

MINUTES  
BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
BUDGET COMMITTEE  
UNIVERSITY OF CENTRAL FLORIDA  
LIVE OAK BALLROOM  
ORLANDO, FLORIDA  
JUNE 19, 2008

Mr. Tico Perez convened the meeting of the Budget Committee of the Board of Governors, at 8:05 a.m., in the Live Oak Ballroom, University of Central Florida, Orlando, on June 19, 2008, with the following members present: John Dasburg; Ann Duncan; Sheila McDevitt; Arthur "AJ" Meyer; Commissioner Eric Smith; John Temple; Norman Tripp; and Dr. Zachariah Zachariah. Other Board members who participated in the meeting were: Dr. Arlen Chase; Ava Parker; and Carolyn K. Roberts.

1. Approval of Minutes of Joint Facilities and Budget Committee Meeting held March 27, 2008

Mr. Temple moved that the Committee approve the Minutes of the Joint Facilities and Budget Committee meeting held March 27, 2008, as presented. Ms. McDevitt seconded the motion, and members of the Committee unanimously concurred.

2. Differential Tuition

Mr. Perez explained that at the May 8, 2008, Board meeting, action was taken to allow universities meeting funding Level I or II definitions outlined in section 1004.635 (3), F.S., to implement a differential undergraduate tuition up to \$6.96 per student credit hour. He said that House Bill 745 signed by the Governor on May 17, 2008, deleted the language regarding Level II universities and replaced it with "...universities that have total research and development expenditures for all fields of at least \$100 million per year...."

Mr. Perez said that based on the Governor's action, he recommended that the language in the May action on differential tuition be revised to delete references to Level II institutions, and that 1.b. of the May action be revised to delete the reference to "Funding Level II" with the statement, "Institutions with at least \$100 million in total research and development expenditures..." Mr. Temple moved that the Committee approve the proposed revisions to the May Board action, as stated. Ms. McDevitt seconded the motion, and members of the Committee concurred.

3. Update on the State's Financial Outlook

Mr. Perez said the budget picture continued to worsen. He noted that all the universities were making deep cuts in their budgets, and hoping not to have these cuts impact students. He commented that much had happened since the financial outlook projected in January prior to Session.

Mr. Tim Jones said there had been a second round of cuts in March and revenue projections continued to be revised downward. He said the revenue projections for 2008-09 of \$25,305,000,000 were \$6.4 billion less than the 2006-07 projections. He commented that projected revenue would not return to the 2006-07 level until 2011-12. He said that General Revenue collections continued to fall, as revenue projections had now been revised downward each month since last November. He said there would be another revenue estimating conference held during the summer.

Mr. Jones also reported that lottery projections were declining. He said the Lottery had introduced some new games in the hope of generating new revenue. He said Bright Futures scholarships were largely funded by the Lottery and if additional monies were needed to fund Bright Futures, less money was available for other enhancements.

He said the Governor's Office had announced a holdback of funds, effective July 1. The holdback would be 1 percent per quarter of General Revenue and Lottery funds. This was a potential reduction of \$96 million to the SUS, and \$200,000 to the Board Office.

Mr. Jones reviewed General Revenue and Lottery appropriations to the System in 2006-07 and the cuts made in 2007-08. He said that core funding per student in 2008-09 had decreased 5.5 percent since 2006-07 to \$11,658 per student.

He said the SUS had requested an increase of \$450 million in state funds for 2008-09. The SUS had received \$128 million decrease in General Revenue, and \$68 million increase in Lottery funds. Medical education initiatives were partially funded. No funding was provided for student access and no funding was provided for Major Gifts or performance incentives.

Mr. Perez said he had asked staff to provide the Committee a draft of proposed budget issues for 2009-2010. He noted that many of these had been included in the budget the previous year. He explained one change, the addition of funds for the Joint SUS/Community College Transfer Issue. He said this was to protect transfer students, so the impact of freezing freshman enrollments would not impact transfer students from the community colleges. He noted that the proposed budget included \$18 million for Safety and Security Initiatives identified by the Board's Emergency Preparedness and Campus Safety Task Force. He explained that the request included funding for the

Florida Center for Library Automation, the University Press of Florida and the Florida Initiative for Global Education.

He said that during the budget development process the previous year, several universities had raised specific issues to be included in the budget. These were reflected in the draft. These were: Land Grant Matching, FAMU, \$500,000; Faculty for Student Access, FGCU, \$1.5 million; and Burnham Contractual Agreement, UCF, \$1.25 million. He said he wanted again to know if there were any other university-specific issues which should be included in the budget. He said the Committee did not yet know the dollar amount to be included for Centers of Excellence or the funds needed to match Major Gifts. Mr. Perez asked that the Economic Development Committee review this issue to see if funding should be requested for any new centers of excellence.

Mr. Perez thanked the staff for the early work on the 2009-2010 budget request. He commented on the importance of funding faculty and staff retention and recruitment, as universities around the country had started picking off Florida's best faculty.

#### 4. Appropriate and Predictable Funding

Mr. Perez said the Budget Committee had been asked by the Strategic Planning Committee to develop a plan for appropriate and predictable funding. Dr. Nate Johnson said the initial working group included representatives from UWF, FSU, FAMU, and FAU, and was chaired by Dr. Cavanaugh. The group had met with staff from the Legislature and the Governor's Office in May. He said in order to be successful, there needed to be buy-in from all parties. He noted that the working group had now been expanded to include representatives from all the universities. He noted that it was difficult to have discussions about business plans in the face of declining budgets, but the goal was to have a framework in place for the 2010-11 budget request.

Dr. Johnson explained the elements to be considered within appropriate and predictable funding. These would include increasing total funding, revising the enrollment funding formula, implementing performance funding, and increasing need-based financial aid. It would also include developing a funding plan for research and commercialization. He said this needed to be tied to the goals of the state. It would be interactive, so that projections of tuition increases would vary in relationship to the funding provided by the state, i.e., if the model were not fully funded by the state, the Board would consider a higher tuition increase to offset the lower appropriation.

Dr. Johnson said the current funding formula was adopted by the Board in 2004, and was used to request new funds for enrollment growth. The weights differed by institution based on a number of variables, e.g., student/faculty ratios, salaries, support costs, research and public service, branch campuses, and size. The formula did not provide any annual adjustment to the base funding, nor did the formula provide for

inflationary costs. He noted that the Legislature had not fully funded the formula for several years, and had not funded the growth that had occurred.

Dr. Johnson explained that 38 states used funding formulas for some or all of their institutions. He said the proposal was to reformulate the budget request so most would be based on the number of FTE students in the System at a negotiated "base student allocation" amount per weighted FTE students, and increasing the "base student allocation" would be a top systemwide priority. He commented that the proposed funding formula was akin to the Florida Education Finance Program (FEFP) used to finance K-12 education in Florida. He noted that the next discussions would center on the weighting of factors and how they would be used. He added that the Student Affairs Committee would be developing principles relating to statewide financial aid.

Mr. Perez commented that this project might take several years, but that it was important to begin the discussions. Dr. Rosenberg said the current funding formula was not fully funded by the Legislature, and was not effective. He said the current process would be deliberative and would include all the key players, including legislative staff and Governor's Office staff. He said the Legislature would want to participate for the SUS to achieve state objectives.

Mr. Perez said he would encourage the Boards of Trustees and the Presidents to engage in the process, as this represented a dynamic shift in how the universities were funded.

## 5. Adjournment

Having no further business, the Chair adjourned the meeting of the Budget Committee at 8:45 a.m., June 19, 2008.

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Tico Perez,  
Chair

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Mary-Anne Bestebreurtje,  
Corporate Secretary