steadily been replacing departing full-time faculty with part-time adjuncts. It's a dollar stretcher. A full-time faculty post may cost \$35,000; a full-time adjunct \$15,000, an adjunct teaching only a partial load less than that. The *Pensacola News-Journal* highlighted the trend earlier this year profiling a young man who taught four sections of freshman English for \$7,500 a year — and put food on his table by tending bar full time at nights.

Is this where higher education is headed? Your son or daughter being taught freshman English by a moonlighting bartender? Actually, that may be an unusual case and it is not the competence of the adjuncts as instructors that is at issue, the system's administrators say. A sprinkling of adjuncts, especially in professional and technical fields, can be an asset. But the adjuncts generally teach their classes and leave, not participating in counseling or informal interaction with students — just the sort of thing a community college student body needs more of, not less. At some of the 28 community colleges, the share of instruction provided by adjuncts is now bumping 40 percent.

## The peril to our economy's future

“In the 1990s and beyond, Florida can be a leadership economy that helps set the pace for the rest of the nation.” So wrote researchers from Stanford University-based SRI International in the Cornerstone Report on our state's economic prospects published by the Florida Chamber in 1989. This dispassionate, expert study added a quick qualifier, however. Florida will flourish, the SRI researchers wrote, only “if there is a commitment by the state leaders to build stronger economic resources in high-quality human resources (and) accessibility of technology...” The report concludes that Florida's past strength as “a low-cost competitor” will not suffice in the future. Growth in the future will mean targeting knowledge-based clusters like the biomedical, space and information industries along with value-added agriculture, SRI concluded.

What was evident to the SRI analysts is also obvious to our group of business



SOURCE: Southern Regional Education Board

and higher education chief executives: Florida must have a strong higher education system if it is to prosper in the 21st century. This is what makes the current crunch an emerging catastrophe. Not just for individual students or college applicants, but for the state as well. How can we pursue a vision of Florida's future while disinvesting in educational opportunity and educational institutions? We can't. It won't work. The outcome of such a reckless course would be countless lost job opportunities for Floridians in the first years of the new century.

In researching this point, we have found abundant studies that link attainment of higher education degrees to higher lifetime earnings for individuals.

One study estimates the individual's lifetime rate of return on an investment in an undergraduate degree at 12 to 13 percent a year. Earnings steadily increase with advanced education, according to another study, with baccalaureates typically making four times as much as high-school dropouts. In Florida, community college graduates in certain high-demand technical fields begin at an even higher starting salary than the average for four-year graduates.

The relationship between higher education and a city's or state's economic growth is less susceptible to study and hard measurement. But it is equally clear. An educated work force, strong colleges and universities, and linkages to advanced research and technology appear on any list of what businesses are looking for these days as they locate. Recent economic history provides numerous examples of high-tech innovation and synergy such as Silicon Valley south of San Francisco, Route 128 near Boston or Research Triangle Park in North Carolina. All these productive research clusters were university driven.

Florida has sampled such benefits in the growth of the university-assisted laser industry near Orlando, in the super computer and National High Magnetic Field Laboratory that Florida State University and the University of Florida drew to Tallahassee and in the dollars that academic health centers (and spinoff drug and medical technology companies) bring Tampa Bay, Gainesville and Miami. And we have

sampled the flip side too many times — losing businesses and opportunities because our advanced research infrastructure was not quite competitive with some other state's. A prominent case in point: the move a decade ago of IBM's PC division from Boca Raton, where the machines were first developed, to the more supportive surroundings of Research Triangle Park in North Carolina and Austin, Texas.

Our assessment does not envision a withering away of tourism, real estate, service and retail as sectors of the Florida economy. They will still be a big part of our economic picture in the 21st century, still generating jobs, many of which will not require an advanced degree.

But it is the worst kind of wishful thinking to act as if this “old Florida” economic base will provide the momentum for growth and future prosperity. Dick Nunis, chairman of Walt Disney Attractions and current chairman of the Florida Council of 100, put it well at one of our early meetings. “Tourism has carried Florida's economy a long way,” Nunis said, “but we're going to need something else new as well — a high-technology economic base — in the 21st century.” ✦

## How universities make a difference

There is a growing body of studies on the economic impact of colleges and universities:

■ The Center for Economic Management and Research at the University of South Florida last May gave as a conservative estimate of the university's direct economic impact on the Tampa Bay area \$1.1 billion a year. That is the equivalent of hosting eight super bowls.

■ A University of Florida study in progress estimates that the state's \$1.25 billion investment in the State University System generates \$6 billion a year in economic activity.

■ The USF research also cited a half-dozen recent studies that put a well-educated workforce and access to university research facilities at the top of the list of factors technology companies consider when choosing where to locate.

■ In December, the *Tampa Tribune* reported that a study by Ernst and Young, commissioned by the Chamber of Commerce, ranked the Tampa Bay area last among 25 comparable metro centers in percentage of adult residents with a baccalaureate degree. That is a significant impediment to industry recruitment, the report suggested. ✦

# Solutions I

## Money

### Stabilize state funding

Unconveniently, given the temper of the times, we conclude that setting higher education in Florida back on the right path is going to take more money. Not just more money, and not necessarily new taxes or higher taxes. But even in tough fiscal circumstances we ought to be able to resolve to stop raiding a basic investment in higher education to pay for everything else.

So our recommendation vis-a-vis state funding is this: A compact, preferably in legislation, that higher education's share of the state budget will not fall below current, historically low levels (that is 7.5 percent for the university system and 3.6 percent for the community colleges) over the next 10 years.

This formulation reflects several of our findings. While higher education needs more money, fortunately that money is available from several different sources — not just tax dollars. In fact, for the next several years, the biggest share of growth should probably come from raising tuition (as discussed in detail in the next section of this report).

Our education partners are committed to gains in efficiency and productivity, to get the job done for less. These go beyond the nicks and cuts of budget trims to some fundamental redefinitions of work in the academy and measures of productivity. And we believe a phased-in form of privatization for state universities will save money and free chief executives of the individual schools to pursue new revenue opportunities. We find the higher education system well-started on these kinds of changes and committed to pursuing more of them.

The formulation of the compact envisions a state commitment to getting the job done for less in other competing priorities too — public safety and criminal justice,

Medicaid, K-12 schooling, social services.

We refrain in this report from defining a higher education problem with a given “price tag” to fix. We would hope that the foregoing defines the scope and urgency of the challenge. And we hope the following sections will suggest that significant money is available from several different sources and big gains in efficiency and productivity are possible from several different initiatives. We therefore recommend this as a strategy for stabilizing and improving higher education to the Governor and Florida legislators and to Floridians generally.

A thorough analysis of Florida’s tax structure and recommendations for its reform is properly a huge piece of work for some other study group. No doubt it will happen sometime in the next several years. But absent that, we offer a couple of thoughts on where additional state money is likely to come from. Any tax review will quickly come to consider Florida’s eccentric roster of exemptions to the sales tax and other state taxes. Some studies indicate that the fastest-growing sectors of the economy are among those exempted, putting an increasing burden on a stagnant tax base. So there is reason to think broader taxes may be more palatable than raising existing taxes.

Similarly, we see the possibility that emerging lines of business may in time logically be subject to existing or new taxes. For instance, as cable television expands and delivers a wider range of services, should it be taxed as a utility? Or perhaps some small tax on information businesses could be dedicated to initial investments in technology and “distance learning” with great potential for efficiency in delivering educational services in the future. Or perhaps lottery money could be rededicated to true educational enhancements.

Such adjustments in the tax structure, should they be made over the next decade, would be consistent with the spirit of the compact — higher education continues to get at least a fair share of total state spending.

#### Action Recommendation One

- **Guarantee that higher education’s share of state funding not fall below the current historically low levels of 7.5 percent for the universities and 3.6 percent for the community colleges. Reinvest in improving the system as additional revenues become available.**

## Increase tuition

Low tuition for public universities and community colleges has been a tradition not just in Florida but across the United States. It certainly promotes broad access to higher education opportunities. It worked well in an era when state revenues were flowing smoothly to pay for operations and expansion of the schools. It remains a politically popular “benefit” to students and their families.

But we reluctantly conclude that in current circumstances, tuition as low as Florida’s has become an anachronism. We can no longer afford the bargain of charging students a small fraction of the true cost of instruction and a fee far lower than most states charge.

Accordingly we recommend that tuition in the state university system rise gradually over the next 10 years to 50 percent of the cost of instruction. That would mean going from the current \$1,775 a year to about \$3,500 a year in current dollars or \$4,000 given inflation. Individual universities should have discretion to set tuitions that they judge appropriate to their markets.

Community colleges have a lower cost of instruction, draw from a less affluent and mobile base of students and have been concerned about the impact of significantly increasing tuition and fees. Nonetheless we think community college tuitions in Florida also should rise some — to 25 percent of instructional costs or about \$1,300 a year.

This shift strikes us as fair for several reasons. Those who benefit the most (the students) should be paying a fair share. Higher education would still be a fair buy at the higher rates — some students are now paying more for their car insurance than tuition and fees. Finally the subsidy of tuition far below market goes to many families who could comfortably afford to pay more; if anything these families are a higher proportion of the university system population than they are of the tax-paying public. Also the families of students in the public system now have a higher average income than the families of Florida students in the state’s independent colleges.

A recommendation of higher tuition requires three important qualifiers. First, a substantial part of the additional revenue should be converted into need-based scholar-

ships. Otherwise the effect would be to restrict access to lower and middle-income families. Second, the state must avoid another Florida Lottery shell game in which the legislature reduces general revenue funding to match increases. (The stable share of state funding compact would insure that.)

Finally, we are aware of the likely impact of higher tuition on Florida's Prepaid Tuition Plan, the nation's largest with 300,000 contracts in force. The plan, self-funding but ultimately backed by the state, guarantees free tuition at state schools to families contributing a fixed yearly payment. The plan encourages families to save for their children's higher education, which they might otherwise not do, and encourages youngsters to get through high school successfully with the promise of their higher education largely prepaid.

The prepaid tuition plan was started in the happier days of the 1980s when the tradition of low tuition was not under pressure. Higher tuition will undoubtedly make future contracts more expensive. Worst case, it could affect the actuarial soundness of the plan and trigger state contributions to honor existing contracts. But that is not a reason for tuition to remain far below true cost.

And let's be clear about the impact. We are calling for increases of 10 percent or less a year. (The prepaid plan anticipates 7 1/2 percent annual increases, which have not occurred most years lately.) Also with adequate needs-based scholarship backing, the burden will mainly fall on well-to-do families, not on those of lower and middle income.

These changes have the potential to generate \$350 million or more a year for the two systems, less the money that goes back to additional scholarships and any assistance needed for the Prepaid Tuition Plan. In a way Florida is fortunate. Some other southern states like Virginia and Louisiana, with similar concerns about the future of their higher educa-

#### Action Recommendation Two

- Allow tuition to rise over the next 10 years to 50 percent of the instructional cost at universities and 33 percent at community colleges. This would result in tuition of about \$3,500 in today's dollars, about \$4,000 by 2005 at the universities and around \$1,300 at the community colleges. At the universities, individual presidents would decide whether to implement the full increase. These increases must be accompanied by increases in need-based scholarships so the burden falls on the well-to-do, not low and moderate income families.

tion systems, already charge tuitions so high that other state revenues are the only logical place to look.

At a joint meeting December 11, the Board of Regents, Board of Community Colleges and Postsecondary Education Planning Commission endorsed gradually raising Florida tuitions to the national average — essentially the same recommendation we make here.

### Develop private support and sponsored research

**N**ot so long ago, the University of Florida was pretty much alone among public colleges and universities as an aggressive fund-raiser. But through the good funding years of the early 1980s and the lean years since, Florida's public higher education sector has gotten organized, active and effective in tapping private donations. The result: dramatic increases in this important source of financing.

Private gifts to the state university system have doubled in just six years, rising from \$89 million in 1988-89 to \$189 million in 1995. The showpiece of this effort is the eminent scholars program in which a private contribution of \$600,000 is matched with \$400,000 of state funds to create an endowed chair. Since the program started in 1979, Florida has recruited or retained 148 top-flight scholars, researchers and teachers in this way. Similar state matches for major gifts have paid for dozens of new buildings on the 10 campuses.

The matching state fund for these programs is \$17 million a year. Given the double-your-money leverage obtained, that funding should continue to rise gradually.

The community colleges, though less conspicuous in private fund-raising, have moved productively into the area as well. Foundations are organized at all 28 of the schools and have raised assets totaling about \$180 million. Community colleges have been especially successful in getting donations of buildings. So it is not unusual now for an urban community college to operate on 15 or 20 scattered sites. Matching grants have also helped support increases in the college's academic programs.

(This success story does have a bit of a downside. Leaders of Florida's indepen-

dent colleges feel victims of an unlevel playing field. Territory that was once mostly theirs in private fund-raising is now being taken over by matched giving to the publics. As gifts to the public institutions have been doubling, giving to the independent schools has risen only a few percentage points. It is a potential problem to be watched carefully, but the Partnership, on balance, feels that the independents can still be successful fund-raisers in this changed climate.)

Another important growing source of money for the universities is sponsored research — sponsored, that is by federal grants, corporations or foundations. Such research in the state university system has gone from \$135 million in 1986 to \$750 million this year.

These two fast-growing sources of income are not unrelated. A top researcher in a hot field like laser optics or marine biology can within a few years generate the endowment of the chair, or in a few cases double or triple that, in sponsored research grants. At risk of stating the obvious, this is a wonderful return on investment. Cutting back either the eminent scholars program or university research would be a vintage case of penny wise and pound foolish.

Chancellor Charles Reed has commented that it will be difficult for the universities to match the recent geometric rates of growth in these two areas in years ahead. Federal research, like so many federal budget categories, may level or fall a bit. But there is every reason to think that both can keep growing and should be aggressively targeted to do so.

And in a set of circumstances in which the universities and colleges will urgently need more money, it is a bright spot that two other good sources exist besides tuition and state appropriations. Three other sources, if you count the savings from efficiency, productivity and future privatization as discussed in the next section of this report. ✦

# Solutions II

## Efficiency and productivity

### Operate like a modern business

**M**any voters and legislators would stipulate a precondition for increased funding of Florida's higher education system: proof that the system spends what money it takes in prudently and is attuned to the public's demand for greater efficiency.

We are not here to argue that this massive undertaking with tens of thousands of employees and students operates waste-free. Who does? But we would make the case that colleges and universities are committed to efficiency, have made some substantial productivity gains already and are capable of making other big gains in coming years — as discussed in subsequent sections of this report on tenure, academic productivity and decentralization. In parallel to the money side of the story, there are fortunately these several distinctive avenues through which the system can achieve efficiencies.

University and community college administrators would probably begin by citing a figure already mentioned — they operate now on a quarter to a third less state funding per student (adjusted for inflation) than they did just a half-dozen years ago. That reflects a lot of nipping here, tucking there and getting the job done for less.

Another way to highlight a pattern of growing productivity: the state university system in 1994-95 produced 30 percent more degrees on only 6 percent more state money than five years ago. Community colleges increased their degree production 20 percent during the same period.

Both systems operate within the framework of a growing accountability movement within Florida state government. Both have formal accountability plans and well-focused mission statements. Most new initiatives must relate to already estab-

lished priorities in three- to five-year operating plans. Both are in transition to a new budgeting system (mandated by 1994 legislation), which will measure success in outcomes rather than simply funding various inputs. Without fanfare, last spring the Board of Regents adopted nine measurable accountability goals for the coming year including faculty productivity, meeting planned enrollment targets and increasing undergraduate retention and graduation rates.

The community colleges and universities themselves — without much seed money from the legislature as yet — are aggressively exploring the technologies that will provide instruction by various electronic hookups. This so-called “distance learning” has great potential to reduce future brick-and-mortar costs — and could postpone or eliminate the need for an 11th and 12th university.

The independent sector, we should note, operates under intense market discipline in the natural course of things. Unlike the publics, much of their capital costs must be folded into what students are charged. The result is tuition that ranges from \$5,000 to \$17,000. To attract students at these higher rates, the independents have to offer value and efficient delivery — whether through the undergraduate teaching focus of a small liberal arts college or the special career opportunities available to graduates of an institution like Embry-Riddle Aeronautical or the Ringling School of Art.

The universities and colleges can probably benefit from the sort of systems’ reengineering and continuous process improvement that has swept through private business during the last decade. To the extent that this approach proves useful in the future, the business partners of our group stand ready to make available the resources of their corporations to help.

### Question traditional tenure aggressively

**B**usiness people have a hard-time seeing the logic of academic tenure in these times. The promise of lifetime employment, IBM or Japanese style, has become a thing of the past, certainly at IBM and even in Japan. Why should a university guarantee continued employment of faculty whose productivity has waned or whose area of specialization, perhaps through no fault of their own, is no longer current?

## Tenure – No Thanks

“What do Queen Elizabeth, Fidel Castro, Clarence Thomas and Pope John Paul have in common? Lifetime jobs, regardless of their current contributions or future plans with no provision for performance reviews or mandatory retirement.

“Just like tenured university professors...

“The (tenure) process helps select from the most able young people in our society those with a desire for the security of lifetime employment, rather than those less averse to risks, who might better be suited to pioneering work on the frontier of knowledge and to inspirational teaching of the young. A tenured faculty can restrict the flow of ideas and intellectual debate, which serves neither knowledge nor society well.”

—David Helfand, chairman of the astronomy department at Columbia University in an opinion article, “Tenure, Thanks But No Thanks,” in the *Chronicle of Higher Education*, December 15, 1995. Helfand himself turned down tenure at Columbia when it was offered.

On closer study, however, we conclude (1) that Florida is on the cutting edge and should stay there in questioning and modifying tenure and experimenting with alternatives like renewable term contracts, and (2) that Florida, as a practical matter, cannot leap into abolishing tenure ahead of the rest of the nation.

The tradition of tenure is under close examination across the country. But only a handful of institutions have actually abolished or abrogated it. Those include schools in financial distress (Bennington) and others experimentally structured by charter (Hampshire and Webster). Academic leaders continue to value tenure as a symbol of protecting academic freedom. And with tenure in place everywhere else, Florida would lose competitively in faculty recruitment and retention should it go first in junking the practice.

However Florida can appropriately lead the way in modifying, modernizing and experimenting. Among the innovations to be tested at the new Florida Gulf Coast University in Fort Myers will be substituting multi-year contracts for traditional tenure. With the school set to open in the fall of 1997, administrators report success in hiring a full complement of deans and the first faculty members under the new system. Flagler College, an independent liberal arts school, has operated successfully for years with short-term contracts.

The Board of Regents took note of the issue and implemented a tenure reform plan in September 1994. Generally the plan gives greater prominence to excellence in teaching as a criterion in tenure decisions and encourages pre- and post-tenure reviews that will encourage improved performance. The regents allow variations on this gen-

eral plan appropriate to each of the ten schools with their fairly broad differences in size and mission. And while the plans place greater value than before on undergraduate teaching, they correctly allow the occasional exception for the scholar who is an extraordinarily gifted researcher but not as interested or effective as a classroom instructor. In December 1995, the regents indicated they will seek to reopen contract negotiations with the faculty union to allow some use of term contracts at all the schools.

Some of the system's top administrators believe that as a legal matter tenure is narrowing to a protection against dismissal for espousing unpopular ideas rather than a guarantee of continued employment regardless of productivity. They expect that distinction to be widespread practice within a few years.

Also faculty members are responsive to the demand from many quarters that they teach more. Larry Abele, the new provost at Florida State, persuaded existing faculty there to teach 600 more sections in a single year. The regents have an ongoing effort in 1995-96 to get that sort of voluntary contribution to greater productivity at all nine universities.

## Pursue academic productivity

Colleges and universities have many of the same opportunities to operate efficiently as any big organizations. And they have some special opportunities, as well, to achieve academic productivity in ways particular to higher education.

When faculty members agree voluntarily, as they recently have, to take on added teaching loads totaling hundreds of sections, that is a savings straight to the bottom line.

There are also enormous potential savings in moving students expeditiously to complete their degrees, as both sides of the public system have agreed to do this year. The legislature and the regents agreed last spring to phase in strong new rules limiting credit hour requirements in the typical baccalaureate program to 120. These will apply to all but a handful of courses of studies (the exceptions being especially complex technical majors). The community colleges have streamlined the A.A. degree starting this academic year to 60 credit hours and in another year will similarly reduce the required

hours for occupational degrees.

This is a needed antidote to what insiders in academic administration call “curriculum creep,” that is the tendency of faculty, immersed in their fields, to ratchet up degree requirements over time. Recent studies, though inexact, show the typical State University System graduate taking 140 credit hours or so, the typical community college two-year graduate, 70.

Do the math on the savings in the works and you see some impressive results. Suppose a typical student starting out in the system now completes a degree with 15 fewer credit hours than the current norm. For every eight students taking the slimmed-down degree route, the way is cleared for one additional student at little or no added expense. That will go some of the way to the meeting the need for 50,000 to 80,000 additional higher education spaces in the coming 12 years, though it is not a panacea.

The time-to-degree problem is sometimes framed as students taking too many years to graduate. Shockingly to adults of an earlier college generation, very few students graduate the state university system in four years these days, the majority take more than five. This may suggest legions of slackers hanging out in Gainesville and Tallahassee at taxpayer expense.

We are all for full-time resident students moving through the system in four years. The reduced credit-hour requirements will encourage them to do so. Administrators should eliminate any remaining barriers like students’ not being able to get into required courses. However credit hours are a better measure of the problem and a better means of fixing it. There is nothing wrong with going to college part time while working part time. A great many students, particularly those past conventional college age at the urban commuter schools, do so. And so do some younger students who need to work. The point is not to load them up with requirements beyond the logical definition of a baccalaureate degree. And Florida may want to consider, as other states have, charging a higher rate for courses above the graduation requirement.

A second academic productivity challenge is what the insiders call “mission creep” — the tendency of growing mid-sized institutions to add expensive advanced degree programs, or, worse yet, a fabulously expensive new law school or other professional school. It would be naive to say this has never happened in Florida or won’t

again. But the regents' structure and their centralized operating authority does give them clout and a strong record in kiboshing costly duplications and imposing systemwide coordination.

On a third academic productivity issue, Florida has a built-in advantage over most other state systems. But the advantage brings with it some challenges. With our so-called "2 plus 2" tradition, Florida, more than any other state, delivers a large chunk of freshman and sophomore education in the community colleges. About 60 percent of Floridians who ultimately get a baccalaureate degree from the state universities begin their course work in community colleges.

Since the cost of instruction in the community colleges is about half that of the universities, this practice is a very substantial embedded efficiency in our way of doing things. The hitch is that moving on from one system to another, students run a chance that their previous course work doesn't quite fit requirements at their new school.

Avoiding this sort of dropped stitch is the role of articulation agreements. Florida's are probably as good as any system's. But they are appropriately being strengthened as part of the current time-to-degree effort. And there is a fresh wave of interest in stronger articulation agreements between the community colleges and the independents. Both are worth pursuing. Indeed they are part of the price of achieving maximum productivity in a complex but basically efficient structure. +

# Solutions III

## Privatization, decentralization and market discipline

**C**ould our public universities gain by being more entrepreneurial, by liberation from rules and regulations, from decentralization that allows university presidents to function more and more like CEO's? We think so. We think that the movement in that direction is well-started. We recognize that it takes time to get there. But we think few things are more important to the productivity and vitality of our higher education system than commitment to year-by-year increases in privatization.

As a concept, privatization embodies several ideas at once:

- A large and growing percentage of the university enterprise comes not from state funds, but from grants and the sale of various services. If you view tuition as a sale to individuals of education, then 61 percent of the system's budget comes from non-state sources. To run that money through the state budget process, state auditing and the like is duplicative and restrictive.
- A great many university services are privatized already — 88 percent of the system's students, to take one example, are now housed in the private sector. The contracting alternative progresses year-by-year, and new or greatly expanded enterprises at a university typically are set up as separate non-profit corporations.
- While the Board of Regents maintains strong centralized coordinating authority, individual university presidents do receive their budgets in a lump-sum (although a number of restrictions apply in practice on how it is spent). Presidents have authority to enter into contracts up to \$500,000 without approval of the regents

- The notion of charging managers within the system with finding ways to operate entrepreneurially and rewarding them if successful is not so far advanced. The system still operates with comparatively tiny pots of merit pay and few incentives to streamline middle management or dismiss unproductive workers.

The concept of privatization is not brand-new. It was endorsed by a predecessor business-education group to ours in the 1985 “Pathways to Excellence” report. The public corporation model in which a state essentially buys back educational services from an independent body is in place in some states and has received consideration here. The privatization idea surfaced again last year and was endorsed by the regents.

Perhaps one big leap to such an undertaking is not in the cards. Legislators and the public may demand the credibility successes along the way will provide.

Fortunately, there have been a number of those already. Among university operations already largely privatized are dining services, bookstores, custodial services, legal services and maintenance. Logical candidates for future contracting include administrative computing, remaining student housing, financial aid administration, child care, student health services and printshops.

There is a growing body of success stories too in setting up parts of the university enterprise as separate corporations (like research parks or foundations) or private-public partnerships (like Leon Civic Center or the SunDome in Tampa). A particularly impressive case, more than a decade in the making, is Shands Hospital, still a part of the University of Florida but operating independently of state employee practices, purchasing regulations and financial management rules. The change has facilitated growth and increased productivity. Shands and the Moffitt Cancer Center in Tampa have recently gained authority to set up related subsidiary corporations and move into managed care, HMOs and other current medical enterprises.

We think the presence of double state audits on the non-state portion of the university budget should be phased out. University administrators seem to agree that a pre-audit of every check above \$250 is especially burdensome. So get rid of this outdated bit of micro-managment. And we would like to see incentives increase for the university presidents, deans and other administrators at individual schools to price services to market on their own and capture for their own schools the revenues generated

or the savings their efforts at efficiency produce.

The universities do operate in a unionized climate with contracts centrally negotiated. So they cannot walk away from these agreements, though the exercise of negotiating a settlement while taking a given service private is nothing unusual these days. The thick contract is itself stifling of management prerogatives at individual schools. It mandates nine- or twelve-month contracts, nothing in between, for instance, and pays faculty members more for teaching a summer class than taking on a department chairmanship.

We recognize that the process of privatization and deregulation will likely be gradual and incremental. It is nonetheless vital that the Legislature and regents commit to making it happen over the next decade. The result will be a university system with more market discipline, a system that is more productive, more credible in its claim to efficiency, more in tune with modern business practice.

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### Action Recommendation Three

- **Authorize phased privatization and decentralization at the state universities. This should include giving presidents latitude to set tuitions in-state, out-of-state and for graduate and professional programs as they think appropriate to their markets.**

# Solutions IV

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## Use the capacity of the independent sector

In figuring out how to serve the surge of high-school graduates coming in the next several years, Florida has an ace up its sleeve: the capacity of its 23 accredited independent colleges and universities.

To make use of this capacity, we offer two recommendations:

- Increase the residential access grant for Florida students enrolled in independent colleges to 40 percent of the full cost to the state of educating an undergraduate in the state system. This could be phased in over three years and would more than double the current stipend to \$3000. The legislature has already approved this formula and timetable — now it needs to be funded.
- Aggressively expand contracting with the independents to provide access where comparable programs are full, restricted or unavailable at public universities and community colleges.

As with many other recommendations in this paper, these two ideas are expansions of concepts on which Florida has already made a good start. The idea of treating the independent schools as part of the system and an alternative to costly expansion of the public universities has a long history. By one recent study, Florida already ranks fifth among the states in state funding of independent colleges and universities.

In the late 1970s Florida began providing a \$750 residential access grant (sometimes referred to as a voucher) to Floridians enrolled in one of the independent schools. But 16 years later that amount has risen only to \$1,200, making it less relevant in today's financing picture. The state has funded some additional need-based aid

to independent college Floridians. Independent sector students are also eligible for some state scholarship programs.

To our minds, an increase in the resident access grant goes most directly to the legislature's original point — the subsidy makes it practical for the independents to admit more Floridians. That in turn relieves pressure on the capacity of the state system.

Currently 17,000 Floridians are attending the state's independent colleges and universities and receiving the access grant. (Another 13,000 are enrolled in graduate programs or attend part time.) There is no certain way to estimate how much that might increase in coming years. But with better resident access grants, private college presidents say the system could accommodate at least 10,000 more Floridians within a few years, perhaps more than that. Not only do the schools have some extra capacity, they would nearly all be willing to shift their enrollment mix to more Floridians, fewer out-of-state.

The second good way to draw on the capacity of the independents is to contract directly for specific programs. This too has a substantial history in Florida. For instance, the state pays for both a special program to train minority lawyers and the education of Florida physicians at the University of Miami law and medical schools. That is a whole lot less expensive than going out and starting new professional schools in south Florida.

In recent years, Florida has also contracted with the independents for undergraduate programs that may be unavailable or full at nearby state institutions. These contracts are authorized by the Post-Secondary Education Planning Commission (PEPC), a neutral third party that can certify both the

#### Action Recommendation Four

- Increase the resident access grant for Florida students in the state's accredited independent colleges to 40 percent of the full cost to the state of supporting a student at the universities.

Phased in over three years, this would more than double the grant to about \$3,000 a student. Also, increase the use of state contracts with independent colleges and universities for degree programs that are unavailable or full at state universities and community colleges.

quality of the programs and the need. So the mechanism is in place for a good deal more contracting as the tidal wave of high-school graduates creates new access pressures.

Under our recommendation, state investment in the resident access grants might rise from about \$20 million to around \$60 million. Keep in mind, though, that for each of those students who would have gone to a public university, the state is saving instruction costs of almost \$7,000. Similarly the contract programs provide access to programs in particular demand without the capital costs the state would have incurred had it created the capacity in its own schools. +

# Community Colleges

## ■ A special asset with special challenges

**F**lorida has a unique asset in its community college system. It enrolls 300,000 students in degree-seeking programs, nearly a million in some form of study. About 70 percent of state university graduates start out in the community colleges; 62 percent of those enrolled in the upper division have community college associate degrees.

The 28 institutions include some very big schools (Miami-Dade is by some measures the nation's largest college). The schools are distinctive and innovative in too many ways to catalogue here (Brevard, for instance, is host to a world-wide consortium trying to develop educational uses of the Internet). In smaller Florida cities and semi-urban areas, the community college may be the only higher education institution in town.

Outside assessments of Florida's education system typically give low grades to our K-12 schools and bemoan the thinness of research and development at the high end but at least credit community colleges with providing responsive training for employers in their area. The system had a reputation as one of the five biggest and best in the nation and probably still does, even if insiders see some slippage.

Inside our community colleges there is a growing frustration. Presidents and administrators feel they have a clearcut mission and a clearcut role to play within the total education system. But as falling resources converge with increasing enrollment demands, they feel they lack the means to carry out what is needed and expected.

Among the noteworthy challenges that go with Florida's reliance on community colleges are these:

(1) The system is a lot better at getting students in than getting them out with a degree. The best measure of that, mentioned earlier, is that Florida ranks 45th among the states in baccalaureate degrees produced per 18- to 44-year-old population. (Curiously, though, Florida actually ranks above average among the states in the percentage of high school graduates continuing their education.) Community college presidents and administrators of both universities and community colleges will readily concede that several changes are needed if Florida is to improve on that record. A solution entails such things as providing effective and sufficient remediation to the large number of students who need it, clearing the track through strong articulation agreements for those who continue on to a four-year degree and continuing to standardize program lengths and prerequisites for majors.

(2) A related challenge lies in the characteristics of the student population the community colleges serve. Demographers have been predicting for years a shift to a majority of minorities in our younger population seeking education and jobs. More and more students are part-time, working and caring for families the rest of the time. The community colleges already have a very large representation of African-Americans, Hispanics and foreign-born among their students and expect that proportion to grow. Traditional, lockstep teaching methods, under some challenge anyhow, seem to be especially ineffective with these groups. The community colleges see the need for such things as more detailed and significant student assessment, better academic advising and other student support services. But it is hard to add all that on in a time of shrinking resources.

(3) The community colleges have a central role to play in training workers in technological fields and preparing them for emerging job opportunities. To do that well clearly takes equipment that is current, not two or three product cycles obsolete. Less obviously it takes a big investment in training and retraining instructors who specialize in these areas or in some cases seeking new faculty talent conversant with new technologies. This is another growth item in a time of great fiscal constraint on both operating and capital funds.

(4) Any economic development strategy for the state — certainly several of the

first operating programs of Enterprise Florida — assigns the community colleges a key role in workforce training. It often falls to the community colleges, among other things, to educate the young single woman with children, the much-stigmatized welfare mother, who has decided to complete her education and get on with the self-sufficiency of a career. That too doesn't happen on falling funding.

We are not saying that the community colleges are either more important or in worse straits than our other educational partners. They too have achieved efficiencies and are identifying more. Nonetheless we conclude, as Robert McCabe, recently retired president of Miami-Dade, put it in a monograph last year that disinvesting in community colleges is “starving the solution” to some of Florida’s most pressing economic and social concerns. †

## A Match to These Times

Are community colleges with their broad mission, sprawling multi-site campuses, open-to-all tradition a match to these times? A number of expert sources think so.

The fall issue of *Southern Growth*, a publication of the Southern Growth Policies Board, reports that higher education is being targeted as a key economic development asset in many states and that community colleges appear best suited to training and retraining workers for 21st century jobs. Their flexibility and interaction with local employers both become pluses in the current job climate.

Similarly the *Miami Herald* reported in September on a study identifying 20 hot job categories for the future. The majority required an advanced technical degree but not necessarily a four-year degree. That's a case for keeping community colleges strong at what they do best. †



# Governance

## ■ Leave It alone

■ If you sat down with a blank sheet of paper to devise the perfect structure for governance of higher education, you would probably come up with something different from Florida's system. It is a product of history, accident and geography. And it has its eccentricities — like an elected cabinet acting as the State Board of Education that rarely does anything relevant to higher education.

But much the same might be said of the other 49 states. No one system is recognized as ideal. Each is a bit different, influenced by history and circumstance. California has three public higher education systems, Texas five. Some states, like New Jersey, have made major governance changes in recent years.

However we see no compelling case for tearing Florida's governance structure up and putting it back together again at this difficult juncture, despite the filing of recent legislation suggesting just that.

Here is a brief rundown of the principal players in governing Florida's higher education system and how we believe they can best fulfill their respective roles:

The Governor — Prepares the first draft of each year's budget and signs the final version. In addition, he appoints all the members of all the major higher education boards with only the cursory oversight of Senate confirmation. So we look to the governor to provide leadership on higher education issues and to appoint well.

The Legislature — Decides the budget for both the universities and community colleges. Necessarily that involves a judgment of how much to tax and what share of state revenues higher education gets in the face of competing priorities. We believe

that by drift, rather than by intent, the legislature has been letting higher education's share slide too low and should resolve to stabilize it. The legislature also needs to assure itself and the public that higher education moneys are well spent. But we think that authority is best exercised broadly, selectively and retrospectively. Constant budget exercises, volumes of rules and regulations and intrusive state audits are micromanagement at its least productive. Like private business executives of large enterprises, legislators need to take a deep breath and push authority down to the operating units (individual schools). Then demand results.

**The Board of Regents** — Has very substantial authority over all aspects of the university system. Its powers include hiring and firing presidents, approving new curriculum offerings and deciding capital improvement priorities system-wide. The regents need to maintain a strong coordinating hand so as to avoid excessive cost and duplication. They need also to continue to lead the way on reforms like those of the tenure system. At the same time too, the regents need to provide the chief executives of their 10 operating units the maximum in autonomy, with a minimum of encumbering rules and oversight.

**Foundation boards** — Absent board of trustees at the individual schools, these are the local citizens' presence in university affairs. Savvy presidents use their boards as advisers and sounding boards, not just to raise money.

**Community colleges** — Are governed by 28 local boards appointed by the governor. The central governing board functions mainly to secure and distribute state funding. This autonomy allows individual schools to be innovative and responsive with new training programs to employment needs in their communities. The diffuse system, however, requires special effort and coordination to modernize systems and achieve efficiencies.

**The Postsecondary Education Planning Commission (PEPC)** — Has its own board and provides overall system planning as well as targeted studies of current issues in higher education. It also has administrative responsibility for state contracts with the independent colleges, which we envision expanding in coming years.

**Public Education Capital Outlays (PECO)** — Is a fund supported by the gross receipts tax on utilities, not a separate board. Traditionally PECO has provided most of

the money for building, expansion and modernization at public colleges and universities. Currently the kitty is running low, and the fund is uncomfortably close to being bonded out.

State Board of Education — Is the Cabinet and technically sits above the regents, the community colleges board and PEPC. In practice, the cabinet rarely considers or acts on substantive higher education issues. That hasn't proved to be much of a problem. The Commissioner of Education sits on both the regents and community college board and by being active in those roles can help provide coordination for the whole education system.

The independents — Are run by their own boards of trustees. There is no authority providing central direction, planning or coordination. Most of the accredited four-year schools do join as Independent Colleges and Universities of Florida (ICUF) to make their case for state support in coordinated fashion.

There are periodic waves of interest in changing the system, especially in creating local boards of trustees for the universities. But we would agree with a 1984 comment from Marshall Criser, a Council of 100 member and former University of Florida president: "We have beat ourselves around the ears for 20 years in Florida about structures....To say that it (the Florida system) approaches being ideal is ludicrous, but the structure is there. So let's work with it for a few years, because well-meaning people, well-prepared people can make it work." ✚



# Conclusions

## ■ Action now... and issues for the future

**T**his report offers four major action recommendations to stabilize and improve Florida's higher education system as it faces an unprecedented wave of additional high school graduates over the next 12 years:

- Guarantee that higher education's share of state funding not fall below the current historically low levels of 7.5 percent for the universities and 3.6 percent for the community colleges. Reinvest in improving the system as additional revenues become available.
- Allow tuition to rise over the next 10 years to 50 percent of the instructional cost at universities and 33 percent at community colleges. This would result in tuition of about \$3,500 in today's dollars, about \$4,000 by 2005 at the universities and around \$1,300 at the community colleges. At the universities, individual presidents would decide whether to implement the full increase. These increases must be accompanied by increases in need-based scholarships so the burden falls on the well-to-do, not low and moderate income families.
- Authorize phased privatization and decentralization at the state universities. This should include giving presidents latitude to set tuitions in-state, out-of-state and for graduate and professional programs as they think appropriate to their markets.
- Increase the resident access grant for Florida students in the state's accredited independent colleges to 40 percent of the full cost to the state of supporting a student at the universities. Phased in over three years, this would more than double the grant

to about \$3,000 a student. Also, increase the use of state contracts with independent colleges and universities for degree programs that are unavailable or full at state universities and community colleges.

These four recommendations need to be recognized and acted upon in legislative and budgeting decisions.



We wish to continue and encourage five trends in our higher education system:

- Continue to provide and increase gradually the pool of state funding that matches private donations for eminent scholar chairs and major capital gifts.
- Universities and colleges should continue to develop private support and aggressively pursue federal and corporate sponsored research. Both are growth opportunities in a time of tight public funding.
- All Florida higher education institutions need to pursue operational efficiencies and reengineer their systems where possible. A continuing effort of this Partnership will be to provide business review of the schools' productivity.
- Our public universities should stay on the cutting edge in questioning and modifying traditional tenure practices and experimenting with alternatives.
- All Florida schools should be pursuing academic productivity — getting students to degree quickly, strengthening articulation agreements and checking the tendency of curriculum and mission to creep up expensively.



We do not recommend change in two aspects of the Florida system:

- Governance — While the structure is neither tidy nor ideal in theory, it can be made to work in practice.

- The “2 plus 2” system — Our unusual reliance on community colleges to educate many freshmen and sophomores increases access to higher education opportunity and is, on balance, an embedded efficiency of the system. To shift in any big way to preparing more of those students in universities would be a very expensive undertaking of dubious value at a time when funding is scarce.

Though this report is meant to be both forward-looking and reasonably comprehensive in its survey of the state’s higher education system, we recognize that there are some current issues we have not treated:

- It is alarming that so many high-school students come to community colleges without a full set of skills to continue their education. More than 60 percent need some remediation. And that is among the half of high-school graduates who have chosen to pursue higher education. The lack of tougher standards and a more demanding curriculum is a challenge, in the first instance, for our high schools. The problem is as relevant as many others to building a strong higher education system, but undertaking to recommend K-12 reforms is beyond the scope of this report.

- Some discussions of higher education issues make much of out-of-state students; ours does not. Certainly some group of Floridians goes out-of-state to school, some of them perhaps disappointed that they could not meet the high admissions standards of the most select state universities. Some out-of-state and foreign students enroll here. Some of the Floridians who leave never move back. Some of those from out-of-state ultimately settle here. The balance could change over time; for now we second the State University System analysis that this is pretty much a wash both financially and in terms of our state’s higher education mission.

- Distance learning, investment and coordination to create efficient off-site systems for certain instruction, is a current idea and an exciting one to educators. We are supportive in principle, but we don’t have enough detail to go beyond a general endorsement of the concept.

Implementing this set of recommendations should arrest the downward drift of Florida's higher education system. These actions will revitalize all segments of higher education in our state for the peculiarly challenging times that lie just ahead. Continuing higher education opportunity is an obligation this generation of Florida citizens owes the next. It is a commitment, both necessary and of potentially vast benefit, to our state's economic future. ✦



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