



**FEASIBILITY PLAN FOR IMPLEMENTATION
OF A STATE COLLEGE SYSTEM**

**Report and Recommendations by the
Florida Postsecondary Education Planning Commission**

December 1998

POSTSECONDARY EDUCATION PLANNING COMMISSION

Richard C. Alterman, Chair
Opa Locka

Brian W. Dassler
Gainesville

Karen L. Plunkett
Orlando

Inez W. Bailey
Niceville

Thomas J. Haynes
Tallahassee

Maria M. Shelton
Davie

Robert A. Bryan
Gainesville

H. Clyde Hobby
New Port Richey

Edgar E. Tolle
Crystal River

Ivie R. Burch
Panama City

James E. Kirk, Jr.
Ocala

William B. Proctor, Executive Director

The Postsecondary Education Planning Commission, initially created by executive order in 1980, given statutory authority in 1981 (SS 240.145 and 240.147, Florida Statutes), and reauthorized by the 1991 Legislature, serves as a citizen board to coordinate the efforts of postsecondary institutions and provide independent policy analyses and recommendations to the State Board of Education and the Legislature. The Commission is composed of 11 members of the general public and one full-time student registered at a postsecondary education institution in Florida. Members are appointed by the Governor with the approval of three members of the State Board of Education and subject to confirmation by the Senate.

A major responsibility of the Commission is preparing and updating every five years a master plan for postsecondary education. The enabling legislation provides that the Plan "shall include consideration of the promotion of quality, fundamental educational goals, programmatic access, needs for remedial education, regional and state economic development, international education programs, demographic patterns, student demand for programs, needs of particular subgroups of the population, implementation of innovative educational techniques and technology, and the requirements of the labor market. The capacity of existing programs, in both public and independent institutions, to respond to identified needs shall be evaluated and a plan shall be developed to respond efficiently to unmet needs."

Other responsibilities include recommending to the State Board of Education program contracts with independent institutions; advising the State Board regarding the need for and location of new programs, branch campuses and centers of public postsecondary education institutions; periodically reviewing the accountability processes and reports of the public and independent postsecondary sectors; reviewing public postsecondary education budget requests for compliance with the State Master Plan; and periodically conducting special studies, analyses, and evaluations related to specific postsecondary education issues and programs.

Further information about this publication as well as other Commission publications, meetings and activities of the Commission may be obtained from: the Postsecondary Education Planning Commission, 325 West Gaines Street, Ralph Turlington Building, Tallahassee, Florida, 32399-0400; Telephone (850) 488-7894; FAX (850) 922-5388; Website - www.firn.edu/pepc.

POSTSECONDARY EDUCATION PLANNING COMMISSION

**Feasibility Plan for Implementation of a
State College System**

Prepared in Response to Specific Appropriation 57
of the 1998 General Appropriations Act
Chapter 98-422, Laws of Florida

December 1998

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Proviso language accompanying Specific Appropriation 57 in the 1998 General Appropriations Act (Chapter 98-422, L.F.) assigns the following responsibility to the Postsecondary Education Planning Commission:

Prior to the release of the remaining unallocated funds in Specific Appropriation 57, the Postsecondary Education Planning Commission shall develop a feasibility plan outlining the actions necessary to create a "middle tier" system for our state. The plan should address governance issues related to implementation of this response to access. This plan should be completed by December 31, 1998, for submission to the Legislature for consideration.

Challenges and Choices: The Master Plan for Florida Postsecondary Education, adopted by the Commission in January 1998, identified postsecondary access as a primary issue in the coming years. The Plan projected that total headcount enrollment in Florida's public and independent colleges and universities in 2010 would be 888,141, an increase of 258,746 (+41 percent) over 1995 levels. While more recent projections prepared for the Commission have lowered the estimated growth to 196,645, the expected increase is still substantial. To accommodate this growth, the **Master Plan** recommended a number of possible responses including increasing enrollment at existing institutions, establishing a state college or "middle tier" system, authorizing baccalaureate degrees in selected fields to be offered by community colleges, increasing the number of joint-use facilities involving universities and community colleges, encouraging more students to attend in-state private institutions, and increasing the use of distance learning and instructional technology. The **Master Plan** also contained preliminary estimates on the cost per student of each of these responses.

The purpose of this study is to build upon the previous work in the **Master Plan** and to identify what a middle tier or state college system would ideally encompass if it were to be created, as well as the actions necessary to establish such a system. Clearly, the feasibility of such a system is contingent upon sufficient resources and commitment. This study was not conducted in a vacuum; several other efforts have a direct bearing on the State's ultimate approach to postsecondary access. These include:

- **The State University System Strategic Plan**, adopted on November 19. The Plan provides for institutional mission differentiation which could affect how undergraduate education is provided.
- **The Community College System Strategic Plan**, scheduled for adoption in January 1999. This Plan outlines a process for considering authorization of selected baccalaureate degree programs in the colleges.

INTRODUCTION

Legislative Charge

BACKGROUND

- **Joint-Use Facilities.** Specific Appropriation 57 of the 1998 General Appropriations Act provides \$15 million for capital projects cooperatively identified by the Board of Regents and the State Board of Community Colleges and approved by the Postsecondary Education Planning Commission. Funds are to be released after January 1, 1999.
- **Analysis of Current Facility Utilization and Future Needs.** This is being conducted by the Commission at the request of a Senate committee as well as in connection with the current study. It will be produced as a separate but related document by January 1, 1999.
- **Site-Determined Baccalaureate Degree Access Program.** Also referred to as Regents Centers and College-University Centers, the concept calls for the identification of local sites that would house four-year degree programs offered by one or more external institutions. This is addressed in a bill filed recently in the Senate and will be considered by the 1999 Legislature.

Some of these initiatives have not yet been finalized. Consequently, the Commission plans to prepare a Supplement to the *Master Plan* on Access which will identify a recommended course of action based upon the findings of this study as well as all the initiatives referred to above. The Supplement is scheduled for consideration by the Commission at its February 1999 meeting.

Approach

The current study was overseen by the Commission's Planning Committee, chaired by Dr. Maria Shelton and including Rick Alterman, Jim Kirk, Brian Dassler, Tom Haynes, and Karen Plunkett. To respond to this legislative assignment, the Commission contracted with MGT of America. Dr. Dan Layzell and Dr. Kent Caruthers served as principal investigators on behalf of MGT, and their report is contained in Appendix A.

FINDINGS AND CONCLUSIONS

State colleges represent a major pathway to baccalaureate degree access in many states. Appendix B displays data for five states with systems and institutions often used for peer comparisons with Florida. With the exception of Ohio, the other four states serve a significant share of their four-year undergraduate enrollment in Master's or Baccalaureate level institutions (Michigan, 49 percent; North Carolina, 63 percent; Texas, 49 percent; and Virginia, 35 percent). All of these states serve a large number of students through their community colleges as well.

While the findings and conclusions that follow do not provide a comprehensive answer to the overall issue of access to postsecondary education, they do represent an important component for development of the

Master Plan Supplement on Access. Consequently, this work should be useful in the months ahead.

The Commission concurs with the study consultants regarding the appropriate principles for design and development of a system of state colleges.

Guiding Principles

- A state college system would not be expected to fully accommodate the projected enrollment growth and is viewed as only one of the several responses that the state will use to meet future demand.
- A state college system would be developed through a combination of both existing and new facilities, with initial development taking place through the State's existing system of postsecondary education.
- A state college system would primarily offer education at the baccalaureate level but could also offer a limited number of Master's level courses and programs.
- A state college system would primarily offer degree programs in core areas such as liberal arts and sciences, business, education, and social sciences.
- The criteria for locating the state college system throughout the state would be primarily market driven, focusing on a demonstrated local need and existing local postsecondary opportunities.

Each of these principles is further discussed in Appendix A.

The Commission concurs with the following points identified by the consultants concerning the role and mission of a state college system.

Role and Mission

- Providing high quality undergraduate education at an affordable price.
- Offering core programs in the liberal arts and sciences as well as selected professional programs such as business and education.
- Promoting regional and statewide economic development and revitalization efforts.
- Encouraging inter-institutional cooperation as a means of meeting educational needs efficiently and effectively.

- Providing upper-division undergraduate opportunities for community college transfer students.

Again, these points are discussed in further detail in Appendix A.

Governance

The consultant report reviews potential governance structures for a state college system and applies seven evaluative criteria to three possible options: establish the colleges within an existing system; establish the colleges as a separate system; or, create individual institutions with local governing boards. Their conclusion is that the most favorable approach would be to include the state colleges within a modified Community College System with a reconstituted Board of State Colleges. The primary argument in favor of including the state colleges as part of the CCS is that the mission of the community colleges most closely resembles that envisioned for the new institutions. In addition, the consultants believe the current governance structure for the community colleges (state-wide coordinating board with institutional boards of trustees) combines the benefits of statewide coordination with flexibility and responsiveness to local needs.

The Commission does not concur with the conclusion of the consultants that such a system should be governed by a reconstituted State Board of Community Colleges. While the Commission supports the concept of institutional boards for a system of state colleges, it believes that assigning oversight of such institutions to either existing public postsecondary system would be susceptible to concerns regarding mission creep. The Commission would favor creation of a separate state coordinating board for any four-year institutions that may be established or designated. Such a board would enable development of the unique identity and mission that these institutions would possess. To guard against unnecessary duplication of programs, the Commission should have a role in program review and approval. This responsibility is not uncommon for similar boards in states with multiple delivery systems such as Texas and Virginia.

Cost Estimates

The consultant's analysis considers operating, capital, and land acquisition costs for the creation of new state colleges and also addresses the possibility of designating existing campuses to fulfill this role. Initial start-up costs are estimated at \$33.8 million per institution with a first year enrollment of 1,100 FTE. Since \$27.5 million (81 percent) of this estimate is for capital construction (\$17.5 million) and site development (\$10 million), it is clear that using existing campuses with available capacity would greatly reduce costs in the short term.

The Commission concurs with this analysis and supports the initial use of existing community college and concurrent campuses as the initial

sites for any efforts to establish a system of state colleges. The cost estimates for creation of the state college (middle tier) system provide an excellent benchmark against which the cost of other proposed responses to postsecondary access needs may be measured.

The above findings and conclusions respond to the request of the Legislature to outline what a system of state colleges would look like in terms of mission, governance, and cost if it were to be established. While the Commission was not specifically directed in proviso to answer the question of whether such a system should be created, this will be addressed in a supplement to the *Master Plan* on Access scheduled for consideration in February 1999. There are a number of factors which would suggest that establishment of such a system is premature at this time. First, the recently adopted Strategic Plan of the SUS establishes differentiated missions for each of the institutions and includes four institutions whose primary focus will be undergraduate education. More time is needed to determine the effectiveness of this strategic approach to increasing baccalaureate access and production. Second, initiatives concerning concurrent use facilities involving both public and independent postsecondary institutions are currently being considered by the Legislature and will be addressed in the Commission's Access supplement to the *Master Plan*. Preliminary indications are that this strategy should be a cost-effective alternative to creating a new system of state colleges.

Final Note

APPENDIX A

**MIDDLE TIER FEASIBILITY STUDY
FINAL REPORT**

SUBMITTED TO:

**FLORIDA POSTSECONDARY EDUCATION
PLANNING COMMISSION**

SUBMITTED BY:

**MGT OF AMERICA, INC.
2425 TORREYA DRIVE
TALLAHASSEE, FLORIDA 32303**

DECEMBER 4, 1998

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1.0 INTRODUCTION AND OVERVIEW

1.0 INTRODUCTION AND OVERVIEW

1.1 Introduction and Background

The Commission's Master Plan states that "the state must provide additional capacity in higher education ..." due to an anticipated growth of 250,000 additional students through the year 2010. One of the responses considered by the Commission is the establishment of a "middle tier" system of public colleges in Florida with a sole focus on the provision of baccalaureate-level instruction. Preliminary analysis of this response indicates that such a system could accommodate up to 125,000 new students.

As a result, the Commission adopted the following recommendation as part of its 1998 Master Plan for Florida Postsecondary Education:

The Postsecondary Education Planning Commission should develop a feasibility plan outlining the actions necessary to create a "middle tier" system for our state. The plan should address governance issues related to the implementation of this response to access. This plan should be completed by December 31, 1998 for submission to the Legislature for consideration.

The 1998 Florida Legislature also included similar proviso language as part of the 1998 General Appropriations Act (House Bill 4201). The purpose of this chapter is to provide an overview of Florida's current system of postsecondary education, as well as an outline of the major chapters of this report.

1.2 Overview of Florida's Current System of Postsecondary Education

Before moving into a discussion of the proposed "middle tier" system, it is useful to review Florida's current system of postsecondary education. This system consists of the following:

- **The State University System (SUS)**, consisting of 10 institutions serving 213,066 students in Fall 1997;
- **The Community College System (CCS)**, consisting of 28 colleges serving 320,710 college credit students in Fall 1997; and
- **Independent institutions** including 23 regionally accredited four-year colleges, universities, and other institutions overseen by the State Board of Independent Colleges and Universities serving 111,557 students in Fall 1997.¹

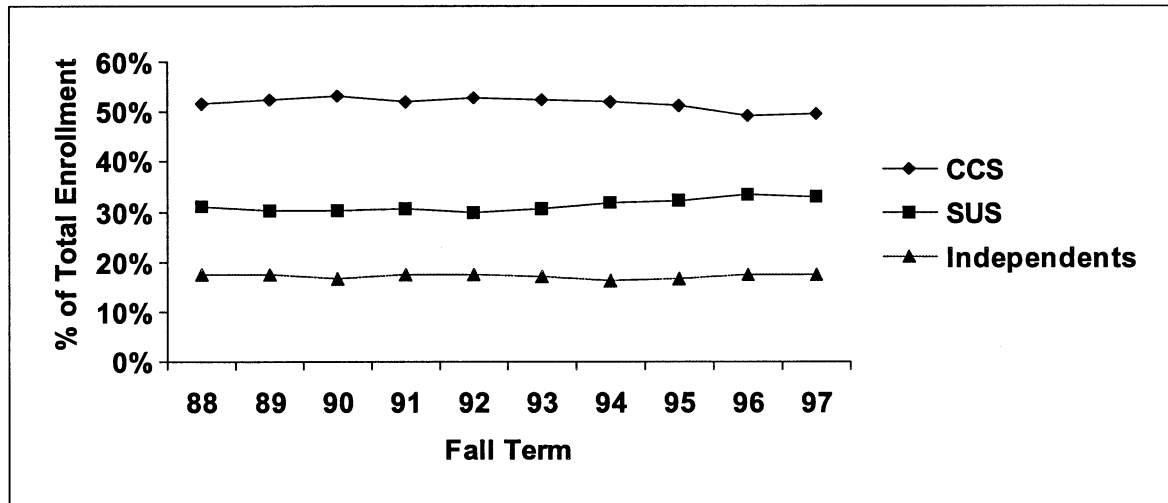
Students enrolled at these institutions are served through a complex delivery system comprised of:

- Main campuses;
- Branch campus offerings;
- Joint-use facilities involving a state university and community college district; and
- Distance learning and other instructional technologies

Overall, total headcount enrollment in these three sectors grew from 510,204 in Fall 1988 to 645,333 in Fall 1997, an increase of 135,129 students or 26.5 percent. Exhibit 1-1 shows the percentage distribution of the total headcount enrollment comprised by each one of these sectors. As indicated, the relative proportions of total enrollment represented by each sector have remained fairly constant during this period, with the CCS accounting for approximately half of all enrollment and the SUS accounting for about one-third of the total.

¹ This does not include the non-degree granting postsecondary proprietary sector..

**EXHIBIT 1-1
DISTRIBUTION OF FLORIDA HIGHER EDUCATION ENROLLMENT
FALL 1988 TO FALL 1997**



As mentioned earlier, one of the factors behind this study is the anticipated growth of as many as 250,000 additional students in Florida higher education through the year 2010, and the concern that there will not be sufficient access to higher education for these students through Florida's current system of higher education. This estimated growth is based on the past statistical relationship between Florida's higher education enrollment, high school graduates, and population age 18 to 44, as applied to future projections of high school graduates and 18 to 44 population. Some observers in the state have questioned the veracity of this projection, feeling that it is overstated. We would point out, however, that this projected growth is consistent with the actual trend in statewide growth in enrollment between 1970 and 1995.

Another factor contributing to the interest in a possible "middle tier system" of institutions is concern over Florida's relatively low baccalaureate production rate and the ultimate negative effect this may have on the state's future economic development. Research has demonstrated that the educational level of the work force is one of the top factors considered by firms when considering whether to move to a

new location. Florida's baccalaureate production rate² is 75 percent of the average of the top ten economically strong states in the U.S.. Further, the percent of Florida's population age 25 or older with at least bachelor's degree is only 90 percent of the U.S. average. Together, these data suggest that the state is at a possible competitive disadvantage for attracting and retaining industry.

It should be noted that the community colleges are considering a proposal that could conceivably enhance baccalaureate production for the state. The community colleges are considering a pilot program whereby certain community colleges would be able to offer "limited" bachelor's degree programs on campus. This would allow students who might otherwise not be able to transfer to a four-year institution to finish a bachelor's degree at the community college.

1.3 Major Sections of the Report

Following this introductory chapter, the report will consist of three primary sections:

- Chapter 2.0 will present a statement of guiding principles and proposed mission statement for the middle tier
- Chapter 3.0 will present an evaluation of potential governance structures for the middle tier.
- Chapter 4.0 will present start-up, operating, and capital cost estimates for the middle tier.
- Chapter 5.0 will present a summary overview of the middle tier based on the findings and conclusions from the previous chapters.

Earlier versions of Chapter 2.0 and 3.0 were presented to and discussed with Commission members at their August and October 1998 meetings.

² Calculated as bachelor's degrees granted per 100,000 18-44 population.

**2.0 STATEMENT OF GUIDING
PRINCIPLES AND PROPOSED
MISSION STATEMENT FOR A
MIDDLE TIER SYSTEM**

2.0 STATEMENT OF GUIDING PRINCIPLES AND PROPOSED MISSION STATEMENT FOR A MIDDLE TIER SYSTEM

This chapter of the report discusses the underlying purpose, role, and mission of a “middle tier” of higher education in Florida. Specifically, this report covers the following topics:

- Definition of a “middle tier” institution
- Overview of “middle tier” systems nationally
- Proposed guiding principles in developing the “middle tier”
- Proposed mission statement for the “middle tier”

2.1 Definition of a “Middle Tier” Institution

An important initial requirement for developing guiding principles, role, and mission related to the “middle tier system”, is a working definition of what it means to be a “middle tier institution”. The use of the term “middle tier” has grown out of the belief on the part of some observers that Florida needs a system of institutions that are programmatically between the state’s community colleges and the State University System . As mentioned in Chapter 1.0 this is due to the state’s projected enrollment growth and relatively low baccalaureate degree production rate. It is envisioned that these institutions would focus primarily on the provision of instruction at the baccalaureate level, although there would also be limited master’s level programs.

The Carnegie Foundation for the Advancement of Teaching has developed a typology of institutions that is widely recognized as the standard in classifying institutions with similar programs and purposes. The basic categories of institutions within this typology are as follows:

- Research universities

Statement of Guiding Principles and Proposed Mission Statement for a Middle Tier System

- Doctoral universities
- Masters (Comprehensive) colleges and universities
- Baccalaureate colleges
- Associate of Arts colleges
- Specialized institutions (e.g., tribal colleges, theological institutions)

Each category is further delineated into subcategories based on such factors as degrees awarded annually, the amount of external research support, and admissions selectivity.

Given that the underlying concern of the Commission in considering this particular response to the access issue has been with declining access to baccalaureate-level education, the category of institution within the Carnegie Foundation typology that seems to best represent the intent of the Commission is that of “Baccalaureate Colleges”. The Carnegie definition for this type of institution is as follows:

Baccalaureate Colleges: These institutions are primarily undergraduate colleges with major emphasis on baccalaureate degree programs.

This category is further differentiated into two subcategories: Baccalaureate Colleges I (BC I) and Baccalaureate Colleges II (BC II). BC I institutions are those that award at least 40 percent of their degrees in liberal arts fields and are restrictive in admissions. BC II institutions are that that award less than 40 percent of their degrees in liberal arts fields or are less restrictive in admissions. Many of these institutions also offer master’s degrees in a small number of fields, as is envisioned for the proposed middle tier.

According to the Carnegie Foundation, there are a total of 637 “baccalaureate colleges” in the United States and Puerto Rico. Of this total, 82, or 12.9 percent, are public institutions covering 33 states and Puerto Rico. This relatively small percentage is not surprising, given the large number of private liberal arts colleges which fall within this category. The states with public baccalaureate colleges are shown in Exhibit 2-1.

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As indicated, most of these institutions are located in the South and Northeast, although there are none in Florida.

**EXHIBIT 2-1
PUBLIC BACCALAUREATE COLLEGES BY STATE AND REGION
(excludes Puerto Rico)**

Northeast	South	Midwest	West
Connecticut (1)	Alabama (1)	Indiana (2)	Colorado (5)
Maine (4)	Arkansas (2)	Minnesota (3)	Hawaii (2)
Massachusetts (1)	Georgia (1)	Missouri (2)	Idaho (1)
New Hampshire (2)	Maryland (1)	Nebraska (1)	Montana (1)
New Jersey (3)	Mississippi (2)	North Dakota (3)	Oregon (1)
New York (5)	North Carolina (3)	Ohio (6)	Utah (1)
Pennsylvania (4)	Oklahoma (4)	South Dakota (2)	Washington (1)
Vermont (1)	South Carolina (3)		
	Texas (2)		
	Virginia (3)		
	West Virginia (8)		
N=21	N=30	N=19	N=12

Source: Carnegie Foundation for the Advancement of Teaching, A Classification of Institutions of Higher Education, 1994 Edition.

These institutions enrolled a total of 275,000 students, or an average of almost 3,200 students per institution.

2.2 Overview of “Middle Tier Systems” Nationally

If we were to apply the baccalaureate college definition presented in the previous section to existing public college and university systems in the United States, we would find that there is no college and university system that is comprised solely of these types of institutions. However, many of these institutions are part of university systems. In fact, of the 82 institutions included in Exhibit 2-1 above, 58 or 70.7 percent are part of a multi-campus university system. Also, as noted previously, while their focus is on undergraduate education many of these institutions offer the masters degree in a limited number of degree areas as well. Some of these university systems and the related institutions are listed below:

- **The University of North Carolina System**
 - University of North Carolina at Asheville

Statement of Guiding Principles and Proposed Mission Statement for a Middle Tier System

- Elizabeth City State University
- Winston-Salem State University

- **The State University of New York (SUNY) System**
 - SUNY at Old Westbury
 - SUNY at Purchase
 - Empire State College

- **The University System of Georgia**
 - Savannah State College

- **The Texas A&M University System**
 - Texas A&M at Galveston

- **Mississippi Institutions of Higher Learning**
 - Mississippi University for Women
 - Mississippi Valley State University

As mentioned at the start of this paper, the concept of the “middle tier” grows out of the belief that there is a need for institutions in Florida that are programmatically between universities which have a heavy emphasis on graduate education and community colleges which focus on higher education below the baccalaureate level. If we broaden our concept of the “middle tier” to include other related types of institutions, there are some public systems of higher education that fall within this scope. These middle tier systems can be separated into two categories:

- ***Stand-alone systems*** in which all of the institutions have a similar role and mission;

- ***Segmented statewide systems*** in which the “middle tier” is a clearly defined segment of the larger state system, with a strong mission in undergraduate education.

Exhibit 2-2 provides examples of both types of “middle tier” systems.

**EXHIBIT 2-2
“MIDDLE TIER” SYSTEMS BY CATEGORY**

Stand Alone Middle Tier Systems	Segmented Statewide Systems
<ul style="list-style-type: none"> ■ California State University System ■ Connecticut State University System ■ Nebraska State Colleges ■ Pennsylvania State System of Higher Education ■ State College System of West Virginia ■ Vermont State Colleges 	<ul style="list-style-type: none"> ■ SUNY System (State Colleges) ■ University of Wisconsin System (University Cluster)

One of the distinguishing aspects of both types of systems is an overt policy, either implemented by the governing board or proscribed by state statute, of clearly limiting graduate offerings by constituent institutions. A common limit within such systems is no doctoral-level education, or tightly controlled offerings at the doctoral level. In fact, the graduate offerings of such institutions are typically concentrated in education-related fields given their heavy teacher-preparation emphasis at the undergraduate levels. For example, the California State University System has as part of its stated mission the following statement: *CSU offers or proposes to offer instruction at the doctoral level jointly with the University of California and with private institutions of postsecondary education, or independently in the field of education where the need is clearly demonstrated.*

The SUS currently does not have any stated differentiation in focus and mission among its ten institutions. However, there is currently a proposal under consideration within the SUS which would create three “tiers” based on the graduate research mission.

Statement of Guiding Principles and Proposed Mission Statement for a Middle Tier System

This is similar to the segmented statewide systems discussed above. The proposed tiers would be as follows:

- **Research I:** University of Florida, Florida State University, University of South Florida
- **Research II:** Florida Atlantic University, Florida International University, University of Central Florida
- **Comprehensive:** Florida A&M University, Florida Gulf Coast University, University of North Florida, University of West Florida

The Research I institutions would be viewed as the major research universities in the state, with a strong emphasis on graduate education and research activity. Undergraduate enrollment would be capped, and these institutions would be able to charge more for tuition. The Research II and Comprehensive tiers, while still having research, graduate education, and service as part of their missions, would have increasingly larger roles in undergraduate education. The rationale behind such a tier system is that this will enable the SUS to better target its resources. Predictably, this proposal has met with opposition from some of those institutions in the Research II and Comprehensive tiers who view it as creating an educational caste system where their institutions would be seen as less prestigious than those in the top tier.

2.3 Proposed Guiding Principles for Developing a “Middle Tier” System

Given the significance of this policy issue, it is imperative that the Commission have a set of guiding principles to assist it in evaluating the various issues associated with the establishment of another postsecondary education option to meet the state’s need for undergraduate education. The following are a set of proposed guiding principles for the Commission’s consideration. They were developed through an assessment of related systems and institutions in other states, as well as conversations

Statement of Guiding Principles and Proposed Mission Statement for a Middle Tier System

with key higher education observers at the state level in Florida. These proposed principles are reported in no certain order of importance.

- ***The “middle tier” is not expected to fully accommodate the projected enrollment growth, and is viewed as only one of the several responses that the state will use to meet future demand.*** As indicated in the Commission’s master plan, there are a variety of responses that could be used to meet enrollment demand including growing the SUS and adding limited baccalaureate programs to some community colleges. No single response will be adequate to meet this demand, although the Commission anticipates that up to one-half of this demand could be met through the “middle tier” response.
- ***The “middle tier” will be developed through a combination of both existing and new facilities, with initial development taking place through the state’s existing system of postsecondary education.*** The Commission will evaluate the feasibility of a number of alternatives including adding an upper-division to some community colleges, the addition of additional joint-use facilities, and conversion of branch campuses, as well as the development of new institutions. One of the common themes emerging from our interviews with key observers in the state was a belief that any future enrollment demand should be addressed first through the state’s existing system of higher education. Only after all existing capacity has been exhausted should new institutions be developed. We generally concur with this, and believe in fact that there are opportunities for the state to utilize its existing system in ways that maximize undergraduate capacity. For example, one option might be to establish “multi-institution centers” in certain areas of the state, where various SUS institutions, community colleges, and independent institutions have the opportunity to jointly offer courses and programs to meet local undergraduate education needs. While new to Florida, this strategy has been used successfully in other states including Illinois, Michigan, Minnesota, and Texas. This is essentially an expansion of the “joint use facility” concept currently in place in some locations of the state.
- ***The “middle tier” will primarily offer education at the baccalaureate level.*** Given the need to increase baccalaureate production in the state, the focus of the “middle tier” should be at the undergraduate level. However, these institutions should also have limited offerings at the master’s level based on local needs and institutional ability.
- ***The “middle tier” institutions will primarily offer degree programs in core areas.*** These areas include the following: liberal arts and sciences; business; education; and social sciences. Other degree program areas will be considered where appropriate. Every

effort will be made to minimize program duplication with the State University System and four-year institutions in the independent sector.

- ***The criteria for locating the “middle tier” throughout the state will be primarily market-driven, focusing on a demonstrated local need and existing local postsecondary opportunities.*** The state cannot afford to allocate additional educational resources to areas with existing capacity and capability to meet that need. Thus, the primary considerations driving the geographic placement of new strategies to local or regional higher education needs should be supply and demand. Other factors considered should include estimated cost and time to implementation.

2.4 Role and Mission of the Middle Tier System

A companion to the guiding principles outlined in the previous section is the expected role and mission of the proposed middle tier system. Ultimately, there will be a need for a broad mission for the middle tier as well as more specific missions for each institution established. Our assumption is that each institution will have its own distinct mission, thus we will focus here on a proposed mission for the middle tier as a whole.

We noted the following common components in reviewing mission statements from both public middle tier systems and baccalaureate institutions in other states (see Appendix for a sample of mission statements):

- Providing high quality undergraduate education at an affordable price
- Offering core programs in the liberal arts and sciences, as well as selected professional programs such as business and education
- Promoting regional and statewide economic development and revitalization efforts
- Encouraging inter-institutional cooperation as a means to meeting educational needs efficiently and effectively
- Providing upper-division undergraduate opportunities for community college transfer students

Statement of Guiding Principles and Proposed Mission Statement for a Middle Tier System

We recommend that the mission statement for the middle tier encompass each of these components.

**3.0 EVALUATION OF
POTENTIAL GOVERNANCE
STRUCTURES FOR A MIDDLE
TIER SYSTEM**

3.0 EVALUATION OF POTENTIAL GOVERNANCE STRUCTURES FOR A MIDDLE TIER SYSTEM

The purpose of this chapter is to present relevant information on this issue, including the following topics:

- The concept of “governance” in higher education
- An overview of governance models in place nationally
- A discussion of possible governance structures for a potential “middle tier” system in Florida
- An assessment of these governance structures according to a set of evaluative criteria
- Implications of this evaluation for the state

3.1 The Concept of “Governance” in Higher Education

The concept of “governance” has various meanings and connotations within higher education. At a campus level, the term “governance” generally refers to the complex structure in place that involves a sharing of power and authority among and between the senior administration, faculty (including the faculty senate), staff, and students. For campuses with their separate boards of trustees, this sharing of power also involves the governing board members. This structure is characterized by several permanent and ad hoc committees and councils that develop policies and procedures related to all aspects of campus operation.

At a system and state-level, the concept of governance more often refers to the relationship between the campus administration, governing board, and state policymakers and elected officials (including the governor and legislature). Oftentimes, a reference to “governance” at this level includes the formal organizational structure in

place. The formal powers and responsibilities of these various parties with regard to public institutions are set by some or all of the following, depending on the state:

- the state constitution;
- state statutes; and
- administrative rules and regulations

Just as important as these formal mechanisms are the historical practices and traditions in place in each state that perpetuate the sharing of power and authority among these players. For example, two states may grant their systems of higher education reasonably similar powers and responsibilities via state statute. However, one state's legislature may have historically delegated much more authority in fiscal and budgetary matters to the system and institutions than the other, thus creating two very different governance "cultures" between the two states.

This chapter will focus on the latter concept of governance; that is, the relationship between the institution, system office (if any), governing board, and the state.

3.2 Higher Education Governance Models

As suggested in the previous section, a state's traditions, practices and culture play a significant role in the development of a governance structure for public higher education.¹ Given the uniqueness of each state, then, no state system is exactly the same as another. However, there are three primary governance structures in place, which are described below:

- ***A Consolidated Governance System.*** This refers to a structure where there is one board with authority over all public institutions, both four-year and two-year, or where one board oversees all four-year campuses with separate arrangements for two-year institutions. Examples include the State University System of Florida and the University of Wisconsin System

¹ Much of the information presented in this section comes from the 1997 State Postsecondary Education Structures Sourcebook, published by the Education Commission of the States.

- ***Segmental Systems.*** This refers to a structure where separate boards govern distinct types of campuses, e.g., research universities, comprehensive universities, community colleges. Each of these campuses is generally accredited as separate entity. Examples include the California State University System and Pennsylvania State System of Higher Education.
- ***Individual Campus Level Boards.*** Here, a governing board has full authority over a single campus that is not part of a consolidated governing board or multicampus system. Examples include the Universities of Virginia and Washington.

A hybrid structure that sometimes exists between system and individual institution levels is the “multicampus institution”. This refers to a single institution that has multiple campuses and locations, such as the University of South Florida. Students enroll in a single institution and faculty are members of a single, integrated academic structure, however they are dispersed among two or more sites. These institutions are generally accredited as single entities.

Exhibit 3-1 shows the types of governance structures in place across the states. Under the ECS typology, Florida is classified as a state with a “consolidated governing system” for public higher education although it is appropriately noted that there is a separate state level board for community colleges. As indicated in the exhibit, many states have a mixture of structures in place. As noted earlier, the governance pattern that exists within a state is the direct result of the historical development of public higher education in that state. No single governance structure is “better” than another is; rather, a state’s particular set of historical traditions defines what the governance structure will be. For example, the state of Florida has had a tradition of more centralized governance of public higher education at the state-level; thus we have a more centralized governance structure (i.e., the SUS and CCS). Conversely, the commonwealth of Virginia has tended to have a more decentralized governance

philosophy for its public institutions of higher education, which is why virtually all public four-year institutions have their own governing board.

It should be noted, however, that as with any state policy, higher education governance structures go through alternating periods of change and stability. This “restructuring” occurs for different reasons in each state. In some instances, changes occur because of major shifts in political leadership at the state level. In other instances, frustration among legislators over a lack of coordination among separate institutions or duplication in programs may bring about drive for a more centralized governance structure. For example, the state of Illinois had for several years four separate public university systems representing 12 public universities, and was viewed nationally as a state with a relatively stable governance structure for public higher education. However, in the early 1990’s, legislation was passed which dismantled two of the four university systems (representing seven institutions) due to the combination of a favorable political climate coupled with intensive lobbying by many of these institutions in favor of this restructuring. This legislation gave six of the seven institutions their own governing boards, while assigning the seventh university to one of the two remaining “systems”. This example underscores the fact that governance structures should never be viewed as “permanent”.

A related question to the issue of governance is the issue of state-level coordination. While state-level coordination of higher education is not the focus of this paper, it must be considered when discussing the question of governance. Several states (including Florida) have a state-level board that provides guidance to the governor and legislature in the area of state higher education policy. Some of these boards have significant authority in such areas as public university academic program approval and in

budget-related matters; others tend to play more of an advisory role and do not have any direct impact on institutional matters.

As with governance structures, the type of state board in place is a function of the state's history and development. However, as the governance structure in place in a state evolves and changes over time, state leaders often also find it necessary to evaluate whether changes are warranted with regard to state coordination of higher education. For example, a move to decentralize higher education governance in a state through the conversion of a system governance structure (such as the SUS) to separate boards for each institution within the system, raises the issue of whether stronger state-level coordination among these institutions might be needed to ensure that program duplication is kept to a minimum. Likewise, a move toward a more consolidated governance structure for higher education implies that this governing body will also have some statewide coordination responsibilities. In short, institutional governance and state coordination of higher education are highly interrelated.

**EXHIBIT 3-1
HIGHER EDUCATION GOVERNANCE STRUCTURES IN THE STATES**

State	Consolidated Governing Board	Multicampus or Segmented System	Primarily Single Institution Boards
Alabama		X	X
Alaska	X		
Arizona	X(a)		
Arkansas		X	X
California		X	
Colorado		X	X
Connecticut		X	
Delaware			X
Florida	X(a)		
Georgia	X		
Hawaii	X		
Idaho	X		
Illinois		X	X
Indiana		X	X
Iowa	X(a)		
Kansas	X(a)		
Kentucky		X	X
Louisiana		X	
Maine	X(a)		
Maryland		X	X
Massachusetts		X	
Michigan			X
Minnesota	X		
Mississippi	X(a)		
Missouri		X	X
Montana	X		
Nebraska		X	
Nevada	X		
New Hampshire	X(a)		
New Jersey		X	X
New Mexico		X	X
New York		X	
North Carolina	X(a)		
North Dakota	X		
Ohio		X	X
Oklahoma		X	X
Oregon	X(a)		
Pennsylvania		X	X
Rhode Island	X		
South Carolina		X	X
South Dakota	X		
Tennessee		X	
Texas		X	X
Utah	X		
Vermont	X		
Virginia			X

**EXHIBIT 1 (Continued)
HIGHER EDUCATION GOVERNANCE STRUCTURES IN THE STATES**

State	Consolidated Governing Board	Multicampus or Segmented System	Primarily Single Institution Boards
Washington			X
West Virginia	X		
Wisconsin	X(a)		
Wyoming	X(a)		
Total	24	22	19

(a) The state also has a separate state-level board for community/technical colleges.

Source: 1997 State Postsecondary Education Structures Sourcebook, Education Commission of the States.

3.3 Possible Governance Structures for Middle Tier Institutions

As indicated in the previous section, there are a number of possibilities in constructing a governance structure for the proposed “middle tier”. These options are discussed below:

- **Establish the “middle tier” within an existing system.** This would place the “middle tier” institutions under the authority of either the Board of Regents or the State Board of Community Colleges.
- **Create the “middle tier” as a separate system.** This would involve the development of a new, third postsecondary system for Florida with a separate governing board for the system.
- **Create individual institutions with local governing boards.** Under this model, each new “middle tier” institution would have its own board.

3.4 Evaluation of Possible Governance Structures

In this section, we assess the three possible governance structures according to a set of seven evaluative criteria. These criteria are defined in Exhibit 3-2 below and are presented in no particular order of importance. Many of these criteria are based on the set of guiding principles for the development of a middle tier system that were presented in Chapter 2.0. This evaluation is intended to be one of relative assessment (i.e., a

comparison of the options relative to each other for each criterion) as opposed to an “absolute” standard.

**EXHIBIT 3-2
CRITERIA FOR EVALUATING POTENTIAL MIDDLE TIER
GOVERNANCE STRUCTURES**

Criterion	Definition
Integration With Existing System	To what extent does the structure work within Florida’s existing system of higher education?
Time to Implementation	How long will it take to implement the structure?
Flexibility	How flexible will the structure be in meeting changing needs?
Responsiveness to Local Needs	How responsive will the structure be in enabling institutions to meet local needs?
Responsiveness to State Needs	How responsive will the structure be to the underlying state goal of expanding access for baccalaureate education at lowest possible cost?
Impact on State Coordination of Higher Education	What impact will the structure have on the state’s current mechanism for coordinating higher education at the state level?
Cost	What will the start-up, operational, and capital costs be like?

Integration with Existing System

Establishing the middle tier within an existing system (either the SUS or the Community Colleges) would likely be the most seamless way to integrate the new institutions with Florida’s current system of higher education. This is due to the fact that in each situation, there is both an academic and administrative structure (i.e., policies and procedures) in place which would help to facilitate this integration. Both of the other options would involve the establishment of brand-new and separate academic and administrative structures, either at the system or institutional level.

Time to Implementation

As with the previous section, establishing the middle tier within an existing system would take the least amount of time of all three options, given that there are already academic and administrative structures in place. The other two options would require that these structures first be established before the institutions could become operational. Additionally, the existing systems could use existing branch campuses and centers as a foundation for the middle tier, further reducing time to implementation.

Flexibility

Creating individual institutions with local governing boards would likely provide the most flexibility in meeting changing needs. Either of the “system” options would likely prove to be more cumbersome in the long run given that systems, by their nature, tend to be built on a foundation of checks and balances that foster a more bureaucratic approach to governance. On the other hand, a benefit of systems is that they promote the pooling of institutional resources so that their **ability** to meet changing needs is generally greater than that of a single institution.

Responsiveness to Local Needs

Creating individual institutions with local governing boards would encourage these institutions to be much more responsive to local needs than if they were part of a larger system where the governing body was geographically distant from the institution. Also, as previously noted, these institutions would likely have more flexibility in meeting local needs.

Responsiveness to State Needs

The underlying goal of the state in establishing a “middle tier” of institutions is to enhance access to baccalaureate-level education for all Florida residents at the lowest

cost, thereby increasing the number of bachelor's degrees granted within the state. Establishing the middle tier as either a separate system or as individual institutions would be more likely to increase this access because new institutions would be likely to be established in geographic locations where there is a demonstrated need, thereby increasing access. If the state were to work within the two existing systems, there would likely be no real improvements to geographic access for Florida residents, at least in the short-term.

Impact on State Coordination

All of these options would add to the complexity of coordinating state higher education policy simply by adding more postsecondary choices; however, establishing the "middle tier" within an existing system would likely have the least impact because the state would be working with existing and experienced governance structures. The other two options would add a significant degree of complexity to all activities related to state coordination of higher education, ranging from basic information gathering to budget preparation and analysis.

Cost

As indicated earlier, there are three cost components to be considered in establishing the middle tier: start-up, operational, and capital. All are addressed below.

- **Start-Up Cost.** Because there is an existing academic and administrative structure in place, establishing the middle tier within either the SUS or Community College System would be the least costly in the initial phases. This is because both structures would need to be established if the other two options were chosen.
- **Operational Cost.** Once up and running, the operational costs of the middle tier would probably vary little among the three governance options. This is because the direct costs involved in operating a "middle tier" institution should not vary depending on the governance structure in place. There would likely be a slightly higher cost involved if the middle tier were established as a separate

Evaluation of Potential Governance Structures for a Middle Tier System

system given that there would be an additional system administration structure in place to fund on an ongoing basis.

- **Capital Cost.** There might be a slight capital cost advantage *in the short-term* to establishing the middle tier within an existing system given that it could make use of unused capacity in existing facilities. However, once the existing SUS or CCS facilities were at capacity, there would be no substantive differences in the additional capital cost among the three options (including site development/land acquisition).

It should be stressed, however, that in reality the cost of the middle tier will be based on the amount of funding appropriated for this purpose. In short, the more the state appropriates for the middle tier, the more it will cost, and vice versa.

Summary

A summary evaluation of the three options is presented in Exhibit 3-3 below.

**EXHIBIT 3-3
SUMMARY EVALUATION OF THREE GOVERNANCE STRUCTURES**

Criteria	Existing System	New System	Separate Institutions
Integration with Existing System	+	-	-
Time to Implementation	+	-	-
Flexibility	-	-	+
Responsiveness to Local Needs	-	-	+
Responsiveness to State Needs	-	+	+
Impact on State Coordination	+	-	-
Cost:			
Start Up	+	-	-
Operating	=	=	= (Possibly Somewhat Higher)
Capital	+ (Short Term)	=	=

KEY: + (More Favorable); = (Relatively Similar); - (Less Favorable).

3.5 Implications of the Evaluation for the State

Our evaluation of the three governance options in the previous section suggests that the most favorable strategy for developing the “middle tier” would be to incorporate it as part of one of the two existing systems of public higher education. In this final section, we briefly discuss the arguments both in favor and against developing the “middle tier” as part of either the SUS or the CCS.

Establishing the “Middle Tier” as Part of the SUS. There are two primary arguments in favor of establishing the “middle tier” as part of the SUS vs. the CCS. The first is that the SUS is comprised of baccalaureate-granting institutions and has the “infrastructure” and experience to get such institutions up and running (including very recent experience with Florida Gulf Coast University). A second, related argument in favor of the SUS is that if the decision were made to convert some of the existing branch campuses into “middle tier” institutions, there would be fewer regional accreditation issues to overcome for the new institutions (e.g., faculty qualifications, etc).

The primary argument against establishing the “middle tier” within the SUS is that the current SUS system set-up (including its funding model) promotes “mission creep” among SUS institutions. “Mission creep” refers to the phenomenon where primarily undergraduate teaching institutions attempt to grow into more comprehensive, graduate-level institutions. While this is not in and of itself “bad”, the process of institutional transformation into a more comprehensive university adds cost where there are limited resources. While a “middle tier” institution may start out in the SUS as a baccalaureate-granting institution with limited master’s programs, it is likely that additional graduate programs would be added in the future, adding to the cost of the institution.

However, one factor that could alleviate “mission creep” is the recent adopted proposal to create greater mission and program differentiation among SUS institutions

within the SUS Strategic Plan for 1998 to 2003. If the new mission differentiation strategy is appropriately implemented, it could create reasonable limits and expectations for development of the proposed “middle tier”.

Establishing the “Middle Tier” as Part of the CCS. The primary argument in favor of establishing the “middle tier” as part of the CCS, is that the mission of the community colleges most closely resembles that of what is envisioned for the “middle tier”: i.e., promoting broad access to higher education at lowest possible cost for Florida residents who might not otherwise have such an opportunity. Additionally, the current structure in place for Florida’s community colleges (i.e., a statewide coordinating board with local boards of trustees for each college) combines the joint benefits of statewide coordination and responsiveness to state needs with responsiveness to local needs and the flexibility to meet these needs.

The primary argument against establishing the “middle” tier as part of the CCS is that there are many operational issues (including accreditation) involved with establishing a new baccalaureate institution, with which the CCS has no experience. However, this may become less of an issue if the CCS were to integrate the initial development of the “middle tier” as part of its current plan to offer limited baccalaureate programs at selected community colleges.

3.6 Summary and Conclusion

As previously discussed, there are a variety of governance structure options that can be considered in constructing a “middle tier” of higher education institutions for Florida, including establishing it as part of one of the existing systems (i.e., the SUS or the CCS), creating a new separate system, or creating separately governed institutions. Each structure has its own set of advantages and disadvantages according to the criteria

used for this evaluation. Our evaluation based on these criteria suggests that the most favorable approach for the state at this point would be to establish the proposed “middle tier” as part of one of the existing systems (i.e., the SUS or the CCS).

While there are arguments both for and against establishing the middle tier as part of the SUS or the CCS, it is our opinion that the most appropriate route would be with the CCS. This is because, as mentioned earlier, we believe that the mission of the community colleges is most closely aligned with that envisioned for the middle tier – promoting broad access to higher education at lowest possible cost for Florida residents who might not otherwise have such an opportunity. While the CCS does not have experience in establishing baccalaureate-level institutions, we believe that this will become less of an issue as the CCS moves forward with its current plan to offer limited baccalaureate programs at selected community colleges. Finally, we believe that the current governance structure in place for Florida’s community colleges (i.e., a statewide board with local boards of trustees for each college) combines the joint benefits of statewide coordination of resources with responsiveness to and understanding of local needs. This, of course, was one of the of the guiding principles for establishing the middle tier discussed earlier in this report.

As a final note, there would be various administrative and legal issues to be addressed if the middle-tier were established within the current CCS. Two key initial issues are:

1. The current “State Board of Community Colleges” would need to be reconstituted statutorily to incorporate the middle-tier. Specifically, the powers and duties of the new board would need to include both community colleges and middle-tier institutions. As part of this action, the board would also need to be renamed.
2. Related to the first issue, this legislation would need to address how local boards would be established for middle-tier institutions and what their powers would be relative to those of the state board.

Clearly any revisions to current statues and establishments of new legislation will require significant work and attention to detail. However, this would be the case no matter what governance route was chosen for the middle-tier.

4.0 MIDDLE TIER COST ANALYSIS

4.0 MIDDLE TIER COST ANALYSIS

This chapter provides an estimate of costs for the proposed middle tier. The topics included in this chapter include the following:

- A discussion of the assumptions underlying the cost estimates
- Estimated first year start-up costs, including site development costs
- Operating costs
- Capital costs

4.1 Assumptions Underlying the Analysis

The primary assumption guiding this analysis is that the middle tier will be established as part of the Community College System (CCS). This is based on the evaluation of governance structures presented in the previous section which suggests that this would be the most favorable governance option for the state to use in setting up the middle tier. This results in a related assumption that there would be no new system administration established for the middle tier. There would, however, be additional planning costs for the CCS associated with the establishment of the middle tier, however it is uncertain what proportion of these costs could be absorbed by the current system budget. Thus, while we note these planning costs, we do not attempt to estimate their marginal impact.

The actual cost assumptions underlying the estimates in this chapter are shown in Exhibit 4.1 below. It should be noted that all cost analysis presented in this chapter is based on the cost per institution given that it is uncertain how many institutions might be established.

**EXHIBIT 4-1
COST ASSUMPTIONS FOR MIDDLE TIER INSTITUTION**

Assumption	Assumption Factor
Average Headcount Served	10,000
FTE/Headcount Conversion Rate	0.55
Average Total FTE Served	5,500
1st Year FTE	1,100
2nd Year FTE	2,200
3rd Year FTE	3,300
4th Year FTE	4,400
5th Year FTE	5,500
Site Development Costs	\$10.0 Milbn
Annual Operating Costs per FTE	\$5,751
Capital Cost per FTE	\$15,877
Annual Inflation Rate (CPI - U)	2.895%

The assumptions are described below.

Average Total Headcount Served by Each Institution. This estimate is based on the assumption that these institutions will each accommodate about the same number of headcount students as the newest public university (Florida Gulf Coast University) is expected to accommodate.

FTE/Headcount Conversion Rate. This assumed conversion rate is based on the average historical conversion rate of FTE to headcount for the SUS and CCS.

Average Total FTE Served. This is the product of the previously mentioned conversion rate and the total headcount. For the purposes of this analysis, we assume that it would take five years to get to full enrollment capacity with equal annual enrollment increments.

Site Development Costs. This assumption is based on the actual site development costs in establishing FGCU.

Annual Operating Cost per FTE. For the purposes of this analysis, we define "annual operating cost" as the amount appropriated by the state to cover educational and general expenses at the institution. Our cost assumption was arrived at by analyzing the relationship between Florida's appropriation per FTE for public universities

and the SREB average (130.1 percent of the SREB average), and then applying this ratio to the SREB average appropriation for Type VI institutions for 1997-98 (\$4,421). These institutions are predominantly undergraduate institutions that award fewer than 30 master's degrees per year, and is comparable to the type of institution envisioned for the middle tier.

Capital Cost per FTE. This assumption is based on the current SUS space standards and average capital construction costs per FTE (\$19,869), excluding costs for research laboratories (\$3,992).

Annual Inflation Rate. This rate is the average change in the Consumer Price Index – Urban (CPI-U) over the past five years.

4.2 Start-Up Cost

For the purposes of this analysis, “start-up costs” are assumed to be equal to site development costs plus first year operating and capital costs for 1999-2000.¹ Exhibit 4-2 shows the estimated start-up costs for a middle tier institution.

**EXHIBIT 4-2
ESTIMATED START-UP COSTS FOR A MIDDLE TIER INSTITUTION**

Cost Factor	Cost
First Year FTE	1,100
Operating Cost per FTE	\$5,751
Total Operating Costs: First Year (1999-2000)	\$6,326,100
Capital Cost per FTE	\$15,877
Total Capital Costs: First Year (1999-2000)	\$17,464,700
Site Development Costs	\$10,000,000
Total Operating, Capital and Site Development Costs	\$33,790,800
Adjusted for Inflation	\$34,769,044

As indicated, the total start-up costs for a middle tier institution are estimated to be \$33.8 million, or \$34.8 million if adjusted for inflation. This includes \$6.3 million in operating

¹ As noted earlier, there would also be marginal planning costs of an undetermined amount.

costs, \$17.5 million in capital construction costs, and \$10 million in site development costs.

4.3 Annual Operating Costs

Estimated annual operating costs for the years 2000-01 through 2003-04 (the year the institution would be expected to reach full enrollment) are shown in Exhibit 4-3 below.

**EXHIBIT 4-3
ESTIMATED ANNUAL OPERATING COSTS FOR A MIDDLE TIER INSTITUTION
2000-01 TO 2003-04**

Cost Factor	2000-01	2001-02	2002-03	2003-04
Cost per FTE	\$5,751	\$5,751	\$5,751	\$5,751
Annual FTE	2,200	3,300	4,400	5,500
Total Operating Cost	\$12,652,200	\$18,978,300	\$25,304,400	\$31,630,500
Adjusted for Inflation	\$13,018,481	\$20,626,565	\$28,234,650	\$36,209,015

As indicated, annual operating costs are expected to grow from \$12.7 million in 2000-01 to \$31.6 million in 2003-04, in current dollars. If adjusted for inflation, these figures are \$13.0 million and \$36.2 million respectively.

4.4 Capital Construction Costs

Estimated capital construction costs for the years 2000-01 through 2003-04 are shown in Exhibit 4-4 below. The annual costs shown in the table are the incremental costs due to annual enrollment growth, since construction costs are non-recurring. It should also be noted that if the middle tier were initially established as part of an existing community college campus (main or branch), there would be little or no capital costs incurred until the campus was at maximum capacity.

EXHIBIT 4-4
ESTIMATED CAPITAL CONSTRUCTION COSTS FOR A MIDDLE TIER INSTITUTION
2000-01 TO 2003-04

Cost Factor	2000-01	2001-02	2002-03	2003-04	Total
Cost per FTE	\$15,877	\$15,877	\$15,877	\$15,877	\$15,877
Annual FTE Growth	1,100	1,100	1,100	1,100	4,400
Total Capital Cost	\$17,464,700	\$17,464,700	\$17,464,700	\$17,464,700	\$69,858,800
Adjusted for Inflation	\$17,970,303	\$18,981,509	\$19,487,112	\$19,992,715	\$76,431,640

As indicated, the incremental capital costs are expected to be \$17.5 million annually in current dollars. If adjusted for inflation, the annual cost grows from \$18 million in 2000-01 to \$20 million in 2003-04. The total capital cost over this period is estimated to be \$69.9 million, or \$76.4 million in inflation adjusted dollars.

4.5 Summary of Estimated Costs

A summary of estimated start-up, operating, and capital costs through the year 2003-04 are shown in Exhibit 4-5 below.

EXHIBIT 4-5
SUMMARY OF ESTIMATED START-UP, OPERATING AND CAPITAL COSTS
FOR A MIDDLE TIER INSTITUTION

Cost Factor	1999-2000	2000-01	2001-02	2002-03	2003-04
Annual FTE Students	1,100	2,200	3,300	4,400	5,500
Site Development Cost	\$10,000,000	-	-	-	-
Annual Operating Cost	\$6,326,100	\$12,652,200	\$18,978,300	\$25,304,400	\$31,630,500
Annual Capital Cost (1)	\$17,464,700	\$17,464,700	\$17,464,700	\$17,464,700	\$17,464,700
Total Annual Cost	\$33,790,800	\$30,116,900	\$36,443,000	\$42,769,100	\$49,095,200
Adjusted for Inflation	\$34,769,044	\$31,860,669	\$39,608,075	\$47,721,762	\$56,201,730
Cumulative Capital Costs	\$17,464,700	\$34,929,400	\$52,394,100	\$69,858,800	\$87,323,500
Adjusted for Inflation	\$17,970,303	\$36,951,812	\$56,944,528	\$77,948,449	\$99,963,577

(1) Capital cost due to incremental enrollment growth.

As indicated, the total annual costs are estimated to be \$33.8 million in 1999-2000 growing to \$49.1 million in 2003-04 in current dollars. If adjusted for inflation, the annual

cost grows from \$34.8 million to \$56.2 million. The total capital cost over this period is estimated to be \$87.3 million, or \$100 million in inflation adjusted dollars.

It should be noted that after full enrollment is reached in 2003-04, it is assumed that annual capital construction costs would drop substantially. After that point, capital costs would be largely related to repair, maintenance, and renovation.

**5.0 SUMMARY OVERVIEW OF
THE MIDDLE TIER**

5.0 SUMMARY OVERVIEW OF THE MIDDLE TIER

The purpose of this section is to summarize the findings and conclusions from the previous chapters into an overview of the middle tier, including guiding principles, proposed mission, governance structure, and cost. Exhibit 5-1 provides a summary of highlights from the previous chapters.

**EXHIBIT 5-1
SUMMARY OVERVIEW OF THE MIDDLE TIER**

Middle Tier Issue	Finding/Conclusion
Guiding Principles	<ul style="list-style-type: none"> ■ Middle tier will be one of several responses to address future enrollment demand ■ Middle tier will be developed as through combination of existing and new facilities ■ Middle tier will primarily offer education at the baccalaureate level in core areas such as business, education, and liberal arts and sciences; but will also have limited master's degree programs ■ Middle tier will be established based on demonstrated local/regional needs.
Mission	<ul style="list-style-type: none"> ■ To provide high quality undergraduate education at an affordable price ■ To offer core programs in liberal arts and sciences, and selected professional programs such as business and education ■ To promote regional and statewide economic development and revitalization ■ To encourage inter-institutional cooperation ■ To provide additional upper-division undergraduate opportunities for community college transfers
Governance Structure	<ul style="list-style-type: none"> ■ Possible governance options for the middle tier include: establishing separate middle tier system; establishing middle tier institutions with their own governing boards; and establishing the middle tier as part of an existing system (i.e., SUS, CCS) ■ Evaluation of three options indicates that the most favorable strategy would be to establish the middle tier as part of an existing system, with the "best fit" being the community college system.
Cost	<ul style="list-style-type: none"> ■ Assume that each middle tier institution would serve approximately 10,000 headcount students (5,500 FTE) and would take five years to reach full enrollment. ■ First year start-up costs (operating, capital, start-up) for each institution would total \$33.8 million ■ Operating costs for each institution would be \$31.6 million at full enrollment ■ Total capital costs to build a middle tier institution would be \$87.3 million. However, the <u>initial</u> costs to establish a middle tier institution would be less if utilizing existing unused capacity.

APPENDIX B

**Public Universities and Community Colleges
by Carnegie Classification with Undergraduate Enrollments
Fall 1997**

Florida 47th (844)*		Texas 45th (895)*		North Carolina 27th (1,079)*	
Institution	Undergrad Enrollment	Institution	Undergrad Enrollment	Institution	Undergrad Enrollment
Research I:		Research I:		Research I:	
UF	27,033	UT Austin	36,861	NC State	21,520
FSU	23,984	Texas A&M	31,482	Chapel Hill	15,316
Total	51,017	Total	68,343	Total	36,836
% of 4-Yr Enrollmt	30%	% of 4-Yr Enrollmt	22%	% of 4-Yr Enrollmt	30%
Research II:		Research II:		Doctoral I:	
USF	26,783	U. of Houston	22,369	UNC-Greensboro	9,741
% of 4-Yr Enrollmt	16%	Texas Tech	20,806	% of 4-Yr Enrollmt	8%
Doctoral II:		Total		Master's I:	
FAU	16,693	Total	43,175	East Carolina	14,701
UCF	24,281	% of 4-Yr Enrollmt	14%	UNC-Charlotte	13,742
FIU	25,262	Doctoral I:		Appalachian	11,163
Total	66,236	U. of North Texas	18,719	UNC-Wilmington	8,621
% of 4-Yr Enrollmt	39%	UT Arlington	14,097	NCA&T	6,492
Master's I:		UT Dallas	5,264	Western Carolina	5,576
FAMU	9,468	Texas Woman's U.	4,844	NC Central	4,125
UWF	6,603	Texas A&M-Commerce	4,749	Fayetteville	3,151
UNF	9,752	Total	47,673	UNC Pembroke	2,703
Total	25,830	% of 4-Yr Enrollmt	15%	Total	70,274
% of 4-Yr Enrollmt	15%	Doctoral II:		% of 4-Yr Enrollmt	56%
No Classfn:		Texas Southern U.	5,562	Baccalaureate II:	
FGCU	2,166	% of 4-Yr Enrollmt	2%	Winston-Salem	2,865
% of 4-Yr Enrollmt	1%	Master's I:		Elizabeth City	1,920
TOTAL 4-YEAR		SW Texas State	17,533	Total	4,785
TOTAL C.C.		UT San Antonio	14,879	% of 4-Yr Enrollmt	4%
Total Enrollment		UT El Paso	12,713	Baccalaureate I:	
	491,742	Sam Houston State	11,219	UNC-Asheville	3,137
% 4-Year	35%	UT Pan American	10,800	% of 4-Yr Enrollmt	3%
% C.C.	65%	Stph. F. Austin State	10,557	TOTAL 4-YEAR	
		Lamar University	6,817	TOTAL C.C.	
		Angelo State	5,711	Total Enrollment	
		Tarleton State	5,458		
		West Texas A&M	5,315		
		Midwestern State	4,901		
		TX A&M-Kingsville	4,851		
		Prairie View A&M	4,778		
		TX A&M-Corpus Chrs.	4,139		
		U of Houston-Clear Lak	3,226		
		UT Tyler	2,384		
		TX A&M International	1,950		
		UT Brownsville	1,807		
		Sul Ross State	1,688		
		UT Permian Basin	1,611		
		U of Houston-Victoria	711		
		TX A&M-Texarkana	708		
		Total	133,756		
		% of 4-Yr Enrollmt	43%		
		Baccalaureate II:			
		U. of Houston-Downtov	7,974		
		% of 4-Yr Enrollmt	3%		
		No Classfn:			
		TX A&M-Galveston	1,101		
		Sul Ross Rio Grande Ct	566		
		Total	1,667		
		% of 4-Yr Enrollmt	1%		
		TOTAL 4-YEAR	308,150		
		TOTAL C.C.	413,631		
		Total Enrollment	721,781		
		% 4-Year	43%		
		% C.C.	57%		

**Public Universities and Community Colleges
by Carnegie Classification with Undergraduate Enrollments
Fall 1997**

Michigan 25th (1128)*		Virginia 28th (1,072)*		Ohio 26th (1,096)*	
Institution	Undergrad Enrollment	Institution	Undergrad Enrollment	Institution	Undergrad Enrollment
Research I:		Research I:		Research I:	
Michigan State	33,308	Va. Tech	21,013	OSU	35,558
UofM Ann Arbor	23,939	Va. Cweth	15,009	U. of Cincinnati	20,629
Wayne State	17,779	UVA	13,246	Total	56,187
Total	75,026	Total	49,268	% of 4-Yr Enrollmt	30%
% of 4-Yr Enrollmt	38%	% of 4-Yr Enrollmt	39%	Research II:	
Doctoral I:		Doctoral I:		Doctoral I:	
Western Michigan	20,217	Old Dom.	12,185	Ohio U.	16,140
% of 4-Yr Enrollmt	10%	Wm & Mary	5,563	Kent State	15,895
Doctoral II:		Doctoral II:		Doctoral II:	
Michigan Tech	5,674	Total	17,748	Total	32,035
% of 4-Yr Enrollmt	3%	% of 4-Yr Enrollmt	14%	% of 4-Yr Enrollmt	17%
Master's I:		Doctoral II:		Doctoral I:	
Eastern Michigan	17,701	G. Mason	13,933	U. of Akron	17,902
Central Michigan	16,409	% of 4-Yr Enrollmt	11%	U. of Toledo	16,502
Grand Valley St.	12,614	Master's I:		Miami University	14,624
Oakland Univ.	11,178	J. Madison	12,943	BGSU	13,874
Northern Mich.	6,976	Radford	7,334	Total	62,902
UofM Flint	6,596	Norfolk St.	6,676	% of 4-Yr Enrollmt	33%
UofM Dearborn	6,578	VA State	3,288	Doctoral II:	
Saginaw Valley St.	6,451	Total	30,241	Wright State	11,087
Total	84,503	% of 4-Yr Enrollmt	24%	Cleveland State	10,572
% of 4-Yr Enrollmt	43%	Master's II:		Total	21,659
Master's II:		Mary Washington	3,801	% of 4-Yr Enrollmt	11%
Ferris State	9,075	Longwood Coll.	2,964	Master's I:	
Lake Superior St.	3,224	Total	6,765	Youngstown State	10,934
Total	12,299	% of 4-Yr Enrollmt	5%	% of 4-Yr Enrollmt	6%
% of 4-Yr Enrollmt	6%	Baccalaureate II:		Baccalaureate II:	
TOTAL 4-YEAR	197,719	C. Newport Univ.	4,689	Shawnee State	3,163
TOTAL C.C.	194,939	Clinch Valley	1,515	Central State	1,898
Total Enrollment	392,658	Total	6,204	Total	5,061
% 4-Year	50%	% of 4-Yr Enrollmt	5%	% of 4-Yr Enrollmt	3%
% C.C.	50%	Baccalaureate I:		TOTAL 4-YEAR	
		VMI	1,282	TOTAL C.C.	188,778
		% of 4-Yr Enrollmt	1%	Total Enrollment	296,637
		TOTAL 4-YEAR	125,441	% 4-Year	64%
		TOTAL C.C.	130,412	% C.C.	36%
		Total Enrollment	255,853		
		% 4-Year	49%		
		% C.C.	51%		

* 1994 rank of state by baccalaureate degree conferred per 100,00, 18-44 year old population.
Source: 1998 PEPC Master Plan Florida Postsecondary Education.

Survey data Source: PEPC staff survey November 1998.