

**Florida Blue Ribbon Task Force
on State Higher Education Reform**

FINAL REPORT

November 6, 2012



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LETTER FROM THE CHAIR

Innovation is driving Florida's future. Industrial clusters such as life sciences, information technology, aerospace and alternative energies show promise to join agriculture, tourism, development and defense as foundations to our state's economy. The mix of industries and companies that call Florida home continues to diversify, yet one common element connects them all: the need for an educated and engaged workforce.

If Florida is to be successful in evolving its economy while providing a bridge to prosperity for all its citizens, it is imperative that the State University System of Florida, along with its sister institutions among the private and state college ranks, strengthen the critical role they play. New products and processes—and the leaders who will face the issues challenging future generations—must emerge from the classrooms and labs of our colleges and universities. In the wake of the Great Recession, the expectations placed on the State University System could hardly be more intense. Attention is increasingly focused not only on what colleges and universities do but also on how well they do it and how well they utilize state funding and tuition.

Florida's 12 institutions must continue their long-standing contributions of knowledge creation and knowledge transfer while improving their standing on the world stage befitting a state whose economy ranks in the top 20 globally. Additionally, a "third stream" of output has emerged as our colleges and universities find themselves recognized for their contributions to economic development. Yet the research and development potential of research universities, in particular, represents both a virtuous and vicious cycle.¹ Investments in knowledge-generating capabilities spawn the increase in scientists, engineer and technologies required to create and transfer new knowledge into prosperity-creating products and processes—and jobs. Such a virtuous cycle is paralleled by a vicious cycle which has the same starting point of attracting public funding, particularly from federal government stakeholders. In order to attract investments from the National Institute of Health and the National Science Foundation, which start the virtuous cycle, research institutions must possess (or acquire) substantially heavy capital-intensive assets such as building, laboratories, equipment and highly qualified faculty and students. Putting this vicious cycle in business terms, in some cases you have to spend money to attract money.

¹ Feller, Irwin (2004) "Virtuous and Vicious Cycles in the Contributions of Public Research Universities to State Economic Development Objectives," *Economic Development Quarterly*, 18, 2, 138-150.

However, taken to its extreme we find the discussion centered on the false choice of either spending more on everything or failing.

At this critical stage in Florida's economic transformation, Governor Rick Scott issued Executive Order 12-104 recognizing that "it is in the interest of Florida's residents that a Blue Ribbon Task Force be created to assess recent progress and evaluate the remaining challenges and opportunities to be addressed in pursuit of the optimal State University System structure and performance." Six months of inquiry, research, analysis and deliberation revealed higher education to be as complex as it is vital to the state's future.

The Task Force heard the many views of those committed to assisting its work. It is believed fair to describe the six-month process as collaborative, indeed among the Task Force members themselves, but even more so with the energetic involvement of the students, faculty and administrators who participated in the Collaborative Workshop hosted by the Collaborative Labs at St. Petersburg College. (I do not mention the participants here to suggest accord with the balance of this document, rather the gratitude for the representation of such important perspectives.) Yet, it would also be fair to share the observation that the stakeholders involved in this complex discussion too often talk past each other, in part because the issues facing higher education are so complex and the other is confusion, or lack of standardization, in terms of the language used to describe the issues.²

"One of our biggest problems in higher education is that we take complicated issues and try to fix them by dumbing them down. It just doesn't work."

--Allan Bense
Former Florida House Speaker

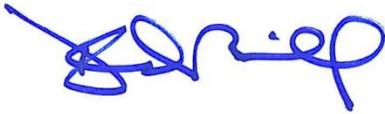
It is acknowledged that people come to this issue with considerable passion for what they believe, which often results in a focus too narrow for such complexity. As Allan Bense, former Speaker of the Florida House of Representatives and chair of the Florida Council of 100's Higher Education Committee, warned: "One of our biggest problems in higher education is that we take complicated issues and try to fix them by dumbing them down. It just doesn't work." Truer words were never spoken. It is hoped that the effort of the Blue Ribbon Task Force on State Higher Education Reform avoided such a negative result.

² Mumper, Michael and Melissa L. Freeman (2011), "The Continuing Paradox of Public College Tuition Inflation," in *The States and Public Higher Education Policy: Affordability, Access, and Accountability*, Donald Heller, ed, 2nd edition, p 37-60.

If there is any value resulting from our collective work, it is due to the dedication of those who selflessly contributed their time, energy and expertise to the effort. As a man proverbially traveling east in search of wisdom, I have benefited personally and professionally from every interaction with my fellow Task Force members during the past six months. Representative Bill Proctor inspired me with his breadth of knowledge and deep understanding that cut through the complexities of the subject matter. Representative Marlene O'Toole drove our progress with a unique brand of pragmatism that never allowed the group to forget that one size does not fit all. President John Delaney ensured our work was informed by the realities of the political and academic context we face. Dr. Frank Fuller grounded our deliberations in data and illustrated the power of thoughtful analysis. Joe Caruncho and Jeff Shuman guided the effort with an eye toward outcomes that gave voice to the employers who are among the ultimate consumers of our state's higher education product. We are all proud of the product submitted and look forward to the improvements and clarity that will come with continued discussions.

Finally, I am grateful to Governor Scott for the opportunity to serve his Administration, the Legislature, my fellow Task Force members and the citizens of the Sunshine State.

Yours for the future of Florida,

A handwritten signature in blue ink, appearing to read 'Dale Brill', with a stylized flourish at the end.

Dale A. Brill, Ph.D.
Chair

INTRODUCTION

Despite the risk of oversimplifying the daunting complexity of higher education, it was nonetheless necessary to organize the work of the Task Force into three categories that seemed to naturally emerge from the directives articulated in the Executive Order: Accountability, Funding and Governance. Organizing was easy. Wading through the data and various perspectives in search of clear and universally palatable solutions proved hard work. As expected, there emerged no unidimensional or otherwise simplistic answer to meeting Governor Scott's call for accelerated excellence from our State University System as the issues are so intertwined. Funding cannot be addressed without connecting it to accountability, particularly with affordability as a strategic imperative to ensuring accessibility. Accountability requires a governance system to make metrics meaningful through coordination and action. If there was any clarity at all, it emerged from the Executive Order's reminder that the Board of Governors is a constitutionally established entity with the authority "to operate, regulate, control, and be fully responsible for the management of the whole university system."

**Three
Organizing Concepts**

- ❖ Accountability
- ❖ Funding
- ❖ Governance

From this starting point, the recommendations of the Blue Ribbon Task Force on State Higher Education Reform are presented in the context of honoring the public trust and expectation that investments made in the State University System must return increasing value to the public whose tax contributions and private expenditures underwrite it.

In reviewing these recommendations, it is hoped that the reader will find that the Task Force treated the State University System as, indeed, a system. Considerable effort was made to avoid getting mired in the tactical administration left more appropriately to the respective Boards of Trustees under the authority of the Board of Governors. Debating and compiling a list of tactical level recommendations, while necessary at some point, was deemed ultimately the responsibility of the Board of Governors and the Boards of Trustees at each college and university. The larger, and more fundamental question then is whether the State University System had the governance relationships, accountability elements and incentives in place to drive such innovation into practice.

As a result, what follows is a set of actions designed to impact the system, rather than attempt to manage years from now the behaviors of the individuals charged with the daily operations of the colleges and universities. Where detail was deemed necessary to provide clarity or flush out intended impact of a recommendation, we provided those specifics with a bias toward flexibility.

To facilitate deeper dives into the complex issues addressed, several recommendations are accompanied by suggested "key resources for action." It is in these reference materials that the real gems may be found. In the context of a Twitter world that communicates in 140 characters or less, it may prove beyond reasonable expectation that the recommendations presented in this document be treated as inextricably linked in the debates they will surely instigate as they are in reality. Doing so is explicitly the intent.

SYSTEM STRENGTHS AND WEAKNESSES SUMMARY

Executive Order 12-104 calls for the assessment of the strengths and weaknesses of the State University System. The summary below captures the high-level characteristics revealed during the Blue Ribbon Task Force on State Higher Education's review. The Board of Governors and the structure within which it works is deemed relatively young. To a great degree, judgment on its performance to date seems premature given the clarity issues that lingered following its creation. To wit, a 2010 agreement was needed between the Executive Branch, the Legislature and the Board of Governors to clarify the relationship, authority and limitations applied to each stakeholder in hopes of addressing lingering confusion.

Nonetheless, the Board of Governors is positioned now to set a direction for the entire State University System. What follows represents characteristics to be expected from an organization in this position. Identifying strengths and weaknesses in a strategic evaluation tend to reveal opportunities. The following bullet points are not intended to be criticisms, rather summaries of the context in which the recommendations of this report are made. Florida is positioned to assert its place of leadership in a global role of prominence. The Board of Governors must transition from a transactional model to a guiding and transforming body enabling the success of its institutions.

Strengths

1. The Board of Governors is supported by an effective, efficient, and professional staff, who specialize in academic and student affairs, budget and finance, and public affairs. In this role they creatively and efficiently explore opportunities for continuous improvements in the SUS.
2. The control of the universities by local board members enables the State of Florida to offer a multitude of excellent learning environments to students.
3. The ability of the Board to steer the operation, regulation, and the management of the entire State University System (SUS) allows for the comprehensive coordination of multiple variables when addressing Florida Higher education goals.

Weaknesses

1. Limitations on the ability of the Board to collectively analysis data and identify patterns inhibit the decision making process; fully utilizing forward-thinking technologies could expedite the process.
2. Over-centralization may hinder the ability of the board to innovate and function in an environment of transformation.
3. The Board currently lacks the necessary data to assess the institutional performance of each university. Obtaining a diverse array of performance and funding metrics is necessary to make informed recommendations and decisions.

See also bulleted summary on following page.

STRENGTHS

- Effective, efficient, professional staff
- Local control distributed to individual institutions
- Organized to serve as transforming
- Structured to merge multiple state variables
- Organized to balance key metrics
- Organized for vision/transformation
- Organized for high task/low relationship
- Young organization capable of migrating to global prominence
- Have the constitutional authority to realize the transformational role

WEAKNESSES/OPPORTUNITIES

- Need to increase predictive analytics capacity
- Crisis of control resulting in move to centralization
- Operating as transactional
- Operating under narrow range of variables
- Operating with production matrix as primary driver
- Working in turbulent field environment (multiple expectations/limited resources)
- Operating as high relationship/low task
- Reactionary posture blocking migration
- Do not have a systematic approach resource allocations
- Moving targets in terms of expectations placed on BOG and institutions

RECOMMENDATIONS

The following pages represent the unanimous recommendations of the seven-member Blue Ribbon Task Force on State Higher Education Reform. As articulated throughout this document, the individual actions prescribed are to be taken as a corpus of thinking, rather than excerpted and analyzed individually and out of this deliberate context. The challenges facing the State University System of Florida are too complex to be resolved with unidimensional evaluation.

The presentation of alternatives to be considered begin with the observation that a chasm of understanding exists between the system's colleges and universities and those who must make the difficult decisions in appropriating scarce resources to sustain or expand it. Many in the academy deny or outright reject the expectations for increased efficiencies and productivity as precursors to demonstrating value that is presumed, to the detriment of the institutions and system, as self evident. In turn, the demands placed on those working in the unique context in which knowledge is created and transferred are not entirely understood by those outside the halls of academe—specifically, the paradox of a virtuous and vicious cycle of funding needs discussed earlier. In the absence of this mutual understanding, faculty and staff are left to interpret the actions of the Governor and Legislature as interfering, rather than fulfilling their constitutional roles. Likewise, there is frustration on the part of funding stakeholders who see colleges and universities as unresponsive to the calls for demonstrated operational innovation within the system itself, choosing rather to focus only on producing innovation as an intellectual byproduct.

" ...the individual actions prescribed are to be taken as a corpus of thinking, rather than excerpted and analyzed individually and out of this deliberate context."

If we approach the recommendations of this Task Force with a presumptive conclusion, then the reactions to each will be quite predictable. As Mumper and Freeman articulate in the case of tuition inflation, "If policymakers see the price spiral as driven by inadequate state support, for example, they will develop quite different solutions than they would if they see the problem

as driven by wasteful spending by campus leaders.”³ In consideration of the above, the recommendations from the Blue Ribbon Task Force are presented with the hope of addressing the issues facing the State University System of Florida—and closing the gap in understanding—by recognizing the inextricable link between accountability, funding and governance. Accountability measures create the opportunity to communicate the outcomes desired and achieved, ranging from fiscal prudence to value creation that comes from the long-standing benefit of knowledge creation and transfer. Funding provisions respond to the reality of limited resources and the larger benefit of connecting difficult decisions to stated goals and priorities. Governance gives the locus of balanced management to the body ostensibly charged with this responsibility by the people of Florida through its constitution.

³ Mumper, Michael and Melissa L. Freeman (2011), “The Continuing Paradox of Public College Tuition Inflation,” in *The States and Public Higher Education Policy: Affordability, Access, and Accountability*, Donald Heller, ed, 2nd edition, p 42.

ACCOUNTABILITY

Difficult fiscal conditions intensify the pressure on those making budget decisions to choose wisely in the allocation of funds among competing alternatives. Measures of performance and return on investment inform the necessary deliberations at all levels of higher education management. Faculty, staff, administrators and boards must respond to the demand from funding stakeholders who seek to understand how resources are being used to progress toward goals leveraging the creation and transfer of knowledge to the public's benefit. When clearly articulated, goals communicate priorities and guide the development and evaluation of policy decisions.

The connection between goals set at a system level and the outcomes achieved at the institutional level is of critical importance as Florida moves from using data for reporting to decision-making. The former may be done with the best of intentions under the flag of transparency, but the real power of transforming the system will be realized when fundamental questions of how institutional missions are tied to program decisions or how to reallocate state subsidies to institutions are all based on data-driven analysis.

Important distinctions are made between inputs and outcomes in the call for the use of expanded measures as an area of focus for improving the State University System, particularly when the observation can be made that Florida's collection of metrics is currently a comparative advantage over other states. Since the 1950s, increasing access to higher education was a national priority. Accountability measures therefore reflected inputs, such as number of students enrolled, their qualifications and the amount of revenue per student.⁴ A shift to an outcomes orientation puts effectiveness and efficiency measures in the forefront of policy makers thinking. The set of common metrics developed by *Compete to Complete* reflect this changing emphasis with measures including success in remedial education programs, credit accumulation, retention rates, degrees awarded and graduation rates.⁵ Research also reveals an important distinction between efficiencies and productivity gains which also serve to preserve affordability as a competitive advantage.⁶

Executive Order 12-104 calls for recommendations to improve accountability and transparency between the respective stakeholders, connecting measurement to collaboration as a path to accelerating the success of the State University System.

⁴ Reindl, Travis Ryan Reyna, (July 2011), *Compete to Complete*. From Information to Action: Revamping Higher Education Accountability Systems, National Governor's Association Center for Best Practices.

⁵ Ibid.

⁶ Massy, W. "Metrics for Efficiency and Effectiveness in Higher Education: Completing the Completion Agenda," State Higher Education Executive Officers (SHEEO).

RECOMMENDATION 1: The Board of Governors should continue to enhance its metrics-based accountability framework as a management and decision-making tool to ensure maximum return on investment for its students and the State of Florida. Specifically, data collection and reporting at the institutional and system-wide levels should be consistent with Governor Scott's emphasis bulleted below, as well as those developed by Complete College America and embraced by the National Governors' Association (See *Resources for Action*):

- a. Percentage of graduates employed or continuing education.
- b. Bachelor's degrees in areas of strategic emphasis.
- c. Cost per graduate and cost to graduates.
- d. Salary of graduates.

RATIONALE:

Four key policy questions must be addressed to accelerate Florida's progression toward world-class recognition as a system, particularly as its measurement framework transitions from simply reporting to collaborating toward clear goals⁷:

1. To what extent are Florida's public higher education institutions meeting the state's need for an educated workforce and supporting long-term economic goals?
2. How many students at public institutions are graduating relative to total enrollment?
3. What is the return on states' and students' investment in public institutions in terms of completed certificates and degrees?
4. How can its state universities demonstrate that efficiency gains are being achieved without sacrificing student learning?

⁷ Reindl, Travis Ryan Reyna, (July 2011), *Compete to Complete. From Information to Action: Revamping Higher Education Accountability Systems*, National Governor's Association Center for Best Practices, p. 3.

RECOMMENDATION 2: The Board of Governors should develop a set of system-wide and institution-specific metrics—mindful of the need for a sustainable long-term vision and established in collaboration with the Governor and Legislature—as expected contributions of each university, consistent with its unique mission, toward overall system goals.

RATIONALE:

Accountability provides multiple benefits to a system-wide approach⁸.

- a. Accountability is a constraint on arbitrary power, thereby discouraging manipulation and strengthening the legitimacy of institutions that are obligated to report to appropriate bodies or groups.
- b. Accountability is believed to sustain or raise the quality of performance by forcing those involved to examine their operations critically and to subject them to critical review from outside.
- c. Accountability can be used as a regulatory device through the kind of reports and the explicit and implicit criteria to be met by the reporting institutions—colleges and universities to their respective trustees; institutions to the Board of Governors; and the Board of Governors to the Governor, Legislature and Florida’s citizens.

⁸ Trow, M. (1996) “Trust, markets and accountability in higher education: A comparative perspective,” Higher Education Policy, 9(4), 309-324.

RECOMMENDATION 3: Universities should align their annual and strategic plans with the Board of Governors' strategic goals and report individual progress annually or more frequently through its normal reporting cadence. In return, the Board of Governors should remain committed to a system that allows the individual institutions to innovate, evolve and respond to their unique missions.

RATIONALE:

Maintaining or increasing quality while pursuing efficiencies requires active partnerships among institutional leaders and others in the higher education and public-policy communities. A comprehensive effort needs to be built—to forge partnerships, to make the conversation more data-driven, to connect better with public audiences, and to find strategies to reach out to accreditation agencies and others concerned about ways to sustain quality and improve institutional effectiveness.⁹ Four paths are identified as excerpted from the below:

1. For a board to help steer a college or university in the direction of quality and value, trustees will need to untangle the language of price and costs so they can focus on how the institution uses its resources to achieve core functions.
2. Sustaining public support for higher education—not only in the form of predictable state and federal financial appropriations and continued philanthropic support but also in the form of public trust in the stewardship of our institutions—will require assuring the public that institutions are serious about cost management.
3. Boards can advance effective cost management by helping to shape the conversation about aligning resources with goals and creating a culture of heightened sensitivity to resource management across the campus.
4. Boards should have strategies to communicate with key stakeholder groups about the costs of providing education and the price of attending the college.

⁹ Wellman, Jane V. (2005) *Strengthening board capacity for overseeing college costs*. Association of Governing Boards of Universities and Colleges.

RESOURCES FOR ACTION:

- A1. National Research Council. *Improving Measurement of Productivity in Higher Education*. Washington, DC: The National Academies Press, 2012.
http://www.nap.edu/catalog.php?record_id=13417
- A2. Compete to Complete. *From Information to Action: Revamping Higher Education Accountability Systems*. National Governor's Association Center for Best Practices.
<http://www.nga.org/files/live/sites/NGA/files/pdf/1107C2CACTIONGUIDE.PDF>
- A3. Complete College America: Common College Completion Metrics Technical Guide. National Governor's Association Center for Best Practices.
<http://dl.dropbox.com/u/28697036/Metrics-Technical-Guide-2-3-2012.pdf>

FUNDING

Data analysis clearly demonstrates that, over the last ten years, state funding for colleges and universities has not kept pace with the rising costs of educating students or the ability of states to fund higher education. Spending increased for the State University System of Florida by \$850 million in the past 10 years. The institution spending per student credit hour increased from \$247.47 in 2000-2001 to \$341.86 in 2010-2011. It is intuitive that certain expenditures are required to provide a high-quality higher education and to recruit and retain faculty and students. Additionally, health care, regulation compliance and the perceived demand by students for making “college a life-style, not just people getting an education”¹⁰ have driven up the total cost of higher education.

It is tempting to draw the conclusion that increased funding is the singular answer to meeting the Governor’s expectations for accelerating Florida’s progress toward a world-class higher education system. Regrettably, it is not that simple. Calls for cost containment are grounded in growing concern that colleges and universities do not spend their money efficiently. Economist Thomas Sowell pointed to what he concludes to be uncontrolled spending in higher education, observing that “a college spends money first and then calls it ‘increased costs’ later, this tends to...erode the very concept of living within one’s means.”¹¹ In 2006, a report issued by the Commission on the Future of Higher Education made clear that concerns over costs were significant:

“The commission notes with concern the seemingly inexorable increase in college costs, which have outpaced inflation for the past two decades and have made affordability an ever growing worry for students, families, and policymakers. Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so. While students bear the immediate brunt of tuition increases, affordability is also a crucial policy dilemma for those who are asked to fund higher education, notably federal and state taxpayers. Even as institutional costs go up, in recent years state subsidies have decreased on a per capita basis and public concern about affordability may eventually contribute to an erosion of confidence in higher education. In our view, affordability is directly affected by a financing system that provides limited incentives for colleges and universities to

¹⁰ Lewin, T. (2009) “Staff jobs on campus outpace enrollment. New York Times. April 24. <http://www.nytimes.com/2009/04/21/education/21college.html>

¹¹ Sowell, T. (1992) The scandal of college tuition. Commentary, 95, 24. Cited in Mumper and Freeman (2011).

take aggressive steps to improve institutional efficiency and productivity.”¹²

Resolving this difference of opinion is likely impossible. Rather than attempting to do so, the focus turns to the more useful effort of paving the way forward for the State University System of Florida by making the connection between meaningful accountability and the corresponding governance needed at the institutional and system levels. Only then can all the stakeholders get to a point of confidence necessary to establish funding for each institution at levels comparable to the expectations placed on them.

¹² <http://www2.ed.gov/about/bdscomm/list/hiedfuture/reports/final-report.pdf>

RECOMMENDATION 1: The State of Florida should be committed to funding the institutions at a level comparable to the expectations placed on them through a performance funding system tied to initiating and sustaining progress toward or achievement of clear goals tailored to the respective missions of each institution. Specifically, the recommended metrics should include those articulated by Governor Scott, as well as the published set developed by *Complete College America* and embraced by the National Governors Association (See Accountability section). When the state revenue situation prevents increased funding to meet the access, affordability, productivity and quality outcome goals placed on the State University System and its institutions, the Legislature and Board of Governors, working together, should evaluate tuition strategies to compensate for state funding based on the same performance metrics.

Until Florida's unemployment rate drops to 7% or below, Florida will maintain and expand its robust 2+2 concurrent- and joint-use partnership programs between state colleges and public and independent institutions.

The state will maintain a full-time, resident, undergraduate tuition option with a targeted rate of approximately a \$15,000 for a bachelor's degree. Governor Scott's strategic goals for the state universities should inform the specific metrics by which the universities are measured, held accountable and rewarded. These goals include:

- a. Increasing the bachelor's degrees awarded in strategic areas of emphasis.
- b. Increasing the percentage of graduates who become employed upon graduation or who continue their education.
- c. For those seeking employment upon graduation, increasing the number of graduates who attain employment at higher salary rate.
- d. Continuing to identify and implement institutional efficiencies and strategies that lower the cost to graduate.

RATIONALE:

The recommendation above contains three interconnected components:

1. Funding state universities at levels necessary to succeed.

Funding Recommendation 1 (continued)

2. Connecting funding to accountability recommendations in previous section (i.e., performance funding).
3. Increasing tuition only a back-stop approach to demonstrated need for increased funding.

As referenced above, the *Complete College America* initiative provides considerable support for the implementation of performance funding, acknowledging that the concept has returned to vogue after nearly fading entirely from the higher education policy scene as a result of poor design and implementation of strategies it inspired decades earlier. (See Risks section later in this report). Much has been learned. Selected bullet points have been excerpted for consideration here with the full set of steps identified as a *Key Resource for Action* below.¹³

1. Recognize that all funding models are performance based and not new—it is the objectives for which incentives are being provided that are new.
2. Get agreement on goals before putting performance funding in place.
3. Limit the categories of outcomes to be rewarded.
4. Design the funding model to promote mission differentiation, not mission creep.
5. Include provisions that reward success with underserved populations.
6. Reward continuous improvement, not attainment of a fixed goal.
7. Make the performance funding pool large enough to command attention.
8. Ensure that the incentives in all parts of the funding model align with state goals.

¹³ Jones, D. (2012) Complete College America. *Performance Funding: From Idea to Action*.

RECOMMENDATION 2: A differentiated tuition model should be built on the establishment of specific high-skill, high-wage, high-demand (market determined strategic demand) degree programs, as identified by the Legislature, with measurements of progress (outcomes) determined by the Board of Governors. The Legislature and Board of Governors should move away from uniform tuition rates among the universities and among all degree programs within a university.

For the next three years (or until a projected unemployment percentage threshold is met or exceeded), there should be no resident student tuition increases applied in high-skill, high-wage, high-demand (market determined strategically driven) bachelor's degrees, as identified by the Legislature, with the appropriated state funding serving to offset the tuition difference between the Board of Governors' approved tuition increase for the university and the fixed tuition of the high-skill, high-wage, high-demand (market determined strategic demand) bachelor degrees identified by the Legislature.

If the state cannot provide the state support necessary to offset resident student tuition differences for the high-skill, high-wage, high-demand (market driven) bachelor's degree programs identified by the Legislature, the universities may pursue differentiated tuition subject to Board of Governors' approval.

When an established percentage threshold, as determined by the Board of Governors, of a university's total number of Legislatively-identified high-skill, high-wage, high-demand (market determined demand) bachelor's degree programs offered as a percentage of all bachelor's degree programs offered (or an alternative measure, such as percentage of total number of yearly graduates completing one of these programs) is attained, that university may assign an annual differentiated tuition by bachelor's degree program, provided resident student tuition applied in Legislatively-determined high-skill, high-wage, high-demand (market determined demand) bachelor's degree programs remains at a level below resident student tuition applied in other bachelor's degree programs. The assumption would be that state support will remain at a sufficient base level to allow for resident student tuition in Legislatively-determined high-skill, high-wage, high-demand (market determined strategic demand) bachelor's degree programs to remain lower, by comparison, than resident student tuition in other bachelor's degree programs.

Funding Recommendation 2 (continued)

RATIONALE:

With the authority to differentiate tuition among degree programs, within specified limits and pursuant to meeting specific metrics, each university is in the best position to determine the tuition rates designed to produce outcomes consistent with the state's goals.

The Board of Governors has previously identified undergraduate degree programs in strategic areas of emphasis. This currently includes 111 programs in STEM, 28 programs in Globalization, 21 in Health Professions, 19 in Education-critical (math, science) and 9 programs in Security and Emergency Services. Currently, 37% of all State University of Florida baccalaureate degrees are in one of these high-skill, high-wage, high-demand (market determined demand) areas, with a 21% increase in the last 4 years. Growth in STEM programs is outpacing the growth in non-STEM areas. The Board is using each university's performance in this area as a basis for decisions on allocating additional funding, whether performance funding or differential tuition requests.

RECOMMENDATION 3: Create a funding structure that supports the creation and success of Preeminent Universities. The Legislature and Board of Governors should work together to reward Preeminent Universities meeting specific goals tailored for preeminence among the metrics identified in an expanded set of performance measures established by the Board of Governors (See Accountability section) by incentivizing alignment and performance through flexibility in tuition and decreased regulation. These metrics shall include cost efficiencies and strategic alignment as articulated elsewhere in this report.

The Board of Governors should determine the criteria by which institutions are to be designated as preeminent institutions according to their missions and how that designation is to be defined.

RATIONALE:

Across the nation, research universities have emerged as national assets. Once the dominant force globally, institutions of this rank now confront competition from their counterparts abroad. It is essential that the nation, and the state of Florida, reaffirm its pursuit of a place on the global stage while reaping the benefits research universities deliver. The top 100 research universities attract more than \$40 billion in corporate and federal research, the remaining universities garner only about \$10 billion.

Targeted industries identified by Enterprise Florida seek both a workforce and research university partners for development of new products, services and processes for tech transfer and commercialization. We have much progress to make. Florida is ranked 4th from the top in population but 4th from the bottom in the percentage of our workforce that does research. To get to the 4th position in research in the United States, we have to triple our intensity from less than 1% of GDP to least the United States average, or about 3% of the GDP.

RECOMMENDATION 4: Bright Futures and Florida's Pre-Paid require subsequent deliberation by a dedicated team of analysts and experts to make further recommendations to the Governor and Legislature.

RATIONALE:

To the degree that any or all of the recommendations in this report are adopted, there will be corresponding impact on Bright Futures and Florida's Pre-Paid program. Deeming it premature and beyond the time constraints of this Task Force, further study is clearly warranted.

KEY RESOURCE FOR ACTION:

F1. Complete College America: Performance Funding: From Idea to Action
<http://dl.dropbox.com/u/28697036/Performance%20Funding%20Think%20This.pdf>

GOVERNANCE

Previous sections of this report addressed the relationship between accountability and funding as necessary to improve the ability of stakeholders at every level of the State University of Florida to contribute to its accelerated rate of achievement. The Governor and Legislature will be better positioned to evaluate investments in higher education with an expanded set of performance metrics providing the expectations and means to measure and reward improved return on investment, efficiencies and productivity. Faculty, staff and administrators are to strengthen the connection between knowledge creation and knowledge transfer to the economic goals that have emerged as the "Third Stream" of societal benefit derived from public investments in higher education.

What remains is an examination of strategies to encourage cooperation between institutions leading to reduced duplication and improved efficiencies as directed by Governor Scott's Executive Order 12-104. The recommendations that follow address the implementation of incentive systems and governance improvements to encourage systematic adjustments for long-term benefit.

GOVERNANCE

RECOMMENDATION 1: In order to incentivize the desired accountability, efficiencies and return on investment, the Board of Governors' strategic goals should specify implications and benefits of achieving the previously recommended strategic outcomes, such as decreased regulation, recognition and tuition flexibility.

RATIONALE:

Institutional and individual behavioral change can only be expected when the targeted outcomes are clearly articulated and the rewards for adaptation are explicit.

RECOMMENDATION 2: Provide budget control to the Board of Governors as a traditional lever for enabling outcomes by connecting goals to resources.

RATIONALE:

A governing body that can influence the allocation of resources to a portfolio of institutions will be better able to influence the outcomes that result. The absence of control on the part of the Board of Governors of the system's finances prevents effective management. Budget control is a traditional lever for enabling outcomes by connecting goals to resources. A governing body without the ability to influence the allocation of resources to a portfolio of institutions is severely handicapped and can hardly be expected to be responsible for the outcomes that result.

RECOMMENDATION 3: Refinement in mission statements must be emphasized to derive clarity in each institution's roles and responsibilities as contributors to system-wide goals and implemented through funding and accountability recommendations stated elsewhere.

RATIONALE:

Mission creep is a term associated in the academic environment with the seemingly unbridled expansion in an arms race of programs, institutes and centers. Multiple metaphors work to illustrate the problems that emerge. In a state university system, the negative results of mission creep include duplication and the corresponding drain on limited resources.

Florida has faced questions such as whether an additional medical or dental school is needed in the past and will surely face them again. Advice attributed to a former Chancellor of the State University System of Florida (paraphrased) is duly noted: *An effective Board of Governors means having the will to say no.* Making difficult decisions, including when to say yes, requires criteria, including clear mission statements, to guide the institutions' planning processes. The same holds true for performance-funding measures and related system-wide goals. Florida's colleges and universities cannot be expected to contribute efficiently to the State University System in the absence of such clarity, communication and collaboration.

RECOMMENDATION 4: Ensure that the Board of Governors has direct involvement in the search and appointment of university presidents.

RATIONALE:

The collaboration sought between the respective institutions and the Board of Governors will require communication and trust—the essence of any relationship. Involvement in the search and appointment process on the part of the Board of Governors is believed to represent a contribution to establishing the positive working relationship necessary between a new college or university president and the constitutionally authorized body established to govern it.

RISKS OF FAILURE

This report concludes with attention to a few of the risk factors which must be acknowledged and avoided if the proposed recommendations are to have any hope of meeting its objectives.

RISK: Failure to implement and act upon outcome-driven accountability measures.

Research suggests that too often governments plead for accountability measures but actually refrain from enforcing specific policy instruments. It is acknowledged to be difficult to implement and the negotiations between institutions and governing boards results in a return to input and process measures. Additionally, even with successful implementation of accountability policies, nothing changes if institutional leaders do not embrace them as collaborative management tools. Finally, administrations and elected officials can be “waited out.” Delays in implementation can push the window of action beyond the term of the administration(s) initiating the desired change.

RISK: A return to thinking that simply throwing money at the problem is the answer.

No realistic or responsible solution to problem solving can be answered simply by spending tax dollars, particularly when opportunities for efficiencies, productivity, accountability and management are available. To illustrate this case, evidence can be found in comparing Florida to North Carolina, which is widely held as a paragon for higher-education systems. It is observed that while North Carolina has consistently and substantially invested more state funding into its state higher education system, it leads Florida by only two percentage points in the measure of the proportion of its citizens who hold associate degrees or higher (38% versus 36%).¹⁴

RISK: Isolating any one recommendation from its counterparts.

The notion of the inextricable link between accountability, funding and governance has been repeated throughout this report. Separating the recommendations both oversimplifies the complexity of the issues facing higher education and creates false dichotomies in the logical assessment of what is proposed.

¹⁴ Compete to Complete America. Sources and Methodology.
http://www.completecollege.org/state_data/sources_and_methodology/

RISK: Overemphasis on pursuit of baccalaureate and graduate degrees can have negative impact by further marginalizing role of post secondary certificates and certifications.

Although a knowledge economy creates strong demand for college-educated workers, such a fully realized dynamic economy, requires a generally skilled workforce in order to thrive. Studies of advanced manufacturing industries in the United States show a serious labor shortage among craft workers and skills in soldering, welding and machine tooling (NAM, 2010).

“The U.S. labor shortage for middle skilled manufacturing workers [reflects] the problems that result from exclusive focus on the Creative Class and neglect of the working class.”

STATE OF FLORIDA

OFFICE OF THE GOVERNOR

EXECUTIVE ORDER 12-104

(Creation of the Blue Ribbon Task Force on State Higher Education Reform)

WHEREAS, in 2002, the citizens of Florida amended the State's Constitution to both establish the Board of Governors and authorize it to operate, regulate, control, and manage the State University System, subject to the Legislature's power to appropriate for the expenditure of funds; and

WHEREAS, the amendment also established local Boards of Trustees to administer each university, according to powers and duties established by the Board of Governors; and

WHEREAS, the State University System now enrolls more than 324,000 students and state universities collectively offer nearly 1,800 degree programs at the baccalaureate, graduate, and professional levels and annually award over 73,000 degrees at all levels; and

WHEREAS, the Governor and Legislature entered into a Governance Agreement with the Board of Governors on March 24, 2010, to further clarify respective roles and authority in meeting Constitutional responsibilities in the governance and operations of the State University System; and

WHEREAS, the Board of Governors completed its 2012-2025 Strategic Plan on November 10, 2011 in anticipation of increased demand for degree production and quality preparation of Florida's students for success as engaged citizens and contributors to Florida's evolving economy; and

WHEREAS, the Higher Education Coordinating Council, established during the 2010 Legislative session, presented its recommendations on December 15, 2011, related to the collaboration on delivery of higher education in Florida among the State University System, the Florida College System, Independent Colleges and Universities in Florida, as well as for-profit colleges and universities; and

WHEREAS, the State University System's role in creating and transferring knowledge through research, teaching, and service is of paramount importance to the transition of the state's economy; and

WHEREAS, it is in the interest of Florida's residents that a Blue Ribbon Task Force be created to assess recent progress and evaluate the remaining challenges and opportunities remaining to be addressed in pursuit of the optimal State University System structure and performance; and

NOW, THEREFORE, I, RICK SCOTT, as Governor of Florida, by virtue of the authority vested in me by the laws of the Constitution of the State of Florida, do hereby promulgate the following Executive Order, effective immediately:

Section 1.

The Blue Ribbon Task Force on State Higher Education Reform (hereinafter referred to as the "Task Force") is hereby created. The vision of the Task Force shall be to advance the State University System's Constitutional charge to operate, regulate, control, and be fully responsible for the management of the whole university system. The mission of the Task Force will be to review and make recommendations to the Governor and state policy makers to fulfill this vision.

Section 2.

The responsibilities of the Task Force shall include, but not be limited to:

1. Catalog and consolidate the recommendations of the various efforts addressing Florida's higher education system with respect to the State University System;
2. Assess strengths and weaknesses of the State University System's governance model related to its Constitutional charge;
3. Analyze the ability of state universities to contribute to the State University System's 2012-2025 strategic plan;
4. Recommend strategies, such as incentive systems and governance improvements, to encourage cooperation between institutions leading to reduced duplication and improved efficiencies;
5. Recommend amendments to statutes and Board of Governors regulations necessary to improve accountability and transparency on the part of state universities to the Board of Governors and the Board of Governors to the Legislature and Governor; and
6. Conduct a review and analysis of efforts to achieve national preeminence and academic and research excellence by Florida universities, including elements that may be considered for future legislation to advance higher education.

Section 3.

The Task Force shall, no later than November 15, 2012, provide a written report to the Governor, the Senate President, and the Speaker of the House detailing assessments and recommendations consistent with the responsibilities above.

Section 4.

The Task Force shall consist of seven members. One member shall be appointed by the Governor, two members shall be appointed by the Senate President, two members shall be appointed by the Speaker of the House, and two members shall be appointed by the Chair of the Board of Governors. Members shall serve at the pleasure of the Governor.

The Governor's appointee shall serve as the Chair of the Task Force. The Governor may suspend or remove any member of the Task Force with or without cause, and the Governor may fill any vacancy that may arise. The Task Force shall be located within the Executive Office of the Governor. The Task Force shall meet as needed and when called by the Chair. A majority of the Task Force's current members shall constitute a quorum. A quorum must be met in order for the Task Force to vote on any proposed action or recommendation. The Task Force shall function according to the guidelines set form by the Robert's Rules of Order, unless other procedural guidelines are adopted by the Task Force.

Section 5.

The Task Force is authorized to call upon any State agency, department, division, or office to supply data, reports, or other information the Task Force deems reasonably necessary to achieve its objectives. Each agency, department, division, or office of the State under the purview of the Governor is authorized and directed, and all other agencies are requested, to cooperate with the Task Force and provide it with such information, personnel, and assistance as necessary to accomplish the purposes of this Executive Order. The Board of Governors and universities within the State University System are encouraged to provide the Task Force with assistance in performing research and support necessary to accomplish the purposes of the Task Force.

Section 6.

Members of the Task Force shall serve without compensation, but may receive per diem and travel expenses to the extent allowed by Chapter 112, Florida Statutes, and to the extent that funds are available. Members of the Task Force who are public officers and employees of state agencies may be reimbursed for per diem and travel expenses by their respective agencies.

All other members of the Task Force may be reimbursed for per diem and travel expenses by the Executive Office of the Governor.

Section 7.

The meetings of the Task Force shall be noticed and open to the public, and shall be conducted in accordance with Chapter 286, Florida Statutes. Florida's public records law, Chapter 119, Florida Statutes, shall apply.

Section 8.

The Task Force shall continue in existence until May 4, 2013.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Florida to be affixed, at Tallahassee, this 4th day of May, 2012.

Rick Scott
Governor



APPENDIX B: Task Force Members

1. Governor Rick Scott Appointee: Dale A. Brill, Ph.D., Task Force Chair
2. Senate President Mike Haridopolos Appointee: Jeffrey Shuman
3. Senate President Designate Don Gaetz Appointee: Frank Fuller, Ed.D.
4. House Speaker Dean Cannon Appointee: The Honorable William "Bill" Proctor, Ph.D.
5. House Speaker Designate Will Weatherford Appointee: The Honorable Marlene O'Toole
6. Board of Governors' Chair Dean Colson Appointee: Joseph Caruncho
7. Board of Governors' Vice Chair Mori Hosseini Appointee: John A. Delaney, JD

APPENDIX C: Concomitant Task Force Efforts

- a. State University System of Florida: Board of Governors' Facilities Task Force
- b. State University System of Florida: Board of Governors' Commission on Florida Higher Education Access and Degree Attainment
- c. State University System of Florida: Board of Governors' Online University Task Force
- d. State University System of Florida: Performance Funding Committee
- e. State University System of Florida: Strategic Planning Committee