Amendment 5 Would Put Florida's Higher Education Funding at Risk

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August 2018

The future of Florida's economy depends on the preparation of its workforce. High-paying employers are attracted to states with highly-skilled, educated workers and innovative, well-resourced universities. Though Florida has recently increased funding for higher education, general revenue funding has yet to return to pre-recession levels, dampening the educational opportunities for Floridians who are looking to improve their skills and get better jobs.

On November 6, Florida voters will decide on Amendment 5, which would make generating resources to meet the needs of Florida's college students and institutions of higher learning much harder. If this measure passes, Amendment 5 would establish a supermajority requirement to approve any new state revenues, taxes and fees, or to eliminate tax incentives, loopholes and other expenditures.

Florida currently has the wrong priorities, giving special tax breaks to big corporations while spending less on Florida colleges and universities. Amendment 5 locks in these failed priorities before the state has a chance to recover from deep cuts following the Great Recession, and a supermajority requirement would likely require huge funding cuts in the wake of another fiscal crisis. Amendment 5 would unnecessarily restrict investments in Florida's future.

Higher Education is Key to Economic Growth and Individual Prosperity

While about as many people are working in Florida as before the recession, they are making less in wages and are less financially secure. The high prevalence of low wage jobs in Florida has severely limited the economic mobility of millions of residents. In 2016, the share of Florida workers making under $10 an hour jumped to 20.1 percent, the highest level since 2005.[1] The median wage for the state in 2016, $16.03 an hour, was the lowest in over 11 years.[2] Eroded by the growing cost of living, Florida's low wages prevent nearly 1 in 2 Floridians from making ends meet. The United Way ALICE report reveals that in 2016, 46 percent of Floridians had incomes that fell below a basic "survival budget" level.[3]

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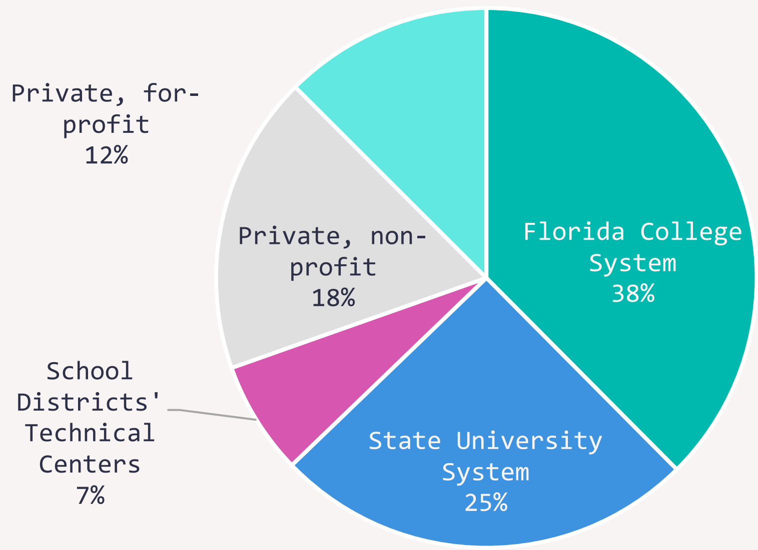
Postsecondary education is a solution to Florida's low wage problem. Researchers have found that the more educated a state's populace is, the higher the median wage.[4] This makes sense on an individual level—in Florida, the median wage for someone with a bachelor's degree ($68,127) was nearly 2.5 times that of someone with a high school diploma alone ($27,668) in 2017.[5] It also makes sense at a community-level: The larger the supply of highly-skilled workers, the more attractive the community is to high-wage employers. One Federal Reserve study compared states over a 65-year period and found that states with greater rates of educational attainment had faster income-percapita growth.[6] High rates of educational attainment are also correlated with lower crime, improved health measures and increased civic engagement.[7]

Most jobs in the future, not just high-paying jobs, will require some sort of postsecondary education. Labor economists project that by 2025, 60 percent of all jobs will require a postsecondary credential, compared to 28 percent in 1973, and less than 15 percent of jobs will be for workers with less than a high school diploma.[8] Meanwhile, as of 2016, only 47 percent of state residents aged 25 to 64 hold a postsecondary credential.[9] To attract high-skill, high-wage employers, Florida must grow our supply of high-skilled labor.

FIGURE 1: PUBLIC HIGHER EDUCATION INSTITUTIONS DELIVER 70 PERCENT OF ASSOCIATE, BACHELOR'S, INDUSTRY AND PROFESSIONAL CERTIFICATES IN THE

Percent of total industry and professional certificates, associate and bachelor's degrees granted in Florida by source-institution type, FY 2016



Source: Higher Education Coordinating Council, "Rise to 55" Final Report, June 2018.

Florida's Higher Education Coordinating Council (HECC) set forth a challenge to policymakers and stakeholders across the state to increase the percentage of working-aged residents with a high-quality degree or certificate to 55 percent by 2025. In 2016, 46.9 percent held at least a two-year associate degree or work-related certificate, and if the current attainment trend holds, the state will fall short of its stated goal. To meet the "55 by 2025" attainment goal, the HECC estimates that 784,000 additional working-age Floridians will need to acquire a postsecondary credential.

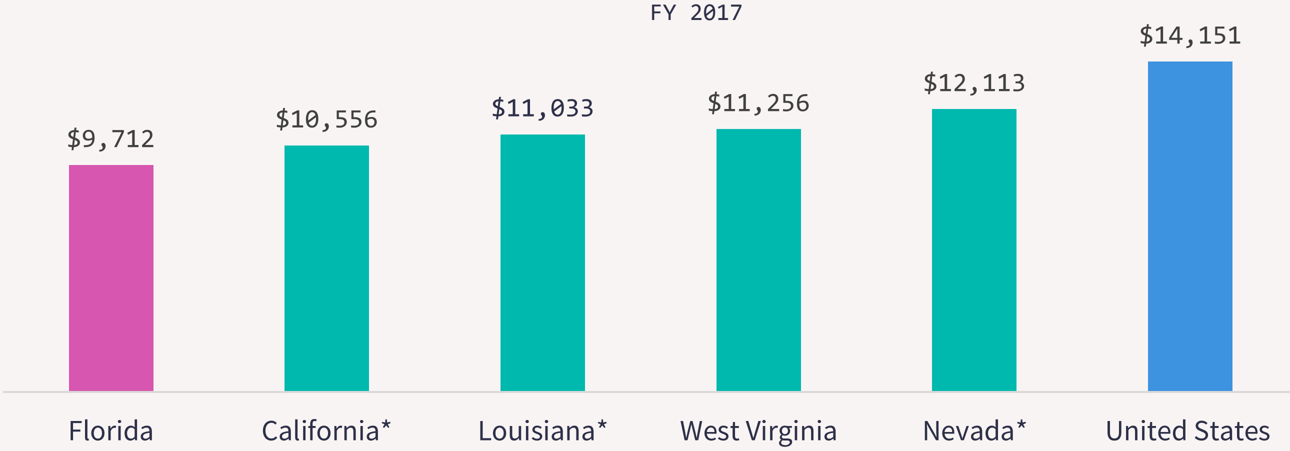
The only way the state can reach this goal is by investing in and expanding upon the primary drivers of the state's postsecondary attainment: Florida's technical schools, the Florida College System and the State University System of Florida (see Figure 1). Students of color particularly depend on public higher education in Florida; a majority of Florida's public college and university students are non-white.[10] Revenue restrictions like Amendment 5's supermajority requirement would unduly hamper the state's ability to invest in Florida's higher education systems, a primary economic engine for the state and economic mobility for communities of color.

Florida Per-Student Spending on Higher Education Lowest in Nation

Funding for Florida colleges is $1.23 billion in Fiscal Year (FY) 2018-19, a 1.4 percent increase from the previous fiscal year. The State University System saw a 2.3 percent increase in funding, reaching $5.07 billion. While the increase is significant, Florida was last in the nation in overall revenue per student (FTE) in FY 2017 (see Figure 2). [11]

FIGURE 2. FLORIDA TOTAL REVENUE PER STUDENT LOWEST IN NATION

Total revenue per student (FTE) for public higher education, adjusted, FY 2017



**States with supermajority requirements similar to Amendment 5*

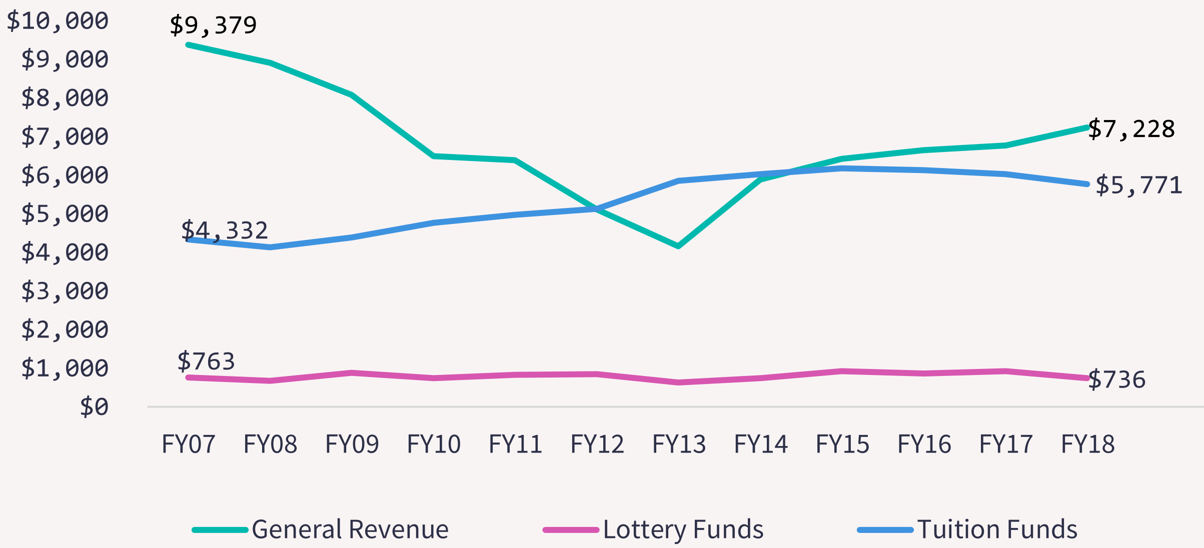
Source: "SHEF: 2017, State Higher Education Report," State Higher Education Executive Officers Association (SHEEO), 2018. SHEEO adjustment factors to arrive at constant dollar figures include Cost of Living Index (COLI), Enrollment Mix Index (EMI) and Higher Education Cost Adjustment (HECA).

Florida's low tuition rates are a partial driver, but the low level of funding appropriated by the state Legislature from the general revenue fund keeps available resources scarce. The state budget for higher education draws from varying funding sources: the general revenue fund, the lottery proceeds fund, tuition contributions from students and other miscellaneous funding sources. Despite recent increases, state support via general revenues for universities has fallen from pre-recession levels by 23 percent (Figure 3).[12]

The share of total spending on Florida public universities coming from tuition dollars has also trended upward over time. In FY 1997-98, only 22 cents of each dollar spent on Florida's universities came from tuition funds; by FY 2017-18, tuition contributed 42 cents of every dollar spent.[13] The slow erosion of general revenue per university student, coupled with several years of a near-freeze of tuition imposed by the Legislature, has increasingly put state universities in a fiscal bind.

FIGURE 3: GENERAL REVENUE SPENDING ON FLORIDA'S UNIVERSITIES BELOW PRE-RECESSION

University spending per student (FTE) by source, adjusted for inflation (2018 dollars).



Source: FPI analysis of State University System of Florida data. Unlike Figure 2, does not include college system data, and only adjusts for inflation, and therefore should not be compared with Figure 2.

Supermajority Requirements Tie Hands of Policymakers During Crises

During economic recessions, people go back to school to increase their employability.[14] At the same time, states usually face financial shortfalls that force tough budget decisions. A balanced fiscal approach with a mix of revenue increases and targeted, limited cuts allows states to avoid undermining higher education right when it's needed most. However, several state legislatures found themselves in a bind after revenues dramatically decreased during the last recession. In 16 states, some or all revenue-raising bills required a supermajority vote of the legislature. Many of these states were unable to overcome this barrier even in the face of widespread support for raising revenue after the fiscal crisis, and their colleges and universities suffered as a result.

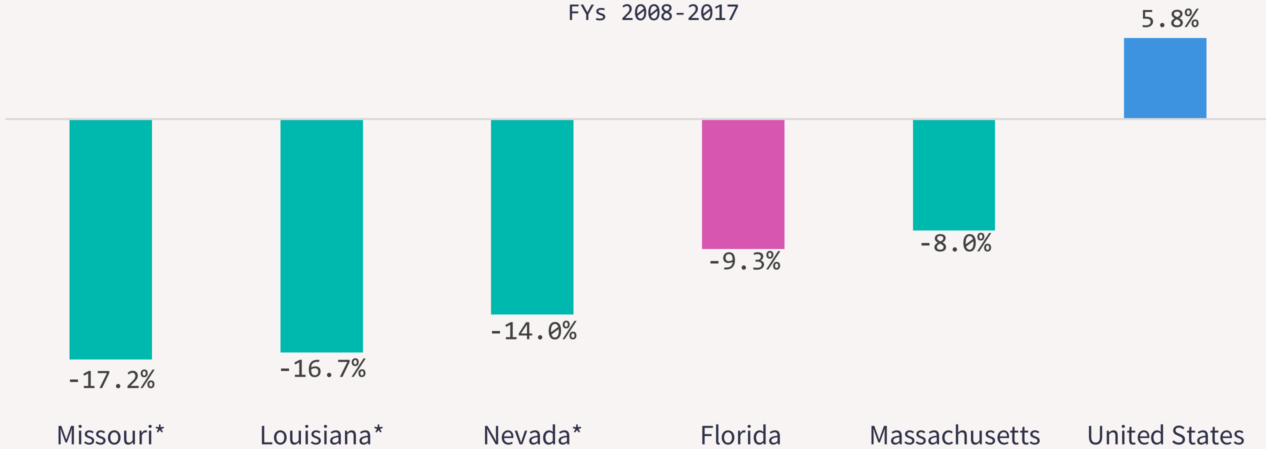
Florida cut spending per student by 9.3 percent from FY 2007-08 to FY 2016-17.[15] Only three states had deeper cuts to their revenues per-student, and all three of those states (Missouri, Louisiana and Nevada) have supermajority requirements blocking the way of new sources of revenue. Indeed, economists have found that the presence of a supermajority requirement accounted for about one-fifth of the average spending cuts on higher education in states with these types of revenue restrictions.[16] Amendment 5's supermajority requirement threatens to cement in place Florida's higher education cuts.

University and College Construction and Bond Ratings at Risk

The FY 2018-19 budget includes $1.7 billion in fixed capital outlays for public schools, community colleges, the state university system, other facilities and debt service.[17] The primary funding for these fixed capital outlays, which are the appropriations for the construction and maintenance of buildings, comes from the Public Education Capital Outlay and Debt Service Fund (PECO), which is made up of revenue from the gross receipts tax (sales tax on gas and electricity) and the tax on communication services (landline phone, cable, satellite and cellular phone services). Historically, this revenue has been used for issuing bonds.[18] From FY 1992-93 to 2010-11, the state used the PECO funds to issue bonds for capital projects; however, during Governor Rick Scott's tenure, only one PECO bonding project was approved. As consumers move away from landline and cable usage, and improve energy efficiencies, the gross receipts and communications taxes prove less lucrative. On Aug. 1, 2018, state economists revised the projected PECO funds available for construction downward for each of the next five years by an average of $45 million.[19]

FIGURE 4. FLORIDA'S REDUCTION IN PER STUDENT REVENUE FOURTH HIGHEST SINCE GREAT RECESSION

Percent change in state higher education revenue per student (FTE), adjusted, FYs 2008-2017



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The experiences of other states with supermajority requirements should raise red flags for anyone concerned about borrowing costs for the construction and maintenance of buildings on Florida's college and university campuses. The onerous restrictions of these requirements hurt the ability of states to effectively respond to financial and other crises. As a result, many states with supermajority requirements have seen their bond ratings fall, borrowing costs rise and higher education construction and expansion put at risk.

Reluctance by investors to buy bonds due to the supermajority requirement may lead to lower bond ratings, which would result in higher interest rates on bond-financed infrastructure projects. According to a major study on state revenue limits, a supermajority requirement in Florida could raise annual borrowing costs for infrastructure projects to an estimated $38 million or more.[20]

A supermajority requirement like the one proposed in Amendment 5 would make returning to pre-recession levels of construction funding much harder, preventing repair and expansions for Florida colleges and universities and diminishing their competitiveness.

Conclusion

Adequate state funding for higher education is key to preparing students and the state to compete in an ever-changing global economy. Supermajority requirements are closely correlated to deep cuts in higher education, shifting costs onto students and families and decreases in states' bond ratings. Amendment 5 would unnecessarily restrict investments in Florida's future.

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