

**COUNCIL FOR EDUCATION POLICY RESEARCH AND IMPROVEMENT**

May 14, 2003

**SUBJECT: Other Items of Interest**

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**PROPOSED COUNCIL ACTION**

For Information Only.

**BACKGROUND INFORMATION**

Paul Lingenfelter, Executive Director of the State Higher Education Executive Officers, has prepared a case study of Florida in connection with the **Changing Directions Project** based on several site visits and interviews in the Fall and Winter.

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**Supporting Documentation:**

**Florida Case Study – Changing Directions Project**

**Facilitators/Presenters:**

Council Staff

# FLORIDA CASE STUDY

## CHANGING DIRECTIONS PROJECT

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### STATE POLICY CONTEXT

#### Decision-making structures

The formal structure for governing and coordinating higher education in Florida has been changing during the past two years. Before the recent changes leading to the creation of the appointed State Board of Education, Florida's public universities, currently comprising eleven institutions, were governed by the Florida Board of Regents; Florida's 28 community colleges were coordinated by the State Board of Community Colleges; and all education was overseen by the State Board of Education, consisting of seven statewide elected officials, including an elected Commissioner of Education who directed state level K-12 educational operations. In addition, the Postsecondary Education Planning Commission provided statewide analysis of issues and policies to inform postsecondary policy development and implementation..

A constitutional amendment, passed by the voters in 1998, paved the way for eliminating the previous State Board of Education and implementing a K-20 governing/coordinating structure in Florida. The restructuring law, passed by the legislature and signed by the Governor, did the following:

- Created the Florida State Board of Education, appointed by the Governor, to oversee education from kindergarten through graduate school.
- Created a new Commissioner of Education, appointed by the State Board of Education, to be the Chief Executive Officer for the Board.
- Abolished the Board of Regents and the State Board of Community Colleges
- Established Boards of Trustees for each of the public colleges and universities in the state, and empowered the Governor to name Trustees.
- Abolished the Postsecondary Education Planning Commission. and
- Established the Council for Education Policy, Research, and Improvement, which reports to the legislature.

During a period of transition over the past eighteen months the State Board of Education appointed Jim Horne as Secretary of Education to lead the Board's work. At the end of the transition period, January 7, 2003, Secretary Horne became Commissioner of Education. For all practical purposes, however, Commissioner Horne has been directing educational policy efforts in Florida since his appointment as Secretary of Education in June of 2001.

The structure of educational policy making in Florida is still somewhat "in play" due to a referendum passed by the voters in November, 2002, which established the Florida Board

of Governors, to coordinate the state university system, replacing in some respects the role of the former Board of Regents. Since the Governor, who firmly supports the K-20 restructuring approach enacted previously, appoints all members of the Board of Governors, it seems likely that the Florida State Board of Education will continue to be the most significant lay body involved in developing state policy for K-12 through higher education.

It is important also to recognize that the Florida Legislature historically and currently plays a very strong role in educational policy. The Governor and policy boards such as the State Board of Education and the Council for Educational Policy Research and Improvement (CEPRI), and its predecessor, the Postsecondary Education Planning Commission, have played a major role in grappling with higher education policy issues in Florida. But at the end of the day, the legislature and the legislative process must agree for policy initiatives to move forward. In fact, the abolition of the Board of Regents seemed to be driven in part by policy disagreements between the Board and the legislature as well as interest in achieving greater K-20 integration.

Historically the legislature has been very active in funding and controlling tuition levels for higher education, it has taken the lead in developing performance measures for accountability and funding, and it has been active in other policy areas, such as the development of the common course numbering system. The legislative process also has been a very significant player in shaping recent policy changes, and it will surely determine the final parameters of future actions.

### Current conditions

In some respects Florida is like every other state struggling with revenue shortfalls. But it has unique characteristics that add urgency and difficulty to the task of higher education policy development. These are some of the most salient factors:

- Florida's population is growing, and the demand for higher education enrollment at every level is growing even faster.
- The state has aspirations of increasing the number of citizens holding baccalaureate degrees and increasing the capacity and reputation of its research universities.
- Florida historically has been a low-tuition state.
- Florida's lottery funded "Bright Futures" scholarship program has proved enormously popular and expensive; the growth of lottery revenues is leveling off.
- The state is struggling to balance demands for services with its current revenue base and traditions of public spending.
- A referendum passed in the November 2002 election mandates the reduction of class sizes in K-12 education; compliance with this requirement has an estimated additional total cost to the state of as much as \$27.5 billion.
- Increasing tuition in Florida to help deal with revenue issues is particularly challenging because:
  - The state has a popular tradition of low tuition;

- Increasing tuition increases the cost of the very popular Bright Futures Scholarship program, which assists 98,000 students of high or moderately high academic achievement.
  - Increasing tuition at an above average rate would ultimately require changes and cutbacks in the state's popular pre-paid tuition savings plan.
- Florida is a wealthy state with a growing economy and great potential for future prosperity. The political leadership of the state will find it challenging, however, to find the right strategies and balance of public investment and private incentives to realize that potential.

## STATE ACTIONS

Florida has a dual membership in SHEEO, the Florida Council for Education Policy, Research, and Improvement and the State Board of Education. Both have been playing an active, collaborative role in addressing the financing issues targeted by the project. Another Florida organization involved is the Office of Program Policy Analysis and Government Accountability.

The overall work in Florida has included efforts to address three tasks:

1. Assess the extent to which Florida's current major need and merit based grant programs are achieving their statutory purposes.
2. Determine the extent to which the State's current tuition, financial aid, and appropriations policies interact and either contribute to or detract from the goals of the K-20 system, namely:
  - a. Highest student achievement
  - b. Seamless articulation and maximum access
  - c. Skilled workforce and economic development
  - d. Quality efficient services
3. Adopt and implement tuition, financial aid, and appropriations policy changes, strategies, and action steps necessary to maximize student access and success while enabling educational institutions to maintain/achieve the highest quality of service delivery.

The Council for Education Policy, Research, and Improvement (CEPRI) has discussed state financing issues at several of its meetings, including inviting Dennis Jones, of the National Center for Higher Education Management Systems, to provide a national and conceptual perspective on the issues. The Council has also completed a report tracking state student aid trends and it has launched a study to assess the efficiency and progressiveness of the state financial aid program. In addition, the Council has participated materially in the work of the State Board of Education review of higher education funding policies described below.

The new Florida Board of Education's CEO, Jim Horne, formed a Higher Education Funding Advisory Council in February, 2002 to:

- Study and make recommendations regarding the demand for and funding of postsecondary education in Florida
- Recommend improvements to the current system based on available data that will increase access, improve quality, minimize costs, and meet critical workforce objectives.

Eighteen members were appointed to the Advisory Council, representing broad educational interests – public and private, school districts, community colleges, and universities – economic interests, and both houses of the Florida legislature.

The Advisory Council was created because it was clear to Commissioner Horne and the State Board that higher education finance was a critically important issue to the state of Florida. They were determined to examine and address these issues in the context of their overall agenda for building a stronger, better-integrated K-20 educational system.

The work of the Advisory Council involved an extensive process of data gathering and presentation to the Council, discussions, and a survey of Council members to identify issues of concern. Extensive information on the Council's work and the material submitted to it can be found on the website of the Florida State Board of Education. The links to a summary of its final report and a minority report are:

[http://www.fldoe.org/higheredfundadvcouncil/recommendations/HEFAC\\_FBOE\\_recs.pps](http://www.fldoe.org/higheredfundadvcouncil/recommendations/HEFAC_FBOE_recs.pps)

<http://www.fldoe.org/higheredfundadvcouncil/recommendations/MinorityReport.pdf>

Eight key issues were addressed in the Higher Education Funding Advisory Council's report. Each of these is discussed briefly below, based on the author's interviews with leaders in Florida and his observation of the final meeting of the Funding Advisory Council. A more complete description of the issues and the Council's deliberations should be obtained by reviewing the material on the State Board of Education website.

#### Baccalaureate Degree Production

Florida ranked 45<sup>th</sup> nationally in total production of baccalaureate degrees in 1999-2000, and increasing performance on this dimension is a clear priority. Unlike many states, Florida has an exceptionally strong data system for examining the flow of students through the educational "pipeline." It is clear that the state has both a sophisticated understanding of the factors involved in baccalaureate production, and thoughtful, good ideas for improving performance. Prominent among these are efforts to improve retention and progression, especially through lower-division education. Clearly, learning achievement in the K-12 years, as well as improved practices in post-secondary education are highly relevant to this goal.

The Council recognized the important role of all sectors in meeting this goal, public, private, community colleges, as well as universities. It was clear from interviewees that competition for students among these sectors tends to generate needed services but it also presents management and planning issues for the state. What is the right size for four-year universities? How can community colleges be utilized most effectively for students seeking baccalaureate degrees? What is the role of the private institutions? What policies will help foster the effective, balanced use of all these resources?

## Workforce Education Production

The Council's deliberations in this area focused on the need for postsecondary programs that meet the diverse needs of the state's economy and workforce, especially focusing on non-traditional students who have not pursued postsecondary education. Its recommendations include recruitment and need-based financial aid for part time students and adults pursuing certificate credentials, incentives for dual enrollment, and increased enrollments in Adult General Education programs.

Education leaders also expressed concern about the state's need for people in high demand fields, such as targeted technical fields, nursing, teaching, etc. Encouraging enrollment and preparation in high demand fields was also highlighted as a priority for the baccalaureate level.

Florida has had some success in using funding formulas to generate greater degree production in high-demand fields. It has not been possible, however, for the state to fund fully its past performance-based funding formulas in this area. The state continues to fine-tune its funding formulas to deal with issues of incentives, workload, equity, and performance.

## Research and Development

Educational, political, and civic leaders in Florida recognize the economic and civic benefits of having world-class research institutions. While Florida has a number of very large public universities, their collective ranking in funding for scientific and engineering research is not up to the state's aspirations. Florida ranks 10<sup>th</sup> among the 12 most populous states in regard to federally funded science and engineering research.

State leaders clearly recognize that the path to improvement on this dimension includes both strong advocacy and capacity building at the institutional level. They also recognize the need to balance the strategy of encouraging institutions to compete with the strategies of encouraging them to specialize, collaborate, and focus on areas of strength. Clearly the state is not likely to have adequate resources to develop more than one or two distinguished, broadly comprehensive research universities.

## Flexibility of Tuition and Fees

Historically the legislature has tightly controlled tuition and fee charges at public institutions in Florida. The "standard" has been 25% of instructional costs, and tuition levels in Florida rank 48<sup>th</sup> in the nation for four-year institutions and 30<sup>th</sup> for community colleges.

The State Board of Higher Education clearly has recognized that the state's aspirations and needs for higher education require resources, and that, in view of the state's financial situation, a low tuition strategy may no longer be viable. The Advisory Council recommended that, over ten years, the state permit institutions to raise undergraduate

tuition and fees to the national average. This would require increases substantially higher than inflation, even presuming a moderate increase in tuition charges in other states.

In addition to requiring students and their families to pay more, this policy recommendation has several consequences that offset the revenues it would generate and make it controversial:

1. It would substantially increase the cost of the present Bright Futures Scholarship program;
2. It would jeopardize the financial viability of the current pre-paid tuition program in Florida; and
3. It will require increases in need based student assistance.

Surprisingly, perhaps, student opposition to higher tuition seemed somewhat muted in Florida, so long as it was conceived as a means of protecting and enhancing the quality of education. The issues of Bright Futures and pre-paid tuition programs have been more controversial. Bills currently being debated in the legislature call for the decoupling of Bright Futures and tuition and adding a need component to the program.

### Prepaid Tuition

Essentially the financing of Florida's pre-paid tuition program has been built on the assumption of low tuition, increasing slowly over time. A dramatic policy change to increase tuition in public institutions creates problems for current pre-pay contracts and makes an appropriately priced contract for future tuition costs much less attractive.

The business leader who promoted and nurtured the Florida pre-paid tuition program was a member of the Advisory Council. He saw no possible compromise that could protect his vision for the pre-paid tuition program, and he filed the minority report referenced above. A compromise is likely to be developed, due to the overwhelming pressure to increase tuition in Florida, but the impact of tuition increases on this program adds complexity and difficulty to policy development in Florida.

### Financial Aid

Florida has a substantial state program of student aid, but most of it is not based on financial need. The Advisory Council report notes that among the ten largest states, Florida ranks second in total student aid but next to last in grants to help financially needy students.

The Advisory Council report recommends that public institutions be required to allocate at least 20% of tuition and fee increases to need-based student aid, and that private institutions be encouraged to do the same. It also recommends increases in state need based student aid programs and support for aid for part-time students and non-traditional students seeking certificates. Educational leaders in Florida clearly recognize that



increases in tuition add greatly to the importance of need-based assistance in order to achieve reasonable equity of educational opportunity.

### Bright Futures Scholarship Program

The Bright Futures Scholarship Program is enormously popular in Florida. One source described vividly how parents credit this program with motivating students to pay serious attention to academic work. The premise of rewarding talent and hard work has deep intrinsic appeal.

Despite its appeal, the program presents a serious problem to policy makers. It has been funded with lottery revenues, which are no longer growing. Yet the number of scholarship recipients is growing. If tuition increases without changes in the program design, its resource requirements will grow far beyond the state's financing capacity.

The Advisory Council recommended several changes to the program design to reduce its cost, capping the highest award to the statewide average tuition and fees, and reducing the awards in two lower categories of achievement to the average tuition and fees in community colleges. In deference to the program's popularity, however, the Council recommended deferring the implementation of these recommendations so that students now in high school would not suffer unfulfilled expectations.

State-based merit scholarship programs generally are based on the premises that they motivate greater academic achievement, that they encourage able students to attend college in-state, and that they make an important statement about the value of hard work and academic achievement. All three are doubtlessly true, but in a climate of scarce resources it is natural to ask "how much" do they contribute to these goals, what is the contribution worth, and what are the implications for other priorities.

Florida is clearly asking these questions, looking both for empirical data to inform policy and thinking about tradeoffs and relative values. In addition to the work described above, the Office of Program Policy Analysis and Government Accountability prepared a study of the Bright Futures Scholarship program early in 2003 to address these issues. Such balancing of evidence, values, and judgment is at the core of higher education policy development.

### K-20 Accountability System/Performance-based Funding

The political leadership in Florida is deeply interested in and committed to improving educational performance. The state is a national leader in developing data systems for educational policy analysis and accountability, and it has also been a leader in experimenting with performance-based funding as a means of improving educational outcomes. Commissioner Jim Horne powerfully articulates the rationale for performance funding – "money changes behavior, and a lot of money changes a lot of behavior."

The recommendations of the Advisory Council reflect this commitment. From the perspective of an external observer, they also reflect growing sophistication about the use of accountability and incentive systems in education. The recommendations include provisions to assure that performance goals are reasonably attainable and tailored to the circumstances of individual institutions and sectors. They also include a creative suggestion that funds not “earned” by meeting performance targets may be re-allocated to implement an approved plan for improving performance. This approach maintains the incentive and accountability contributions of performance funding, while providing a disciplined method of allocating the resources that could well be essential for improvement.

## OBSERVATIONS

No state is confronting more compelling issues in higher education financial policy than Florida. The list of issues in the first section of this case study outline the dimensions of Florida's dilemma, and in Florida every one of them is of huge proportions.

As it should, the state has great ambitions for improving the capacity of its citizens to be educationally and economically successful, it has great ambitions for the quality of its research universities and the "currency" of degrees awarded by Florida colleges and universities, and it has great ambitions for the prosperity of its businesses and communities. It also seeks to provide fair access to educational opportunity and to reward and motivate students for educational achievement. And it wants to achieve all of these good things without excessive taxation or abandoning entirely the state's tradition of low priced public education.

The State Board of Education and the Council on Educational Policy, Research, and Improvement have made an impressive start in confronting these issues. They have:

- Clearly articulated educational policy goals for the state;
- Made excellent use of the analytical capacities of the state's superb data systems;
- Worked to fill the gaps in their knowledge;
- Identified the central issues and worked to propose feasible approaches to resolving them; and
- Engaged the public through various, highly visible planning activities to build understanding and a basis for a new consensus.

Florida is well-positioned to move ahead in a process of formulating and implementing strategies for pursuing its goals for postsecondary education. In some respects the process used in the past two years has been ideal for engaging these difficult issues.

At the same time, it would be difficult to overestimate the challenges still ahead. The gap between Florida's aspirations and its resources is significant, and the internal conflicts among policy values and opportunities are substantial. Moreover, the constitutional amendment requiring the reduction of K-12 class sizes has substantial financial costs, and in Florida, as in every state, it is quite difficult to develop a political consensus on measures to increase taxes or change the state revenue structure.

It seems unlikely that a grand solution will be found to resolve these conflicts among resources, goals, values, and opportunities. More likely a series of compromises will emerge over time to help resolve policy dilemmas. If the ultimate vision of widespread educational success and quality is held firmly in mind, a continuing process of goal-setting, analysis, and public engagement will help the state make important progress toward its goals.

## **APPENDICES**

### **Documents:**

Recommendations and Minority Report, Higher Education Finance Advisory Council, December 6, 2003

Recommendations for Inclusion as Strategic Imperatives for K-20 Long Range Planning, Council for Education Policy, Research, and Improvement, December 12, 2001

Equity of University Funding, Council for Education Policy, Research, and Improvement, January, 2003

### **Interviews and observation:**

William T. Abare, President of Flagler College  
Member, Higher Education Funding Advisory Council

Patrick H. Dallet, Deputy Executive Director  
Florida Council for Education Policy, Research, and Improvement

James Horne, Commissioner  
Florida State Board of Education

Jay Pfeiffer, Director of Education Information and Accountability  
Florida Department of Education

William Proctor, Executive Director  
Florida Council for Education Policy, Research, and Improvement

David L. Wright, Policy Director  
Florida Council for Education Policy, Research, and Improvement

Members of the Florida Board of Education's  
Higher Education Funding Advisory Council at its final meeting,  
December 3, 2002