

## Proposed Funding and Tuition Practices University of North Florida Board of Trustees

The Florida Board of Governors' Strategic Plan sets forth goals to increase the percentage of Florida citizens who hold four-year, graduate, and professional degrees, and to improve the assessed and perceived quality of the state's universities and colleges. Both goals are necessary criteria for any state to realize its full economic, social, and cultural potential (National Governors' Association, 2000).<sup>1</sup> Both goals also require a significant investment of state and personal resources.

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While the value of an educated citizenry and of strong universities is accepted by most, the rising costs associated with a college education (College Board, 2003) and competing demands for scarce individual and government resources have led state policy makers to question funding principles and practices in public institutions: "What level of support is necessary and adequate to meet the state's goals and how can adequacy be reflected in allocations to specific institutions and purposes? How can available resources be fairly and equitably distributed among institutions, purposes, and emerging priorities? How much should students pay and how much should be provided by the state? How much and by what criteria should the state help individual students meet the costs of higher education?" (State Higher Education Executive Officers [SHEEO], n.d.).

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In parallel conversations, university boards and administrators are asking similar questions from the institutional perspective. Among these: How do universities improve the quality of the education provided and serve growing student bodies while per-student funding is decreasing? How can universities engage in short and long range planning without greater predictability in state funding rates? How can systems ensure equitable support across institutions and still take into account the differences in the character and mission of each institution?

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In its own deliberations, the University of North Florida's Board of Trustees has been considering the above questions in the context of UNF's unique mission and its guiding commitments to excellence, focus, relevance, and accountability. During these deliberations, the Board of Trustees has noted system-wide practices that would enable UNF and other SUS institutions to operate more effectively. The UNF board would offer these suggestions to the Board of Governors and to the members of the Florida Legislature for their consideration.

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In proposing these recommendations, UNF's Board of Trustees clearly recognizes that

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<sup>1</sup> The social, economic, and cultural benefits that accrue from higher education to both the college graduate and society are well documented. Data from the U.S. Census Bureau (2002) show an increase in annual income and in lifetime earning power for individuals based on their education level, with persons who have earned bachelor's degrees earning more than twice as much over a lifetime as those with high school diplomas, and individuals with professional degrees earning over twice as much as bachelor's degree holders. College graduates also demonstrate greater civic engagement than do non-college graduates. They are more likely to vote and, according to Harvard's Kennedy School of Government, to engage in community service and volunteer work, and the political life of their communities (found in Campus Cares, n.d.). High quality universities are a key source of the innovation required for a knowledge-based economy.

some are contrary to past practice and “short term” wisdom. These suggestions also appear, at first glance, to favor maintaining and improving quality over increasing capacity. In saying this, UNF’s trustees would assert that as an economic driver, a state’s higher education institutions must be of sufficient quality to retain the very brightest of its own high school students and to attract comparably talented out-of-state students. These institutions must also be of sufficient quality to provide the innovations that will stimulate the economy and attract new knowledge-based industries. This does not mean that building capacity is not an equally compelling goal. The definition of capacity, however, should also take into consideration the number of meritorious students retained in or attracted to the state and the number of high-skill jobs created. When increasing the overall number of students enrolled in higher education means a diminishment in quality, quality should be an equal, if not the first, order of importance.

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The recommendations UNF’s Board of Trustees would offer are:

- Establish minimum and consistent levels of per FTE funding;
- Allocate new FTE only as funding is available;
- Cover unfunded FTE before allocating new FTE;
- Determine the percent of the per FTE funding that the state expects to be covered by tuition; and
- Grant institutions greater tuition flexibility to meet institutional goals.

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**Establish minimum and consistent levels of per FTE funding.** As evidenced by the array of formulae throughout the country, there are as many ways to fund public universities as there are state systems. Some provide for common funding for institutions across the system; others reflect differences in institutional missions. Often formulae reflect past expenditures at the system or institutional level; at other times, they are based on available revenue.

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Most universities would argue the need to articulate clearly the principles and to resolve any conflicts between competing guidelines prior to building a formula. (e.g., Do mission or current expenditure analyses take priority? Should there be cost-of-living differentials built in for particular budgeted items?) The formula should also be as transparent as possible. The recently developed funding formula for Florida’s public universities and colleges attempts to meet each of these criteria.

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Once established, the formula should be fully funded and consistently applied. This consistency is necessary for long and short term planning and for maintaining quality.

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**Allocate new FTE only as funding is available.** To fully and consistently apply the funding formula, as recommended above, the system would need to avoid discounting FTE funding during economic downturns. While the need for more college graduates is obvious, the effects of the erosion in quality caused by sustained under funding are difficult, if not impossible, to overcome over the long term.

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In response to the most recent economic downturn, thirty-seven states lowered state allocations for per FTE-funding (SHEEO, 2004). Florida experienced the fifth largest decline in this funding measure.

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**Cover unfunded FTE before allocating new FTE.** At times, universities will exceed their FTE targets to meet student demands. When universities engage in this practice, they do so with the belief that the next year they will be able to request the support needed for these unfunded-FTEs. During periods when the system is struggling to increase capacity, it would seem appropriate to cover these FTEs, even if state allocations are limited.

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The practice of leaving these FTEs unfunded in subsequent years and adding more FTE into the system diminishes the quality of the education offered and discourages institutions from addressing short term student needs. This practice also leads to a compounding inequity in funding among institutions, adversely affecting those institutions that have the greatest need for support. The caveat in this recommendation is that, during periods when the system has adequate or unused capacity, it may well be inappropriate to fund over enrollments.

**Determine the percent of the per FTE funding that the state expects to be covered by tuition.** There is significant variance among the states in the percent of the cost of a college education that is paid by the student (Rasmussen, 2003). Historically, Florida's in-state students are among those paying the smallest portion of this cost (SHEEO, 2004). While this remains true, the percentage borne by the student has been climbing, as it has in all but eight states. In Florida, this climb in tuition rates is most dramatic for out-of-state students, who are now asked to pay more than the actual cost of the education provided, and for graduate students, who have experienced significant yearly increases.

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The variance and different rates of increase in student tuition suggest that the Board of Governors and the Florida Legislature would benefit by establishing clear tuition policies that indexed tuition to the cost of instruction. This policy ought to take into consideration quality and capacity goals, as well as both the actual gross and average net tuition<sup>2</sup> paid by students. This policy is likely to lead to increases and decreases in rates paid by specific segments of the student body.

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**Grant institutions greater tuition flexibility.** Unique institutional missions and goals would argue for greater flexibility in the state's tuition policy. Such flexibility could include guidelines for minimum and maximum tuition rates. Minimum rates would allow individual institutions to discount tuition for particular segments of its student body to accomplish identified goals (e.g., increase attendance in weekend courses, encourage international students to apply in certain programs). The flexibility to raise tuition would allow universities to meet other individual institutional goals (e.g. maintain lower class sizes; add premiums for specific high-demand high-cost professional programs).

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<sup>2</sup> Gross tuition is calculated using the published per credit hour costs for courses. Net tuition deducts all forms of state support used to discount gross tuition.

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Implementing this recommendation will require a thorough discussion on issues related to Bright Futures funding and, as a result of current attitudes, may take some time for full implementation.

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In proffering the above practices, UNF's Board of Trustees is aware that opposing arguments can be offered for each one. Most such arguments address very real and compelling exigencies, but often fail to take into account the state's long term overarching goals. UNF's trustees also recognize that the devil is in the details. Nonetheless, the Board of Trustees would ask the Board of Governors to consider a full discussion on the merits of each proposed practice.

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