

Florida's Great Cost Shift: How Higher Education Cuts Undermine Its Future Middle Class

Just as a postsecondary education has become essential for getting a decent job and entering the middle class, it has become financially out of reach for many of America's young people. State support for higher education has decreased considerably over the past twenty years, while financial aid policies have increasingly abandoned students with the greatest financial need. As a result students and their families now pay—or borrow—a lot more for a college degree that benefits all of us.

The Great Cost Shift: How Higher Education Cuts Undermine the Future Middle Class, a new report by the national policy center Demos, examines how state disinvestment in public higher education over the past two decades has shifted costs to students and their families. The report outlines how such disinvestment has occurred alongside rapidly rising enrollments and demographic shifts that are yielding more economically, racially, and ethnically diverse student bodies. This fact sheet, produced jointly with the Research Institute on Social and Economic Policy at Florida International University, highlights Florida's funding for higher education trends over the last twenty years.

HIGHER EDUCATION IN FLORIDA: AT RISK

Overall, Florida's higher education system measures up well to other states. Tuition at both the state's two-year and four-year institutions is relatively low and graduation rates—particularly at two-year schools—are relatively high. What these numbers do not capture, however, are the effects of the recent, dramatic erosion of state support for higher education, an erosion that sharply contrasts with the steadily rising support of the previous 15 years. Florida's higher education system just experienced another year of budget cuts after already having suffered a 22 percent decline in funding between FY 2007 and FY 2012.¹ The effects of these funding cuts are already beginning to be felt.

This year the University of South Florida is poised to join public universities in at least 20 other states where tuition revenue will cover a higher percentage of educational costs than state support.²

It is future students, however, who will bear the brunt of recent funding cuts. Since yearly tuition increases at the state's universities are capped at 15 percent, basic budgetary math dictates that schools will likely have to cut back on faculty or services to balance their budgets, diminishing the quality of the education for future enrollees. The cuts have also led to another round of tuition increases at or near the rate cap, shifting an ever-greater portion of costs to families who, despite Florida's relatively-low tuition costs, already pay an average of one-fifth of their income to attend a two-year college in the state.

The cost of this inevitable rise in tuition will not just be borne by students and their families, but by the state itself. Rising tuitions put Florida at risk of a shortage of college graduates necessary to fill the state's jobs of the future. According to projections, 59 percent of all jobs in Florida will require postsecondary education by 2018,³ but only 43 percent of Floridians are projected to hold a college degree by 2025,⁴ leaving the state with a significant "skills gap." Cutting funding for higher education not only compromises future prospects for Florida's youth, but threatens the state's overall economic growth and competitiveness as well.

FLORIDA'S FUNDING FOR HIGHER EDUCATION: VARIABLE AND DECREASING

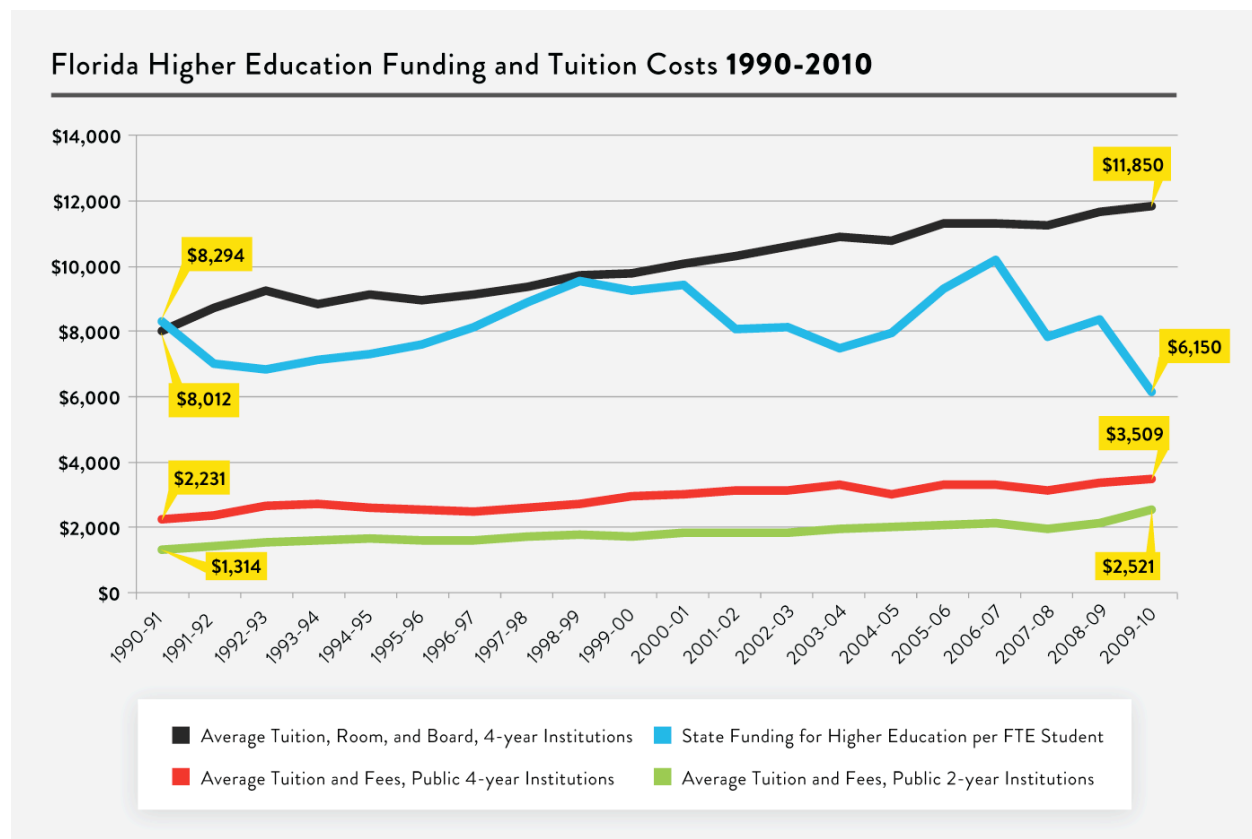
Florida's current funding per full-time equivalent (FTE) student is at its lowest level in two decades, the time period examined in "The Great Cost Shift". Funding has fluctuated greatly over the past few decades, but there has been an especially large drop in funding per FTE since 2006-2007.

- By 2009-2010, Florida's higher education funding had dropped 26 percent from 20 years earlier, and 40 percent from only three years earlier, to \$6,150 per FTE student (versus \$8,294⁵ in 1990-1991 and \$10,212 in 2006-2007).
- These fluctuations have been due mostly to the state's near-complete reliance on sales tax revenue, which, as a revenue source, tend to be much more variable than other sources (particularly income taxes). This is because its tax base—taxable consumption purchases—tends to respond very strongly to the ups and downs of the business cycle. While most states receive an average of 24 percent of their revenue from sales taxes, the 13 states for which the sales tax provides half or more of their state revenues experience similar sharp changes in funding as Florida.⁶
- The composition of colleges and universities' budgets reflect Florida's cuts to higher education. In 2009-10, public colleges and universities in Florida received 30 percent of operating funds from the state, versus 56 percent in 1991-92.

RISING COSTS TO STUDENTS AND FAMILIES

Largely as a result of reductions in state funding, Florida students today face higher costs in real terms to attend two- and four-year public colleges and universities than their counterparts did twenty years ago, forcing many of them to go into debt. In comparison to other states, however, average tuition and fees at Florida's community colleges and four-year universities are below national averages.

While the state has increased funding for financial aid programs, a decreasing share of this aid has been invested in students with the greatest financial need.



- Since 1990-1991, average tuition at four-year institutions in Florida rose by 55 percent.⁷ This increase is lower than the national average, which increased 113 percent over the same period.
- However, average tuition at two-year institutions has risen 94 percent, which is greater than the national average increase of 71 percent.⁸

- Tuition, fees, room and board at public, four-year institutions in Florida amounted to 26 percent of median household income in 2010, a 37 percent increase from 1990-1991, when it amounted to 19 percent of median family income.⁹
- Tuition and fees at Florida's community colleges amounted to 5.6 percent of median household income in 2010, an 89 percent increase from 1990-1991, when it amounted to 3 percent of median household income. The cost of tuition, fees, room and board at Florida's community colleges reached 20 percent of Florida's median household income in 2010.¹⁰
- Almost half (45 percent) of 2010 college graduates from public four-year colleges in Florida had student debt averaging \$19,111, which is 12 percent lower than the national average (\$21,740).¹¹ In 2000, a slightly larger percentage of graduates (52 percent) of public four-year Florida colleges and universities carried student debt but of a lesser amount (\$15,163).
- The rising costs of higher education in the state have been partially offset by the considerable increase in grant-based financial aid provided by the state, which has grown by almost 420 percent over the past two decades, from just \$113 million in 1990-1991 to \$583 million today.¹² In relative terms, this increase represented an increase in financial aid from \$373 per full-time equivalent student in 1990-91 to \$979 per FTE for the 2009-10 academic year.
- A rising portion of this grant aid, however, has been directed away from students with the greatest financial need. In 1990-1991, \$45.3 million, or 40 percent of Florida's grant support for students was need-based. In 2009-10, need-based grant aid totaled \$149 million but fell as a share of total grant support for students to 25 percent. The state awarded \$435 million in merit-based grants in 2009-10.

SHRINKING BUDGETS, INCREASING ENROLLMENTS

Budget cuts to higher education have taken place just as the state's young adult population has expanded considerably and as a larger share of them seek a postsecondary credential at public colleges and universities. Florida's rapidly expanding young adult population is also more diverse. In 2010 whites comprised 49 percent of the young adult population while Latinos represented 26 percent and African Americans 20 percent of the young adult population. Yet young Latino and African Americans on average come from households with lower median incomes than young Whites, and therefore, have less means to meet rising college costs.

- Half of Florida's white young adults were raised in households with incomes below \$63,000 in 2010. The comparison figures for Florida's youth of-color were substantially lower: \$40,000 for young blacks and \$50,000 for young latinos.

- At 1.74 million (2010 Census), Florida has the fourth-largest young adult population in the United States and one of the fastest-growing as well; its 18-24-year-old population has risen 43 percent since 1990.¹³
- Florida's young Latino population has grown substantially, increasing 213 percent over the past two decades.
- Enrollment at Florida's public colleges and universities has grown even faster than its young adult population. Full-time equivalent enrollments in Florida schools have increased by 96.8 percent since fall 1990, from 302,579 FTE students in that school year to 596,008 in fall 2009.¹⁴
- Public four-year institutions have absorbed the enormous enrollment increase, seeing their FTE enrollments climb by 156 percent over the past two decades, while enrollments at two-year schools actually fell by 11 percent over the same period.¹⁵

GRADUATION RATES

Reductions in state support for higher education detract considerably from the state's commitment and need to increase the number of Floridians with postsecondary credentials.¹⁶ Rising college costs make it more difficult for students to enter college and complete, especially as many of them increase their work hours to pay for their education. Budget cuts also deprive institutions of resources to offer students better supports that could increase their chances of completion, especially as an increasing number of first generation college students make up a larger share of the college population. Though Florida's young adult population has swelled, the college enrollment rate among high school graduates is still relatively low.¹⁷ And while the percentage of students who enroll and ultimately graduate from two-year schools is among the highest in the nation, the majority of two-year students don't graduate.

- According to the National Center on Education Statistics, the percentage of Florida high school graduates who enrolled in post-secondary education in 2008 (the latest available data) is 59 percent, the 15th lowest share in the nation and 5 points below the national average of 64 percent.¹⁸
- At four-year public institutions, the rate of students graduating within 6 years has decreased over the last decade. In 1997, 52 percent of four-year students graduated within 6 years, whereas in 2010 the graduation rate had decreased to 47 percent, placing Florida in the lower percentile among states.¹⁹

- For two-year institutions, however, the rate of students graduating within three years has risen from 29 percent in 1997 to 38 percent in 2010, among the highest rates in the nation.
- Graduation rate gaps by race and ethnicity are significant. Only 37 percent of Blacks and 40.5 percent of Latinos graduate from public four-year institutions within six years, compared to 52 percent of Whites. Among Latinos, 36 percent graduated from community college within three years in 2010. For blacks the community college graduation rate was 24 percent, compared to 43 percent for white students.²⁰

FLORIDA NEEDS TO REVERSE COURSE

These recent higher education cuts are a troubling trend for Florida, particularly if enrollments in the state's higher education institutions continue to grow at anywhere near their historic pace. As Florida Board of Governors Chair Dean Colson expressed at a recent hearing on state higher education funding, the state will need to step up its funding if it wants Florida to be recognized as a leader in higher education.²¹ By cutting funding for higher education, Florida is not only endangering the quality of its institutions of higher learning, but threatening the state's economic competitiveness and the future of its young people.

Moreover, the fact that nearly two-thirds of young Floridians are pursuing a higher education shows that the state's young residents are doing their part to prepare for the 21st century economy. Unfortunately, the steep cuts in state funding for higher education recent years shows that public officials are failing to meet students half way.

Source of Financial Data: The Grapevine data set is the source of most of the budget data used in this factsheet. Grapevine series is collected by the Center for the Study of Education Policy at Illinois State University. Since 1961, the series has attempted to collect financial information related to higher education from states in a uniform way.

The central concept captured in the Grapevine series and in this report is "state support" or "state effort," which reflects annual appropriations for the operating expenses of universities, colleges, community colleges, higher education agencies, state financial aid programs, and independent institutions of higher learning. Excluded are appropriations for capital projects, debt service, and revenues from federal aid, fees, and auxiliary enterprises. The idea is to get at the funds dedicated for the operation of direct educational programs.

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About Dēmos

Dēmos is a non-partisan public policy research and advocacy organization founded in 2000. Headquartered in New York City, Dēmos works with policymakers around the country in pursuit of four overarching goals—a more equitable economy with widely shared prosperity and opportunity; a vibrant and inclusive democracy with high levels of voting and civic engagement; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world.

About Research Institute on Social and Economic Policy

About Research Institute on Social and Economic Policy RISEP conducts applied social science research on issues of concern to working families and low-income communities across Florida. At Florida International University we are a resource and a model for the University community by conducting problem solving research together with local communities that provides the tools for those directly affected to participate more fully in the public debate. RISEP is part of FIU's 40 year-old Center for Labor Research and Studies (CLRS), which has created a synergy between teaching and research. The Center, along with RISEP, provide cutting-edge research, first-rate teaching, and innovative training necessary for the globalized world of the 21st century.

¹ Center for the Study of Education Policy, Grapevine, Table 1: “State Fiscal Support for Higher Education, by State,”

² PEW, Stateline <http://www.pewstates.org/projects/stateline/headlines/states-struggling-to-slow-tuition-growth-85899383588>

³ Center for Law and Social Policy. 2012. “Florida: The Return on Investment to Increasing Postsecondary Credential Attainment.”

http://www.clasp.org/resources_and_publications/publication?id=1387&list=publications_states

⁴ Lumina Foundation, 2012. “A Stronger Nation Through Higher Education: Florida.”

http://www.luminafoundation.org/publications/state_data/2012/Florida-2012.pdf

⁵ All dollar figures in this report have been adjusted for inflation and are in constant 2011 dollars.

⁶ Institute on Taxation and Economic Policy. 2009. “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States.”

⁷ National Center for Education Statistics, “Digest of Education Statistics”, various years.

⁸ National Center for Education Statistics, “Digest of Education Statistics”, various years.

⁹ The Census Bureau measures household income according to the concept of money income.

National Center for Education Statistics, Digest of Education Statistics, various years; College Board, Trends in Higher Education Series: Community Colleges, 2010; and US Census Bureau, Current Population Survey, Table H-8, Median Household Income by State.

¹⁰ The Census Bureau measures household income according to the concept of money income. National Center for Education Statistics, Digest of Education Statistics, various years; College Board, Trends in Higher

Education Series: Community Colleges, 2010; and US Census Bureau, Current Population Survey, Table H-8, Median Household Income by State.

¹¹ The Project on Student Debt, College Insight.

¹² National Association of State Student Grant and Aid Programs, Annual Survey Report on State-Sponsored Student Financial Aid, various years; HEGIS "Fall Enrollment in Higher Education;" IPEDS "Fall Enrollment;" Grapevine Data. 2009-10.

¹³ US Census Bureau, Decennial Census, 1990 and 2010.

¹⁴ Exclusive of ARRA (Recovery Funds). Center for the Study of Education Policy, Grapevine, various years; Nation Center for Education Statistics, Digest of Education Statistics, various years

¹⁵ U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS), "Fall Enrollment in Higher Education" surveys; and Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment" surveys. Digest of Educational Statistics, various years.

¹⁶ Florida is a member of Complete College America

<https://www.google.com/search?q=f&sugexp=chrome,mod=17&sourceid=chrome&ie=UTF-8&q=complete+college+america>

¹⁷ National Center for Education Statistics, "Digest of Education Statistics, 2008"; US Census Bureau, Decennial Census, 2010.

¹⁸ http://nces.ed.gov/programs/digest/d10/tables/dt10_211.asp

¹⁹ National Center for Higher Education Management Systems.

²⁰ NCHEMS, Data was shared by NCHEMS via email.

²¹ Kim Wilmath, *Tampa Bay Times*, "Gov. Rick Scott vetoes tuition "pre-eminence" bill"

<http://www.tampabay.com/news/education/college/gov-rick-scott-vetoes-tuition-pre-eminence-bill/1227299>