

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
BUDGET COMMITTEE
UNIVERSITY OF SOUTH FLORIDA
TRADITIONS HALL, GIBBONS ALUMNI CENTER
TAMPA, FLORIDA
AUGUST 9, 2007

Mr. Tico Perez convened the meeting of the Budget Committee of the Board of Governors, at 8:30 a.m., in Traditions Hall, Gibbons Alumni Center, University of South Florida, Tampa, on August 9, 2007, with the following members present: Ann Duncan; Sheila McDevitt; Ryan Moseley; Lynn Pappas; John Temple; and Dr. Zachariah Zachariah. Other Board members who participated in the meeting were: Dr. Arlen Chase; Dr. Stanley Marshall; Frank Martin; Carolyn K. Roberts; and Gus Stavros. Ms. Ava Parker participated in the meeting by telephone.

Mr. Perez said the budget was being presented in a different way this year. Rather than identifying priorities by line-item, the budget was presented in aggregated groupings identifying system goals, such as student success to meet state needs, achieving efficiencies through shared resources, and completing university projects already underway. He said there were certain items presented in the budget he would defer for a later discussion, and there were also projects that were not yet identified as budget priorities of this Board. He said he also did not want to present items in the budget which had not been discussed by the appropriate Board committee. He said the budget was being presented in a way for the Board to present a unified message to the Legislature.

Mr. Jones reviewed the budget request and explained the individual items included. Mr. Perez said the request to fund health insurance for graduate assistants, \$15,487,500, should be considered by the Student Affairs Committee prior to becoming a part of this Budget Request. In addition, he suggested the request for \$15,525,260 to fund the Teaching/Research Incentive Program should remain a part of the Budget Request, but the Council of Academic Vice Presidents should make recommendations as to the parameters for this program with input from the Advisory Council of Faculty Senates.

President Genshaft inquired about the appropriate placement for the budget request dealing with Campus Safety and Security. Dr. Rosenberg explained the item on Global Education. He said this related to two critical initiatives for SUS students, to add language training in emerging languages, e.g., Chinese and Japanese, and to provide broader opportunities for study abroad. He said fewer than one percent of SUS

students were studying abroad. Mr. Perez said this issue should also be addressed by a Board Committee.

After the explanation of the request dealing with On-line Instruction, Ms. Duncan inquired what could be leveraged systemwide. She said while more dollars were being spent, she noted they were not necessarily spent holistically. Dr. LeMon suggested that the universities' academic officers should review this item.

Mr. Jones explained the request items for the Special Units. Mr. Temple commented that when the Board approved the two new medical schools in March 2006, he had understood that part of that decision included the expansion of the existing medical schools. He said he would like to hear an explanation of the increase in the budget requests for the new medical schools at FIU and UCF.

Ms. Duncan inquired whether the Chancellor would consider adding a request for the World Class Scholars Program. She said the Economic Development Committee had not discussed the World Class Scholars Program, but she noted the importance of this program to the universities. Chancellor Rosenberg said the budget was drafted with the budget difficulties in mind. He said there was possibly more legislative support for the Centers of Excellence. Ms. McDevitt said there were limited funds provided in the first year of funding the Centers of Excellence. She inquired how the Board would determine the effectiveness of these new Centers. Ms. Duncan said the Centers were supposed to bring in partners. She said the Economic Development Committee had discussed indicators of success and accountability measures for these Centers. The Committee had also recommended that the Centers already funded could re-apply for additional funds if their initial proposals were not fully funded.

Mr. Temple inquired if the Board planned to prioritize the items identified within the E & G "core budget." Mr. Perez said the Board would prioritize these when funds were received.

President Genshaft inquired about the support for medical education. She noted that in the General Appropriations Act, OPPAGA was directed to assemble all the relevant parties and review all the funding models for medical education. She said this report was due in December 2007.

Mr. Temple said the Board's action relating to medical education included recommendations to expand the existing medical schools, as well as approving and funding the new medical schools. He asked whether the Board would prioritize the budget now with the directive to cut the budget. Mr. Perez said he expected there would be cuts in specific areas. Mr. Moseley inquired about the methodology for the cuts. Mr. Perez said the Board would be working through its priorities. The Chancellor added that the Board would also work from university work plans.

Dr. Zachariah said he had raised major concerns during the medical school discussions about assuring the funding for residency programs. He inquired whether there was anything in the request to increase funds for residencies. Dr. Rosenberg said there was not. President Hitt responded that UCF had agreements for privately funded residencies. Provost Berkman said FIU remained committed to expanding the number of residencies in Florida. Dr. Berkman said there was disagreement as to the federal funding available for residencies. He said legislation was proposed which would bring new residencies to Florida.

Ms. McDevitt said she understood the Board's medical education resolution to encompass a number of issues. She said the Board had also emphasized that the medical schools already in place would work together to inventory the residencies and determine how to develop new and different residencies which would be more appealing to the disciplines needed in Florida. The Board had also addressed keeping more residencies in Florida, with the goal of increasing the number of Florida-trained physicians staying in Florida. She noted that there were residencies available which were not attractive because of the disciplines. She said she would be interested in an update on progress made regarding the reconfiguration of existing residencies. It was critical to get robust residency programs in place. Dr. Berkman noted that the budget request did not include any request to fund residencies.

Chancellor Rosenberg explained the two initiatives relating to residencies. One initiative was to add residencies. The second initiative was at the federal level, where a number of states were seeking the allocation of additional residencies. He explained that the Board had thus far been unsuccessful in explaining to the Legislature the cost for educating an individual medical student to the M.D. degree. He said the Board needed to convince the Legislature that its numbers worked. Until this was understood, it would be difficult to expand the existing medical schools. He said he had not managed these questions well.

Ms. Duncan said she had tried to understand all these budget numbers. She said her concern was how to address systemwide collaboration with the existing medical schools. She said there should be a statewide medical education plan which involved all the institutions. She suggested that before this request was final, the Chancellor should convene the medical deans to explore ways to leverage the resources of the existing schools. There may be areas for agreement. The Chair said this should be an ongoing discussion of the Chancellor with the Presidents of the universities with medical programs. Ms. Duncan said she was not comfortable adding the budget requests for medical education until after these statewide discussions had occurred. She suggested that the budget could be passed, pending resolution of these discussions. The Chair suggested the Chancellor convene the group in short order by telephone conference call.

Dr. Zachariah said medical education and residency programs were two different issues. He said it was clear that medical schools did not receive federal funding for residency programs. Dollars came from Medicare for residency programs. He inquired about the comments made about private monies being raised to support residencies. Dr. Hitt said one of UCF's partner hospitals remained committed to fund residencies without state or federal funds. President Genshaft said USF had added an orthopedic residency; there might be opportunities to work together.

Mr. Perez said the Chancellor should convene the Presidents and the deans to discuss opportunities for system synergies. Pursuant to the comments from Ms. McDevitt, the Board should receive a summary of the state of residencies in Florida. Mr. Perez suggested that the Board would pass its budget recommendations, subject to future changes, as needed.

Chancellor Rosenberg said he would ask the universities with medical schools to provide information on the efforts at collaboration among the medical schools already underway. He noted that the budget would be recommended using a lump sum approach, but there would also be specific lines as to certain items that would not be lumped.

Mr. Perez noted that the budget showed a disparity in year-two funding for the new medical schools at FIU and UCF. He inquired what had happened to cause these increases. President Hitt said when UCF had presented its medical school proposal, it had been convinced of its figures, knowing what was known at the time. He said the capital budget was presented without a request for PECO funding. He said since that time, there had been discussions with LCME regarding accreditation. He said that funding for items initially identified in years three, four and five had been accelerated. In addition, they had been informed of a change in medical instruction. The medical schools would be required to reduce lecture hours and increase instruction in small groups. This would require hiring more people. He said UCF had given the Board the best estimate of what they had known, but new accreditation standards were being put in place, effective July 2007, which they would have to meet.

Mr. Perez inquired what was causing the "front-loading." Dr. Berkman said both FIU and UCF were under a set of accreditation standards that had never before been used. He said the LCME was also learning what the new standards would mean. He noted that the most important change was in the nature of the curriculum, from the large lecture setting to small group learning. He said the small groups would also be technology-intensive. In addition, students would have earlier clinical experience. He said FIU had not believed they needed as many faculty. They had now been advised that all faculty were to be hired by the site visit this November. He said FIU had accelerated the schedule to hire more faculty and more clinical faculty, not just basic faculty. Further, he explained that they now understood they could not use the existing library, but must build a stand-alone library.

Mr. Temple inquired how much of the budget increase could be attributed to the acceleration of the program and how much to increased costs. He also inquired about future years. He inquired about the expectations for the overall budget, the magnitude of all the changes, and whether the Board could afford these costs.

President Genshaft said that both USF and UF had recently been reviewed under the new accreditation standards for medical schools.

Ms. Pappas commented that the universities had presented the best information they had at the time of the initial proposals. She said her concern was about the impact on the other universities. She said if these new programs continued to need additional funds, in a time of a shrinking state budget, there was an impact on the others. She wondered whether the universities had considered going back and reworking the numbers within the budget they already had. She said what she saw here was the request for more dollars. She said she was also unclear about the decision-making of the LCME. She wondered whether the universities were taking any negotiation leverage they might have off the table prematurely.

Dr. Hickey said he could not speak to any negotiation advantage. He said LCME had advised UCF that there were certain "musts" to be achieved to be accredited, and changes they expected. He said if they had the site visit in November/December without the budget necessary to implement the program, he believed UCF's ability to achieve preliminary accreditation was at risk. He said the impact of the front-end loading for UCF was an additional \$10 million, and the recurring expenditures would ripple through the system. He estimated an impact of \$57 million over the next 10 years, in order to bring UCF into compliance with the LCME requirements. He said to lessen the impact, Burnett College would become the School of Biomedical Science and would merge with the College of Medicine. Dr. Deborah German, Dean, explained the need for \$10 million of front-loading over the next 10 years. She said they had initially requested funding of \$9 million for 2008-2009, and were now requesting \$12 million for that period. Provost Hickey added that the final budget, at the end of the development of the College of Medicine, would be an addition of \$6 million.

President Cavanaugh, UWF, said that he might not have a "dog in the hunt" in terms of medical schools, but that UWF certainly did have a part in the end-game. He said accreditation reviews in other areas required the addition of faculty to maintain accreditation for the program. He said if there were no additional dollars for the SUS, all the universities had a stake in decisions about funding.

Chancellor Rosenberg said these were important conversations. President Hitt commented that when the FSU medical school was being discussed, there had been no discussion about the availability of funds to the other universities. He said the funding for the FSU medical school had not been on the table at the time of the budget cuts taken in 2001 and 2003. He noted in the accreditation dynamic, decisions made in the

past were subject to continuing debate. He said it did not compute that if one institution did not have these dollars, they would be available elsewhere.

Mr. Perez said he would give the Deans and Presidents two charges for their discussions. He said they should engage in systemwide ongoing conversations about the use of faculty and sharing resources. Second, the dialogue should explore if there were a way to work together with the existing schools to reduce the front-loading costs of the new schools. Mr. Moseley inquired how these discussions related to the budget request. Mr. Perez explained that these discussions might lead to modifications of the budget, if possible, before the deadline for submission of the budget.

Chancellor Rosenberg said it was important to have these internal discussions first, so that when the budget was submitted, the SUS spoke with one voice. Dr. Zachariah said he believed that LCME should have known it would change its requirements. He concurred with Ms. Duncan that there might be opportunities for sharing resources. Ms. McDevitt said she recognized the need for the best technology. She said there might be opportunities to share and a common curriculum that might be attractive to LCME.

Mr. Temple said the Board should receive the new budget projections for the new medical schools at the Board's September meeting. He noted that a lot of numbers were being presented. He said he was interested in the budget projections for both UCF and FIU over the 10-year period and any cost overruns. Mr. Perez said he would add to that request, information about the substantial requests for increases from the existing medical schools. He said he would like information about the numbers of additional students these additional funds would generate and the student growth over the same 10-year period.

President Hitt said he had the budget projections. He said it would be helpful to have examples of collaboration which would help the universities save money. He disputed the concept that the budget process was a zero-sum game. He said he pledged to work with the other universities to achieve efficiencies.

Dr. Abele expressed his sympathies to UCF and FIU. He said FSU had received a similar letter from LCME, which he had felt was unreasonable. Failing to achieve accreditation was unpleasant. He said if LCME prescribed the number of faculty to be in place, there would be no accreditation until they had achieved this number. He said the downside, failing accreditation, was huge and the Board needed to sustain its commitment to a decision already made to start these new medical schools. He said this was not the time to re-think the Board's position on medical education. He said the Board would have to consider how to efficiently and effectively manage this budget issue.

Mr. Jones also reviewed the Board Office Budget Request. He explained the new issues, funds for increased SREB dues and funds for one auditor position. He noted that this request might come back to the Board after budget reductions were implemented.

Mr. Perez recommended that the Committee adopt as much of the Legislative Budget Request, as possible, and authorize the Chancellor to make technical corrections. He recommended that three issues, i.e., insurance for graduate assistants, funding for the research vessel at the Florida Institute for Oceanography, and the Global Education Initiative, be referred to Board Committees for additional consideration. He noted that there were special issues the universities still wanted to add to the Budget Request. Ms. McDevitt moved that the Committee approve the recommended 2008-2009 SUS Legislative Budget Request, with the further considerations as identified by Mr. Perez. Dr. Chase seconded the motion. Ms. McDevitt said it would be appropriate for the Student Affairs Committee to review the request to fund graduate student health insurance.

Mr. Martin inquired about the timeframe for approving the budget. Dr. Rosenberg said staff needed time to prepare the budget submission in the required format; the submission was due to the Governor's Office by October 15. He said there was still time to make further modifications.

Mr. Martin inquired about the process for adding other items to the Budget Request. Dr. Rosenberg said both the Governor and Legislature provided detailed instructions for the submission of the Request, and the system for preparing the Request in the proper format was arcane and burdensome for the staff. He said it was important to proceed with the items which were certain to be included. He added that the Legislature would return for a Special Session in September to deal with the budget cuts.

Dr. Chase inquired whether all the funds included for medical education were part of the larger discussion of the synergies to be gained from further cooperation and collaboration of the existing medical schools with the new ones. Mr. Perez concurred.

Mr. Temple reminded the Chancellor of his interest in seeing the 10-year projections for the new medical schools. He said he needed more specific information, including information as to how many additional medical students could be accommodated by funding increases. He said he was also interested in further information about residencies.

President Ammons noted that FAMU sought funding for a land-grant issue. President Hitt commented on UCF's request relating to the Burnham Institute. Mr. Perez suggested that there might be other institutional issues not now included in the

budget. He suggested that the University Presidents advise the Chancellor of additional issues the Board should consider for the Budget Request.

There were no further comments, and members of the Committee concurred in the motion.

Mr. Perez said the Committee should also indicate its support for need-based financial aid programs, a budget item included in the Budget Request by the State Board of Education. Ms. McDevitt moved that the Committee support the State Board's Budget Request item for need-based financial aid programs. Dr. Marshall seconded the motion, and members of the Committee concurred.

Having no further business, the Chair adjourned the meeting of the Budget Committee at 10:35 a.m., August 9, 2007.

Tico Perez,
Chair

Mary-Anne Bestebreurtje,
Corporate Secretary