

HB7087 – Proposed Merger of SUS Institutions

MARCH 2020

HB 7087, upon becoming law, would require the Boards of Trustees of Florida Polytechnic University (Florida Poly), New College of Florida (New College), and the University of Florida (UF) to submit to applications for merger to the Southern Association of Colleges and Schools Commission on Colleges (SACSSCOC). Upon approval of the mergers, New College and Florida Poly would become part of UF and specified items and assets of New College and Florida Poly would be transferred to UF.

BACKGROUND

New College of Florida

Located in northern Sarasota County, New College is Florida's residential liberal arts public honors college. New College offers nearly 40 areas of concentration for undergraduates and a master's degree program in Data Science.¹ New College's enrollment during the 2018-29 academic year was 808 undergraduates and 29 graduate and professional students.² Between July 1, 2017 and June 30, 2018, New College awarded 177 Bachelor's degrees and 11 Master's degrees.³

New College offers its students low student-faculty ratios (8:1) and small average class sizes (14 students). The average high school grade point average for incoming freshmen is 4.04, and incoming first-time freshmen average 1350 on the SAT.⁴

New College's 2018-19 student body boasts 2 Fulbright Scholars, 1 Gilman Scholar, and 1 Udall Scholar.⁵

Among New College's many honors and accolades:⁶

- New College was named a Forbes Best Value College for 2019, based on net price (tuition, fees, and room and board), average federal debt load per student, the number of Pell grant recipients, and alumni earnings;
- Learn.org has ranked New College number 40 in its 2019 rankings for the top 50 public universities in the country.
- In its 2019 Liberal Arts Rankings, Washington Monthly has ranked New College number 53 out of more than 200 colleges, and number 3 among public colleges. These rankings are based on a liberal arts contribution to the public good in three broad categories: social mobility, research, and promoting public service.
- Kiplinger's Personal Finance ranked New College number 23 on its list of the 100 best values in public colleges for 2019, providing a quality education at an affordable price.
- New College is one of the nation's 200 "colleges that pay you back," according to The Princeton Review.
- New College has been ranked number 3 in the state in LendEDU's fourth annual (2020) College Risk-Reward Indicator study, based on the average student loan debt per graduate at that institution.

1 New College of Florida, "Quick Facts," retrieved from <https://www.ncf.edu/about/quick-facts/>, February 26, 2020.

2 New College of Florida, "2018-19 Fact Book," retrieved from <https://drive.google.com/file/d/1f0nIE6r94Cq7phZhsokq9P9aGIsWYS00/view>, February 26, 2020.

3 Ibid.

4 New College of Florida, "Quick Facts," retrieved from <https://www.ncf.edu/about/quick-facts/>, February 26, 2020.

5 New College of Florida, "Honors and Accolades," retrieved from <https://www.ncf.edu/about/honors-and-accolades/>, February 26, 2020.

6 Ibid.

- New College was rated as one of The Princeton Review's Best Value Colleges in 2020, based on outstanding academics, great career preparation, and low cost. The Princeton Review also named New College to its list of "50 Colleges That Create Futures." The 50 schools were selected from more than 3,000 nationwide, and New College was one of two Florida schools to be selected.
- Fiske Guide to Colleges (2019) named New College to its Top 10 list of "Best Buy" public colleges in the nation, based on its academic quality and affordable cost.

Florida Polytechnic University

Located in Lakeland, the heart of Florida's High-Tech Corridor, Florida Poly offers degree programs in science, technology, engineering, and mathematics (STEM). Once a campus of the University of South Florida, Florida Poly was created as a new and independent institution of the State University System (SUS) by the Florida legislature in 2012.⁷ Florida Poly offers 31 areas of concentration through nine undergraduate degree programs and two graduate degree programs.⁸ Florida Poly's enrollment during the 2018-29 academic year was 1,289 undergraduate and 50 graduate and professional students.⁹

Florida Poly offers its students a research-based, hands-on STEM education delivered with the small campus, one-on-one attention commonly found at a private college. Florida Poly is unique among SUS institutions in its singular focus on STEM degree programs in engineering, analytics and informatics, and computer science. These programs are considered key to Florida's continued economic growth.

The average high school grade point average for incoming freshmen is 4.04, and incoming first-time freshmen average 1287 on the SAT and 28.1 on the

ACT.¹⁰ In May 2018, Florida Poly graduated its first four-class, awarding 220 undergraduate and graduate degrees.¹¹

In May 2019, Florida Poly held its second four-year commencement ceremony, awarding almost 300 undergraduate and graduate degrees.¹² In 2019, 11 Florida Poly students received the prestigious Hays Travel Award, given by the Florida Academy of Sciences Council in recognition of their work in finding scientific and technological solutions to environmental, agricultural, and cybersecurity problems. This is the fourth year that Florida Poly research projects have been recognized with the Hays Travel Award.¹³

A September 2019 assessment of Florida Poly's economic impacts¹⁴ found that:

- The current annual impact of the University to the Florida economy is calculated to be more than \$161 million in gross domestic product at the local and state level.
- This annual level of economic activity sustains 2,350 jobs and generates an annual total of \$97.6 million in wages to workers and income to business proprietors.
- At current levels of enrollment, annual federal, state and local tax revenue due to the economic impacts of Florida Poly is \$38.2 million.
- While the average Florida job paid about \$46,155 in 2018, the jobs most highly associated with the Florida Poly Classification of Instructional Programs

10 Florida Polytechnic University, "University Fact Sheet," retrieved from <https://floridapoly.edu/about/facts/>, February 26, 2020.

11 Florida Poly News, "From Dream to Reality: Florida Poly Awards Degrees to 220 Future STEM Industry Leaders," retrieved from <https://floridapoly.edu/news/dream-reality-florida-poly-awards-degrees-220-future-stem-industry-leaders/>, February 26, 2020.

12 Florida Poly News, "Hundreds of Graduates Soar to Success During Second Four-Year Class Commencement," retrieved from <https://floridapoly.edu/news/hundreds-of-florida-poly-graduates-soar-to-success-during-second-four-year-class-commencement/>, February 26, 2020.

13 Florida Poly News, "Florida Poly Students Achieve Prestigious Statewide Award," retrieved from <https://floridapoly.edu/news/florida-poly-students-achieve-prestigious-statewide-award/>, February 26, 2020.

14 Rick Harper, Ph.D., "Assessment of the Economic Impact of Florida Poly," Economic Consulting Services, Inc., September 2019.

7 Section 9, Chapter 2012-29, Laws of Florida.

8 Florida Polytechnic University, "University Fact Sheet," retrieved from <https://floridapoly.edu/about/facts/>, February 26, 2020.

9 Ibid.

(CIP) codes paid an average of \$82,524 on a statewide basis.

- The average annual differential between the earnings of a Florida Poly graduate and a worker in Florida with only a High School degree, at \$45,913 per year, is the highest of any university in the SUS.
- The average Florida Poly graduate can expect to earn over \$13 in additional personal income (in present money value) over a working career for every \$1 of current outlay to pursue a degree. In contrast, the average SUS graduate can expect to earn about \$4.1 in discounted additional personal income over a working career for every \$1 of current outlay to pursue a degree.

The study concludes that "Florida Poly provides the training necessary to qualify workers for high skill, high wage jobs, and does so at a very low cost to students and taxpayers," and that "the State's investment in Florida Poly yields a high return on investment, both for taxpayers and for students."¹⁵

HB 7087

The bill sponsor has cited the high cost per degree at both Florida Poly and New College and the percentage of Florida Poly's and New College's operating budgets used for administrative expenses as justification for the proposed mergers. According to an analysis by the professional staff of the House Appropriations Committee:¹⁶

- The average cost per degree awarded at Florida Poly during fiscal year 2019-20 is \$180,958, compared to \$31,598 at UF.
- Florida Poly's administrative costs are estimated at 23 percent, which is almost two and one-half times the 9.8 percent rate at UF.
- The average cost per degree awarded at New College New College during fiscal year 2019-20 is \$197,681, compared to \$31,598 at UF.

- New College's administrative costs are estimated at 27 percent, which is almost three times the 9.8 percent rate at UF.

The analysis by the House professional staff suggests that reducing Florida Poly's and New College's administrative costs to a level more comparable to UF's reported 9.8 percent rate would make available an additional \$5.6 million at New College and an additional \$6.9 million at Florida Poly that could be used for instruction or other expenditures.

On February 12, 2020, Florida TaxWatch urged the Legislature to reconsider the proposed merger and "pump the brakes" until a better understanding of any cost savings, and the effects of the mergers on Florida's economic and workforce goals, are available. On February 25, the House Appropriations Committee approved HB 7087, which now goes to the full House for consideration.

ANALYSIS

The comparison of Florida Poly's average cost per degree to UF's average cost per degree represents an "apples to oranges" comparison.

- The average costs per degree awarded at UF and Florida Poly referenced in the analysis by the House professional staff appears to reflect the total state funds for fiscal year 2019-20¹⁷ divided by the total number of degrees (undergraduate and graduate) awarded during fiscal year 2017-18.¹⁸
- The average cost per degree included in the analysis by House professional staff appears to reflect Florida Poly's first four-year graduating class. This average cost would include significant start-up costs and capital investment expenditures that would not be included in average cost calculations for other SUS colleges and universities.¹⁹ Florida Poly projects that average cost per degree for next year's class will

¹⁵ Rick Harper, Ph.D., "Assessment of the Economic Impact of Florida Poly," Economic Consulting Services, Inc., September 2019.

¹⁶ House of Representatives Staff Analysis, HB 7087, February 24, 2020.

¹⁷ Source: General Appropriations Act, Chapter 2019-15, Laws of Florida.

¹⁸ Source: 2019-20 Accountability Plan.

¹⁹ Florida Polytechnic University, "Top 10 Myths vs. Facts."

about \$102,900, depending on the number of graduates.²⁰

- The total number of degrees awarded by UF includes more than 100 degree programs, including liberal arts programs like music, history, English, etc. Florida Poly degrees, on the other hand, are exclusively STEM degrees like engineering, computer sciences, mathematics, statistics, etc.
- Certain majors and programs (e.g., engineering and computer sciences) are generally more expensive to provide than others (e.g., history, English, etc.). Courses and degrees in the in-demand STEM disciplines are often the most expensive for colleges and universities to produce.²¹
- STEM degree programs like those offered at Florida Poly require more specialized equipment and smaller class sizes than liberal arts programs. Further, STEM faculty command salaries that are more comparable to those in the private sector.
- Comparing average costs per degree that include lower-cost liberal arts programs to average costs per degree that only include higher-cost STEM programs is comparing apples to oranges. Had the analysis by the House professional staff compared the average cost of a STEM degree at UF to the average cost of a STEM degree at Florida Poly, then the comparison would have more reliability and validity.

Reducing the administrative costs for Florida Poly and New College to a level comparable to UF may do more harm than good.

- The total operating budgets for the 12 SUS colleges and universities during fiscal year 2019-20 is \$4,324,503,743. Florida Poly's share of this is \$42,410,800 (0.98 percent) and New College receives \$41,054,122 (0.95 percent).²² Combined, the operating budgets of Florida Poly and New

College make up less than two percent of the total operating budgets for the 12 SUS colleges and universities.

- Using administrative cost data from the analysis by the House professional staff, Florida Poly would be expected to spend \$9.4 million²³ on administration and New College would be expected to spend \$11.1 million²⁴ on administration.
- The \$12.5 million identified in the analysis by House professional staff that would be saved by bringing the percentage of Florida Poly's and New College's operating budgets used for administrative expenses more in line with those of UF represents less than three-tenths of one percent (0.3 percent) of the operating budgets of the 12 SUS colleges and universities.
- It is unclear whether UF can provide administrative services for Florida Poly and New College at a reduced cost. From 2012 to 2016, UF provided administrative services and support to Florida Poly. Florida Poly reports that it is currently administering those operations at a cost of about \$1.5 million less than what it would cost UF.²⁵
- New College and Florida Poly have unique missions within the SUS. New College offers a liberal arts education of the highest quality in the context of a small, residential public honors college with a distinctive academic program. Florida Poly offers students an opportunity to learn in a small, innovative, technology-rich, 100 percent STEM environment. It is unclear whether the desired reductions in administrative expenses can be achieved without dramatically compromising the unique nature and mission of New College and Florida Poly.

20 Ibid.

21 Center for STEM Education and Innovation, "How Much Does it Cost Institutions to Produce STEM Degrees?," Delta Cost Project, September 2013.

22 Source: State University System of Florida, 2019-20 Operating Budget, Summary Schedule I. This excludes IFAS and medical schools.

23 $\$42,410,800 \times 22.93 \text{ percent} = \$9,413,710.$

24 $\$41,054,122 \times 26.97 \text{ percent} = \$11,072,297.$

25 Florida Polytechnic University, "Top 10 Myths vs. Facts."

It is unclear why a proposed merger between Florida State University (FSU) and Florida A&M University (FAMU) is not being considered.

- Nine of the 12 SUS colleges and universities have average costs per degree ranging from \$20,720 (University of Central Florida) to \$36,857 (Florida State University).²⁶ In addition to Florida Poly and New College, FAMU has an average cost per degree (\$63,401)²⁷ that is significantly higher than the other eight SUS colleges and universities.
- FAMU has the second-highest percentage of administrative costs (26.5 percent)²⁸ among the 12 SUS colleges and universities, lower than that of New College but higher than the remaining 10 SUS colleges and universities. FSU's administrative costs, as a percentage of its operating budget, are 9.99 percent.²⁹ In addition, FAMU's average cost per degree (\$63,401) is considerably higher than the average cost per degree of its neighbor FSU (\$36,857).³⁰
- Like New College and Florida Poly, FAMU has a unique mission as the only Historically Black College or University (HBCU) within the SUS.
- It is unclear why HB 7087 failed to consider a proposed merger between FAMU and FSU as a means to bring FAMU's average cost per degree and administrative costs more in line with those of other SUS colleges and universities.

HB 7087 constitutes the micromanaging of the SUS by the Florida Legislature.

- The Legislature has every right to be concerned about what it perceives as excessive spending and/or inefficient use of limited state financial resources.
- U.S. News & World Report has ranked Florida's system of higher education #1 for 3 consecutive years. Clearly, Chancellor Criser and the Board of

Governors have demonstrated their expertise and their ability to make necessary improvements at the 12 SUS institutions.

- The Legislature could better address this concern by directing the SUS to further study ways to reduce the costs per degree at Florida Poly and New College, boost New College student enrollment, and reduce the administrative expenses at Florida Poly and New College, and then permit Chancellor Criser and the Board of Governors to determine how best to meet the Legislature's directives.
- As an alternative, the Legislature could refer this matter to the Constitutionally mandated Government Efficiency Task Force³¹ (GETF), chaired by Department of Management Services Secretary Jonathan Satter for more-detailed study. The 15-member GETF meets every four years (since 2007) to develop recommendations for improving governmental operations and reducing cost. The GETF is scheduled to submit its recommendations to the Joint Legislative Budget Commission, the Governor, and the Chief Justice of the Supreme Court by June 30, 2020.

Regardless of any demonstrated or perceived merit, the manner in which HB 7087 was introduced constitutes "bad civics."

- The sponsor and his subcommittee staff worked on this bill in secret over a period of several months.
- Even members of the House Higher Education Appropriations Subcommittee, where the proposed mergers originated, were kept in the dark. When Subcommittee members expressed concern that there was no discussion of the proposed mergers during committee meetings, they were told that they "should have seen this coming" based on data presented by the Board of Governors.
- The bill was developed and introduced without input from the affected universities and college, and without input from the State University System's

26 Source: Board of Governors.

27 Ibid.

28 Ibid.

29 Ibid.

30 Ibid.

31 Article III, Section 19(i), Florida Constitution and Section 11.9005, Florida Statutes.

(SUS's) Board of Governors, the Executive Office of the Governor (EOG), and other key stakeholders.

- The introduction of HB 7087 on February 11, 2020, with only four weeks left in the regular session, came without warning, effectively “blindsiding” UF, Florida Poly, New College, the SUS, and the EOG.

Given the “unknowns” regarding the impacts of the proposed mergers, further study is needed.

- The analysis by the professional staff of the House Appropriations Committee concludes that, although programmatic and administrative savings are “anticipated,” any cost savings are “indeterminate” until the transfer occurs and analysis of each institution’s structure can be performed to determine operational needs.
- Given Florida Poly’s \$289 million annual impact on Florida’s economy (which includes \$38.2 million in tax revenues), any effect the mergers would have on achieving the state’s economic and workforce goals must be carefully considered.
- There is more than one way to skin a cat --- if cost savings are the reason for the proposed mergers, then perhaps a more careful, more thoughtful study of Florida Poly’s and New College’s operations may identify ways to achieve the desired savings without merging Florida Poly, New College, and UF.

CONCLUSIONS AND RECOMMENDATIONS

Florida TaxWatch applauds the House Higher Education Appropriations Subcommittee for its efforts identify ways to reduce costs and make higher education more affordable; however, developing HB 7087 with limited transparency and without input from the affected colleges and universities and other stakeholders is not only bad civics, but the optics are bad. Introducing HB 7087 midway through the regular session gives Florida taxpayers that HB 7087 is a “fait accompli,” that the “fix is in” for Florida Poly and New College.

The Legislature absorbed New College into the SUS so the SUS would be able to offer a high-quality, distinctive liberal arts education in the context of a small, residential public honors college. The quality of a New College education is self-evident:

- New College enrolls 0.3 percent of all SUS undergraduate students and produces more than 17 percent of all Fulbright scholars. Since 2002, only UF and FSU have produced more Fulbright scholars from SUS colleges and universities.³²
- A large percentage of New College graduates go on earn a doctoral degree. New College ranks number 8 among all public and private colleges and universities, and graduates earn doctoral degrees at a rate more than four times that of any other SUS institution.³³
- When compared to all other SUS colleges and universities, higher percentages of New College graduates are employed five years after graduation, and they have higher average salaries.³⁴

Florida Poly offers students an opportunity to learn in a small, innovative, technology-rich, 100 percent STEM environment, which is not available at any other SUS college or university. Having only graduated its first class in 2017, Florida Poly’s track record of graduate

³² Source: New College of Florida.

³³ Ibid.

³⁴ Ibid.

success is not as well-developed as the track record of other SUS colleges and institutions. There is every reason to believe, however, that Florida Poly's programs of applied learning and project-based curricula will produce the next generation of leaders and entrepreneurs in high-tech industries.

It is not uncommon for the Legislature to pass proposals without fully understanding the fiscal impacts of their actions. This doesn't make it right, but it is not uncommon, and the analysis by the professional staff of the House Appropriations Committee makes it clear that any cost savings resulting from the proposed mergers are "indeterminate."

Merging Florida Poly and New College with the University of Florida may very well produce the desired savings, but at what cost? It is unclear whether the desired reductions in administrative expenses can be achieved without dramatically compromising the unique nature and mission of New College and Florida Poly.

The critical question facing Florida legislators is whether the risk of compromising the unique nature and mission of New College and Florida Poly justifies the proposed mergers. By the time this question can be answered, it may be too late.

Florida TaxWatch recommends HB 7087 be withdrawn from consideration and further studied until the questions regarding cost savings from the proposed mergers and the effects of the proposed mergers on achieving the state's economic and workforce goals can be answered.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants, and does not accept government funding. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

FLORIDA TAXWATCH RESEARCH LEADERSHIP

DOMINIC M. CALABRO	President & CEO
ROBERT WEISSERT, ESQ.	Exec. VP & General Counsel
ROBERT G. NAVE	VP of Research
KURT WENNER	VP of Research

RESEARCH PROJECT TEAM

ROBERT E. WEISSERT	<i>Executive Vice President & General Counsel</i>
ROBERT G. NAVE	<i>Vice President of Research Primary Author</i>
CHRIS BARRY	<i>Director of Communications & External Affairs Design, Layout, Publication</i>

All Florida TaxWatch research done under the direction of Dominic M. Calabro, President, CEO, Publisher & Editor.

The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

The research findings and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff, Executive Committee, or Board of Trustees; and are not influenced by the individuals or organizations who may have sponsored the research.



Stay Informed



floridataxwatch.org



[@floridataxwatch](https://www.facebook.com/floridataxwatch)



[@floridataxwatch](https://twitter.com/floridataxwatch)



[@fltaxwatch](https://www.youtube.com/fltaxwatch)

Florida TaxWatch
106 N. Bronough St.
Tallahassee, FL 32301

o: 850.222.5052
f: 850.222.7476

Copyright © March 2020
Florida TaxWatch
Research Institute, Inc.
All Rights Reserved