

MINUTES
BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
BUDGET COMMITTEE
TURLINGTON BUILDING
TALLAHASSEE, FLORIDA
SEPTEMBER 27, 2007

Mr. Tico Perez convened the meeting of the Budget Committee of the Board of Governors, at 10:00 a.m., in Room 1721, Turlington Building, Tallahassee, on September 27, 2007, with the following members present: Commissioner Jeanine Blomberg; John Dasburg; Ann Duncan; Sheila McDevitt; Ryan Moseley; John Temple; and Dr. Zachariah Zachariah. Other Board members who participated in the meeting were: Dr. Arlen Chase; Dr. Stanley Marshall; Ava Parker; and Carolyn K. Roberts.

1. Approval of Minutes of the Meeting held August 9, 2007

Mr. Moseley moved that the Committee approve the Minutes of the meeting held August 9, 2007, as presented. Ms. Parker seconded the motion, and members of the Committee unanimously concurred.

2. 2008-2009 Legislative Budget Request Follow-up

Mr. Perez said this Committee had sent several budget items back to other Board committees for further consideration prior to being included in the Board's 2008-2009 Legislative Budget Request. He had asked the Student Affairs Committee to consider the request for Graduate Support, and the Committee had recommended \$16.8 million should be included. Five issues were considered by the Research and Economic Development Committee. That Committee had recommended the following funding requests: Florida Center for Library Automation, \$5.9 million; University Press of Florida, \$1 million; Florida Initiative on Global Education, \$1.3 million; Distance Learning Initiatives, \$750,000; and Florida Institute of Oceanography, \$0. He added that while the Committee had recommended no funding for the Florida Institute of Oceanography, the Committee had recommended a review of Florida's fleet responsibilities, capabilities and opportunities.

Mr. Temple moved that the Budget Committee include these budget request items, as recommended by the two Board committees, as part of the Board's 2008-2009 Legislative Budget Request. Ms. Duncan seconded the motion, and members of the Committee concurred.

Mr. Perez said that at the August meeting, the Budget Committee had invited university presidents to submit special issues which were not included in the proposed 2008-2009 LBR. President Hitt had submitted a request to meet a \$1.25 million commitment to the Burnham Institute and President Ammons had submitted a request for additional funds to achieve the \$3.2 million total needed for a federal land grant match. Mr. Perez explained that the state had previously provided \$900,000 and FAMU had provided \$1.8 million in in-kind match, thus FAMU has a funding shortfall of \$500,000. Mr. Perez, therefore, recommended that \$500,000 be included in the budget to assist FAMU in meeting the federal land grant match. Ms. Duncan moved that the Committee include these two additional items to the 2008-2009 LBR. Mr. Temple seconded the motion, and members of the Committee concurred.

Mr. Perez summarized the net changes to the LBR, resulting in a \$700,000 net gain balance, which he recommended should be added to the money requested for Student Success initiatives. Ms. Duncan so moved. Mr. Temple seconded the motion, and members of the Committee concurred.

Mr. Perez also reported that the Chancellor had convened the Deans of all the medical schools in the SUS to discuss synergies among them which could be used to address the increased costs being incurred as a result of the new accreditation requirements from LCME. Dr. LeMon said the Deans had met, but that they would need time to figure out ways to increase collaboration. He said they had discussed library collaboration, as well as joint purchasing opportunities. They had also discussed collaborating on national searches. He said each medical school would take the leadership on these. He noted that in the short term, there would be no immediate impact on the request for the increased funds sought by the new medical schools.

Mr. Perez noted that the Board had approved the requests for the medical schools at the August meeting. There were no additional changes to the LBR on that issue. Mr. Temple said he still had questions about the increased funding requests from the two new medical schools even after receiving some of the information and explanation that he had previously requested. He said he believed the budget request was subject to some of his questions being answered. Mr. Perez said that he understood that the Deans had met, and the questions had related to the costs to meet new LCME accreditation requirements.

Mr. Temple said UCF had explained the new LCME requirements to him, those added in May 2006 and the most recent additions made in June 2007. He inquired whether the budget request reflected the costs of meeting all these requirements. Mr. Perez said it did. Mr. Temple inquired whether UCF could identify which new requirements carried the greater cost.

President Hitt said the Board had approved the new medical school for UCF on March 23, 2006. He said the cost estimates presented to the Board were done before

changes were made to the LCME accreditation requirements. Mr. Temple said he was interested to know the cost impact of the recent changes. He said looking at the costs out six years, it appeared that UCF's costs increased by 20 percent, and that FIU's costs increased by 30 percent. He inquired whether this was an underestimate or whether this reflected an overall increase to the base. Dr. Hitt said the University was required to hire more faculty members with the move to smaller classroom settings. Mr. Temple said all the members should be aware of the \$200 million in new capital costs over the ten-year period.

Dr. Zachariah said he too was concerned with the increased costs. He said the institutions should have known about the new requirements. He said he continued to be concerned about increasing residency programs in Florida. He said he felt it was the Board's obligation to keep more doctors in Florida.

Mr. Perez said the issue for the new medical schools was the difficulty in achieving accreditation without the needed faculty on board. He said they were not able to absorb the new criteria as the existing schools might be able to do. He said the "front-loading" needed to address these requirements was costly. He noted that both UCF and FIU were involved in discussions of residencies. He suggested that UCF and FIU provide updates at a future meeting. Dr. Chase said all the universities offering medical education should report, including the capital costs.

Ms. Pappas remarked that the Resolution the Board had adopted included accountability measures for all the universities. Mr. Perez said he would recommend to the Chair that she schedule a "university medical school update" for a future Board meeting.

President Hitt said the University had had to revise its cost estimates since the Board action in March 2006. He emphasized that the LCME requirements were, in fact, new ones. He said he had pledges for creating 95 new residencies, without state or federal funding. There would also be 75 new residencies at the new Lake Nona medical campus of UCF. He said it was critical for the institutions to continue the development of these new programs, and not to have the Board continue to question its commitment to them. He said UCF had commitments of \$1 billion for the development of its medical school; the state had already invested \$100 million in the new programs. He said that this was also critical to the Board's credibility and integrity.

3. Approval, 2007-2008 SUS Operating Budgets

Mr. Perez said each University Board of Trustees had approved operating budgets for the 2007-2008 fiscal year. He said approval of the State University System Operating Budget was required pursuant to the Board's Master Powers and Duties. Mr. Temple moved that the Committee approve the 2007-2008 State University System

Operating Budget, as presented. Mr. Dasburg seconded the motion, and members of the Committee concurred.

4. Approval, Notice of Intent to Create Board of Governors Regulations

Mr. Perez advised the Committee that there were seven proposed regulations related to budgets, financial statements, information technology and data requests. These regulations were presented to the Committee for approval to notice. This was the first step in the two step approval process for Board regulations.

- Regulation 6C-9.0x, Operating Budgets

Mr. Jones explained that the proposed regulation on Operating Budgets had been a previous Chancellor's Memorandum. It prescribes the annual operating budget submission process for the State University System.

- Regulation 6C-9.0x, Auxiliary Facilities with Outstanding Revenue Bonds Operating Budgets

Mr. Jones explained that the proposed regulation on Auxiliary Facilities with Outstanding Revenue Bonds Operating Budgets had been a previous Chancellor's Memorandum. It prescribes the annual collection of fiscal information related to certain auxiliary facilities with bond covenant language requiring income and expenditure disclosure.

- Regulation 6C-9.0x, Preparation of University Financial Statements

Mr. Jones said the Board Office, working with the Department of Financial Services, had assumed the responsibility for coordinating the financial reporting requirements of the State University System. The proposed regulation on Preparation of University Financial Statements prescribes the reporting requirements.

- Regulation 6C-9.0x, SUS Consolidated Financial Statements

Mr. Jones said the proposed regulation on SUS Consolidated Financial Statements prescribes the process for the submission of financial statements and disclosure information.

- Regulation 6C-3.0075, Security of Data and Related Information Technology Resources
- Regulation 6C-3.007, Management Information System
- Regulation 6C-3.0x, University System Data Requests

Mr. Jones said these three proposed regulations dealt with the security of data and data management.

Dr. Chase moved that the Committee approve for public notice its intent to create these seven regulations, as presented. Ms. Pappas seconded the motion, and members of the Committee concurred.

5. Discussion of Proposed 2007-2008 Budget Reductions

Mr. Jones explained the proposed budget reductions proposed by the House Policy and Budget Council, including an across-the-board reduction of 3.9 percent, a total of \$90 million, and a 5 percent tuition increase. He said the Senate had not yet made its recommendations regarding the reductions, but said that he expected their recommendations to be similar to the House proposal. He explained that both the Senate and House would review the budget proposals in committee. He said a proposed bill would be brought to the floor of each chamber sometime the following week.

Mr. Perez said that the Performance and Accountability Committee would have further discussions on the performance funding model.

6. Miscellaneous

Ms. Parker encouraged members of the Committee to pay attention to the work of the Tax and Budget Reform Commission. She said the recommendations of the Commission would have an important impact on how the State University System would be funded. She said she was particularly concerned because of the need for funds for higher education. She said the Tax and Budget Reform Commission was only convened every 20 years; it met last in 1988. She said the needs in the SUS had expanded considerably over the past 20 years.

She said the Commission was holding hearings around the state and she urged the Chancellor and all the members of this Board to attend the hearings and advocate for the needs of the SUS. She urged the University Presidents and Trustees to attend and be heard, as well. She said any constitutional amendments they propose would be placed on the 2008 ballot. She thanked President Delaney for his assistance.

Chancellor Rosenberg said he was working with the governmental affairs liaisons to be sure all were addressing the same general concerns to the Commission. He said he hoped that each university would have its Trustees participate so that the broader message of higher education funding would be heard.

7. Adjournment

Having no further business, the Chair adjourned the meeting of the Budget Committee at 10:55 a.m., September 27, 2007.

Tico Perez,
Chair

Mary-Anne Bestebreurtje,
Corporate Secretary