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BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
UNIVERSITY OF CENTRAL FLORIDA
LIVE OAK BALLROOM
ORLANDO, FLORIDA
JULY 10, 2007

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The Chair, Carolyn K. Roberts, convened the meeting of the Board of Governors, State University System of Florida, in the Live Oak Ballroom, University of Central Florida, Orlando, Florida at 1:45 p.m., July 10, 2007, with the following members present: Sheila McDevitt, Vice Chair; Commissioner Jeanine Blomberg; Dr. Arlen Chase; Ann Duncan; Charlie Edwards; Dr. Stanley Marshall; Frank Martin; Ryan Moseley; Ava Parker; and Gus Stavros.

1. Call to Order and Chair's Report

Mrs. Roberts thanked President Hitt and his staff for their willingness to host this special Board meeting on such short notice. She noted that the Board had met in Miami less than four weeks earlier. She commented that while many members of the Board had not been able to attend this meeting, all members had been briefed on the agenda materials.

She reported that two students, one from New College and one from FIU, had participated in the state's June trade mission to Colombia, thanks to the collaborative opportunity afforded by Enterprise Florida. Both the students and the mission organizers reported that this was a wonderfully beneficial experience for all participants. She also thanked New College and FIU for supporting their students for this opportunity.

She commented that the work of the Task Force on FAMU Finance and Operational Control Issues continued under the leadership of Ms. Lynn Pappas. She said that since the Board's June meeting, SACS had advised Florida A & M University that its accreditation was on "probation." She said SACS had noted many of the same financial and operational issues already identified in legislative audit reports. She said President Ammons was now in office and ready to address these issues.

She said Chancellor Rosenberg had been working with Legislators, keeping them informed of Board issues. She said he had served on a panel discussing articulation and the "2 plus 2" relationship at the recent meeting of the Southern Regional Education Board. She also thanked the Board staff. She said they were covering multiple issues and working hard.

She reminded Board members of the meetings on August 8 and 9, at USF, in Tampa. She said Board members would meet with Trustees on August 8, 2007, to discuss national and state trends in higher education, and to discuss building relationships with members of the Florida Legislature. She encouraged Board members to attend. She recognized several Trustee Board Chairs in attendance, including Mr. K.C. Clark, UWF; Mr. Rick Walsh, UCF; Ms. Dianna Morgan, UF; and Mr. Bruce Taylor, UNF. She said she welcomed their participation.

2. Consideration, Appointment of Trustees, FAMU Board of Trustees

Mr. Edwards reported that the Trustee Nominating Committee had met that morning. He said the Committee had outstanding applicants. The Committee had selected five applicants to be interviewed for the three vacancies on the Florida A & M University Board of Trustees. Four applicants had come from out-of-state to interview with the Committee in person; one applicant had been interviewed by telephone. He said all the members of the Committee, and other Board members, had engaged in good discussions with the applicants, all of whom were qualified to serve as members of the FAMU Board of Trustees.

Mr. Edwards said the Committee had recommended Mr. Robert Brown for the unexpired term, ending January 6, 2010. He said Mr. Brown was a successful businessman in public relations and advertising, now retired and living in High Point, North Carolina. He said Mr. Brown had served on a number of college boards, including the University of North Carolina System Board. He moved that the Board approve the appointment of Mr. Robert Brown to the Florida A & M University Board of Trustees, for a term ending January 6, 2010, as presented. Ms. McDevitt seconded the motion, and members of the Board concurred.

Mr. Edwards said there were two vacancies for unexpired terms ending January 6, 2011. He said the Committee had recommended Mr. Richard Dent and Mr. Karl White to fill these vacancies. He said Mr. Dent was from Columbus, Ohio, and served as Vice President, CFO and Co-leader, for Victoria Secret - PINK. Mr. Dent had earned both his undergraduate and graduate degrees from Florida A & M. He said the Committee had been extremely impressed with Mr. Dent's credentials and with his background in finance, auditing, and accounting. In addition, the Committee sensed his vigor and enthusiasm for his alma mater. He moved that the Board approve the appointment of Mr. Richard Dent to the Florida A & M University Board of Trustees, for a term ending January 6, 2011, as presented. Ms. McDevitt seconded the motion, and members of the Board concurred.

Mr. Edwards said Mr. White lived in Boston, Massachusetts and was with Fletcher Asset Management, Inc. He said Mr. White had earned his baccalaureate degree from Florida A & M University in Pharmacy and an M.B.A. from the University of Chicago. He said he also had previous experience as the Vice Chair of the University

of Massachusetts Board of Trustees and as the Chair of its Audit Committee. He said the Committee had been impressed with the range of his experience, particularly with audit issues. He moved that the Board approve the appointment of Mr. Karl White to the Florida A & M University Board of Trustees, for a term ending January 6, 2011, as presented. Ms. Parker seconded the motion, and members of the Board concurred.

Mr. Edwards commented that this was the first time the Committee had pre-screened applicants and interviewed candidates in person. He said this process had worked well and he said he was extremely pleased with the applicant pool. He thanked those who had made recommendations or asked individuals to apply for these positions. He said the Committee felt it had reviewed excellent and highly qualified applicants.

Mrs. Roberts congratulated these new Trustees. She said it was difficult to apply and be interviewed in the "sunshine." She said these Trustees would bring great talent to the Florida A & M University Board of Trustees. She thanked Mr. Edwards for the work of his Committee.

3. Discussion/ Action: Budget; Governance; Tuition; Enrollment

Mrs. Roberts said this was an important day, not just for the Board of Governors, but for the State University System. She thanked Governor Crist who had called and expressed his support for the University System. She said he recognized the value of the State University System and knew that the universities were important to the state and its continued growth. She said he recognized the value of the quality product of the SUS. She said he was dedicated to access to universities for Floridians, and noted that he had included full enrollment funding in his budget recommendations. She said he had supported the differential tuition that would generate additional revenue for UF, FSU and USF. She said he believed that the Board could work with him to build a competitive university system. She said she had invited him to be the leader in any discussions related to governance.

Mrs. Roberts also thanked Legislators, noting that Sen. Evelyn Lynn and Rep. David Meador were present. She said these and many other Legislators had supported the University System. She said the Legislature had tried to fund the universities, while trying to fund the other needs of this big state - Corrections, Medicaid, Children and Families, and K-12. She said President Pruitt and Speaker Rubio were great leaders who appreciated the importance of the universities to the quality of life in the state. She said the Board needed the support of the Governor and the Legislature to do its job.

At the last meeting, she said she had reminded the Board that the voters had created a Board of Governors to achieve excellence for the state's universities. The Board had been entrusted with fiduciary responsibility for the State University System and had been given constitutional status to protect and enhance the SUS. She said it

was time for the Board to consider what it must do to ensure quality for the State and for the System, both in the near-term and for the future.

She said the Board's job was now even more important. Since the last meeting, the Governor had announced the immediate need for budget cutbacks, four percent with the prospect of ten percent before the end of the fiscal year. She said the budget would shrink by a minimum of \$100 million. She noted that the Revenue Estimating Conference in August and a likely Special Session in September might lead to further budget cuts.

She commented that the Board had been here before. The University System had taken major cuts in the early 1990s, and again in 2002 and 2003. She noted that while the SUS had periodically received enrollment funding, administrative cuts had nullified these increases. She said that throughout those years, the universities had kept their doors open; students had graduated. She said the Board had kept its promise to Floridians and would continue to do all it could to maintain access.

She said, however, quality was now at risk. The universities were carrying thousands of unfunded students; the SUS continued to receive less than the budget formula dictated for the so-called "funded" students. She said Florida had the worst student-faculty ratio in the country- even worse than post-Katrina Louisiana.

Mrs. Roberts noted that SUS competitors, even in the South, were finding ways to raise faculty salaries and to expand their base budgets. She noted that while North Carolina had raised faculty salaries by nearly 12 percent in two years, faculty and staff in Florida were receiving \$1000, or roughly \$12 a week, after taxes, this year. She said this was no way to compete. She said she was not a fan of dead last.

She emphasized that this was not about finger-pointing. She said she appreciated the support of the Legislature and of the Governor. She said she respected them; they had complicated jobs. She said, however, that this Board had a big responsibility as well. This Board was responsible for one of the state's most valuable assets, the State University System. She said she had asked the Chancellor to consult widely as he explored the options for the Board. She said he had prepared a background paper which had been distributed in the agenda. She said the focus for this meeting must be on ensuring the quality of the State University System and the promise of an excellent education to students and their parents. She said the Board's focus was on quality and access. She said a great university system made a state great.

- Legislative comments

Mrs. Roberts recognized Senator Lynn. Senator Lynn said she was clear about her position. She said she was dedicated to quality and access. She thanked the Board members for their hard work and their commitment. She said she had spent 14 years in

the Legislature, and had supported the K-20 system, and the current structure. She said she now served as Chair of Education Appropriations for Higher Education. She said she had worked very hard to help the Senators understand the importance of higher education. She said she was concerned about the status of higher education and its funding needs. She said it was imperative to fund the universities so the state could compete nationally and globally, especially since their graduates were making up the workforce. She said she was also concerned about a trained workforce and the need for more graduates in the STEM (Science, Technology, Engineering and Math) areas, as well as teaching. She noted that higher education was also a focus at the federal level. She said the state needed university graduates to meet its needs. She said she did not agree with the concept of punishing students for excess credit hours. She said students should be allowed to explore. She said she was interested in creating incentives to get more majors in the STEM fields. She said the State of Florida needed more university graduates.

She said Florida was a model for its course-code numbering system, the "2 plus 2" system, the tracking of students, dual enrollment, and the exchange and banking of credits. She said she was amazed by the data collected. She said higher education needed additional dollars and she would work to get that support. She said she supported differentiated missions of the universities. She said she would support differential tuition for other institutions not included in this year's legislation. She said this past Session, the Legislature had passed a five percent tuition increase. She commented that the five percent tuition increase was critical to access. She said the universities needed funding beyond the monies provided to fund enrollment growth. She said the Legislature could not lead without the Governor standing with them on the issues of access, affordability and accountability. She said the state had a long way to go to address problems in K-12. The urgency was now with higher education and the Board of Governors. She said legislators needed to be on the same page with Chancellor Rosenberg on the issues of funding for universities, access and accountability.

She said the population demographics were changing quickly in Florida and the nation. Hispanic, African-American, and low-income residents would soon be the majority. This workforce of the future needed to be educated for work in the new high technology world.

She said she believed there was a need for a five percent tuition increase this year. She said the Legislature had also raised need-based aid. She said it was respectful of the universities to wait to implement the differential tuition until 2008.

Senator Lynn said she could understand the Board's position regarding the need for a tuition increase, especially with the budget cuts just announced. She said she hoped the universities would not cut the Centers of Excellence. She said she had heard

some universities were considering hiring freezes and freezing enrollment. She said she would support the Board in looking for a five percent tuition increase.

Senator Lynn said the pending lawsuit took a position in opposition to the Legislature. She said she was concerned that if the Board joined the Graham-Frey lawsuit, it would lose its partnership with the Legislature. She said the Legislature recognized that it was responsible for the money; Legislators would not be inclined to give away their power for the money. She said the Legislature did recognize the value of higher education. She urged the Board to be strong in the positions it took, but also urged the members to continue to work with the Legislature and not against it. She said that together they had recognized the value of higher education and had accomplished much for higher education.

Mrs. Roberts recognized Representative Mealor. Rep. Mealor said it was a privilege to appear before the Board. He said he had served on the Appropriations Committee since 2000. He said he had been elected when the Board of Regents had been abolished. He said some recent op-ed pieces had spoken highly about the State University System under the Board of Regents. He said the Board of Regents should not be painted with a rosy picture, noting that the BOR had not necessarily been a friend to UCF or other emerging institutions. He said the financial picture was not so rosy under the BOR. He said the Legislature was trying to work with the Board of Governors in a partnership. He noted that the Legislature had approved differential tuition for three universities, and had decoupled the differential tuition from Bright Futures Scholarships. He said Legislators had worked to increase funding to the SUS.

He said that higher education should take the lead in addressing the economic development needs of this country. He said during the 2006 Session, the Legislature had passed the Centers of Excellence legislation and had appropriated \$30 million; during the 2007 Session, the Legislature had appropriated \$180 million for Centers of Excellence. He said he had worked for several years to get the governance bill which finally passed in 2007.

Rep. Mealor said the lawsuit filed by Senator Graham referenced the university governing boards of Michigan and California. He noted that the Michigan Board had been created two centuries ago. Michigan students now paid the highest tuition in the country. He said California's institutions had been developed following a compact reached in 1960, and the universities and state universities were differentiated by distinct missions. He said Florida dollars were invested in attracting high technology to the state. He said he saw distinct problems with the lawsuit, noting that it was contrary to the provisions of Article II of the Constitution. He said the Legislature was the guardian of the funding source for the SUS. He said the Legislature had tried to do better for the universities this year, but it was not necessarily in the best interest of the Board for it to join the lawsuit at this point.

- Best Practices, Council for Administrative and Financial Affairs

Chancellor Rosenberg said that several months ago, the Board had asked the Administrative Vice Presidents to identify best practices and administrative efficiencies which would benefit students. He recognized Mr. Ed Poppell, Vice President for Business Affairs, UF, and Chair, Council for Administrative and Financial Affairs.

Mr. Poppell said that two years ago, Mr. Peter Rummell, as Chair of the Board's Accountability Committee, had asked the Vice Presidents to identify and implement best business practices and maximize systemwide efficiencies. He said they had looked at over 200 practices and had identified eight with the best potential to achieve savings. He noted that each university worked to achieve the best utilization of its funds, particularly with the budgetary challenges now facing them.

Mr. John Carnaghi, Senior Vice President for Finance and Administration, FSU, reviewed these eight best practices. He commented that best practices comprised several critical elements: effectiveness, efficiency, adoptability, flexibility and harmony. He said as part of the exercise, the universities had developed an awareness of the cost-benefit of collaboration with other universities. He reviewed the eight best practices, as follows: e-commerce, taking advantage of the Internet in conducting university business; collection agency contracts, institutional contracts with debt collection agencies to recover long-term student debt; purchasing cards, to facilitate better purchasing; vehicle purchasing, benefiting from "strength in numbers;" maintenance service agreements; strategic sourcing in purchasing; FICA alternative plan, administering a pre-tax, tax-deferred contribution plan for specified employees; and performance contracting, to minimize utility costs. He emphasized that they did not recommend that each institution adopt all these practices, noting that a one-size-fits-all approach would not work for the 11 different universities in the SUS.

Mr. Edwards inquired about the dollar savings systemwide for the past six months. Mr. Carnaghi estimated that FSU would save between \$4 and \$6 million annually; Mr. Poppell estimated the savings at UF between \$12 and \$14 million annually. Mr. Edwards said the goal was to save \$50 million in the first year. He said there was a chance to exceed that goal. Mr. Carnaghi noted that the savings at FSU in utilizing the best practice in purchasing supplies would be used for scholarships.

- Chancellor's Remarks

Chancellor Rosenberg thanked the Vice Presidents, Senator Lynn and Representative Meador for their remarks. He said he had been thinking about how to move the state forward. He said the Board's mission framed its fiduciary responsibility. The Board's mission, its purpose, as stated in the Constitution was "...to achieve excellence through teaching students, advancing research and providing public service for the benefit of Florida's citizens...."

Dr. Rosenberg said he had been in Florida and in this System for over 31 years. He said the SUS had nearly tripled in size and the state had been radically transformed since 1976. He said there had been few moments of financial stability in higher education in those 30 years. He said the universities were the subject of every fad and whim in higher education. He said he would characterize this as the “yo-yo” financial management of the System, like the toy, up and down. He said nobody would run a business the way the SUS had been run. Despite these funding dips and increases, the universities had achieved many accomplishments.

Dr. Rosenberg said he had learned many lessons during his more than three decades in the SUS, and would explain these in the context of the declaration that quality counts. He recited three lessons. One, if you cut corners on hiring faculty, you will pay. He said thousands of determined and committed faculty had carried the SUS on their backs, year after year. Two, if you took shortcuts in building facilities, you will pay. Facilities in the SUS were not meeting the demands of the 21st Century; there were more than 3500 buildings in the SUS to be maintained. Three, if you provided students with less than the best, they will pay. He said the world was not going to wait for Florida to get its act together in higher education.

Dr. Rosenberg said that access, accountability and affordability were important, but he wanted to address quality. He said the world’s largest auto producer described quality as being the best in the world on a sustained basis. Without quality today, there was no hope for growth in the future. This was from the CEO of Toyota Motors; Toyota had moved ahead of GM because of its focus on quality.

He said he hoped one day to have a serious discussion of quality, and a serious discussion about raising retention and graduation rates. He said this was not possible without stable funding. He said Florida now had the worst student-faculty ratio in the country. He said that without a stable funding source, the universities could not maintain quality access to students who sought a quality education. He said that today the Board had the opportunity to exercise its fiduciary responsibility for quality and for access to the State University System.

He presented four areas for the Board to consider. These four areas were: budget reductions, tuition, governance and enrollment. He explained that a four percent budget reduction amounted to a \$100 million cut, a 10 percent reduction was a \$250 million cut. He said the universities could be looking at a \$500 million cut to the base budgets of the SUS over the next two years. In budget reductions, he explained two principles: a. strive to maintain current retention and graduation rates through reallocation of resources; and b. focus system budgeting process to emphasize quality instruction and timely graduation. He said these principles were to guide the Boards of Trustees, that however they chose to cut budgets, it was important to maintain graduation and retention rates. He said this Board embraced the performance related approaches of quality instruction and timely graduation.

Dr. Rosenberg reviewed the following recommendations to the Boards of Trustees in looking at budget reductions:

- Consider hiring freezes and budget cuts – including E & G faculty and staff travel – except in those areas directly related to student support and safety, and statewide workforce priorities – teaching, nursing, and high skill-high wage areas.
- Review and clarify authority to seek legal relief from existing obligations.
- Consider program efficiencies through consolidation of administrative support, program and course offerings, academic, research and service program closing.
- Review branch and regional campuses. Consider closing off-site locations with low enrollments relative to resources expended.
- Expand number of complete degree programs and general education courses offered via distance learning through consolidation of existing low enrollment programs. Otherwise delay initiating new degree programs at the graduate and professional level.
- Encourage development of graduate, professional and continuing programs that can pay for themselves or generate surpluses through tuition or other revenues.
- Freeze all senior administration salary and performance bonus considerations.

Dr. Rosenberg explained that for those degree programs that were identified as priorities, such as teaching and nursing, should be held harmless from cuts. Also, in looking at graduate programs, he suggested that there were graduate programs that could pay for themselves. The universities might consider the privatization of some programs. Mrs. Roberts assured the Chairs of the University Boards of Trustees that the budget reductions would be managed by the University Boards.

Dr. Rosenberg also presented options in the other three areas for the Board to consider, some for Board action:

Tuition:

- a. Restructure graduate and professional tuition where market conditions allow so that tuition covers a higher percentage of the program costs.
- b. Raise undergraduate tuition and fees for Spring 2008 if budget reductions exceed 4%. (This for Board action.)

Governance:

- a. Develop and publish general guidelines that govern all actions not related to legislative appropriations. (Dr. Rosenberg noted that members had a draft document which clarified the roles and responsibilities of the Board of Governors, but this was not an action item at this meeting.)

- b. Support Senator Graham's declaratory action initiative. (This for Board action.)

Enrollment:

- a. Eliminate non-critical low enrollment courses and increase class size for all faculty.
- b. As a result of the 4% cutback, freeze Freshman enrollment growth (at current funded levels) statewide for a three year period beginning with the Spring 2008 and Fall 2008-2009 admissions. Hold harmless community college AA transfers. (This for Board action.)

Dr. Rosenberg said these were four areas for the Board to consider and discuss. He said there were three action items, in tuition, governance, and enrollment, as explained.

Mr. Edwards moved that the Board approve all the recommendations relating to tuition, governance and enrollment, as presented. Dr. Chase seconded the motion.

Ms. Parker inquired whether the option to raise tuition was a choice only if the budget reductions exceeded four percent. She said it seemed the SUS was already at the point of a four percent reduction. Dr. Rosenberg said he would know the picture better after the Revenue Estimating Conference, scheduled for August 3 and 4. He said it was likely that the reduction would be greater than four percent, in which case he would recommend the Board take action to raise tuition. The Board would decide today that if the reduction exceeded four percent, the Board would raise tuition and not wait on the August estimates. He said students needed to know how their finances would change. He said the Board could wait, but he was concerned that the universities not cut back their services so much that they reduced the ability for students to graduate.

Ms. McDevitt inquired about the amount of the Board's tuition recommendation, whether it would be a five percent increase. Dr. Rosenberg responded that five percent made sense, although that amount would still not close the gap caused by the budget cut. He said this was a good faith increase and affordable.

Mr. Edwards explained his support for the lawsuit. He said this lawsuit was not a knock against the Governor, nor a knock against the Legislature. He said the Board needed clarification of its authority. The status of the Board's governance authority would remain uncertain until this issue was answered. He said the lawsuit was for the purpose of getting the answers, to know the scope of the Board's authority. He said this was not a war; these were legitimate questions which needed answers. He said the Board was not suing friends, nor fighting with the Legislature or the Governor. The

Board needed answers and the only way to get an answer on such a constitutional question was from the Florida Supreme Court.

Mrs. Roberts concurred that the Board needed these answers. She said it was uncomfortable to be involved in litigation; legislators were friends of the State University System. She said the clarification was needed. She inquired of the Chancellor about the percent tuition increase being recommended.

Chancellor Rosenberg said there was a general understanding about a five percent tuition increase. He said it was not as much as the System would like, but it was consistent with the understandings the Board had already made.

Mr. Edwards suggested that the motion relating to tuition should be amended by adding raising "...tuition ... not to exceed five percent" Dr. Chase, as the maker of the second, concurred.

Ms. Duncan said she respected the thousands of hours spent by the Chair and the Chancellor to avoid litigation. She said she appreciated the efforts of all to resolve this issue. She said she would not take all the actions together as one motion. Further, she inquired where the suggestion of efficiencies entered the discussion. She said she was troubled to concede a tuition increase without hearing about the implementation of additional efficiencies and results from the universities.

Dr. Rosenberg said the SUS had been very efficient over the last decade. He explained the underfunding over a period of years. He said in 1990, the state spent about \$14,000 per FTE; this amount had dropped during the 1990s, with a slight increase at the end of the decade. After September 11, the universities had experienced significant budget cuts. In recent years, there had been a slight increase with the support of the Legislature. He said a four percent cut would return the per student funding to the amount it had been in early 2000; a ten percent cut would take the universities to the lowest per student funding ever. He suggested this was a real statement about the universities' efficiencies.

He said in looking at SREB statistics, Florida had gone backward in spending per student in the past five years, while the graduation rate was the fourth highest in the SREB region. He said the SUS had taken \$40 million in budget cuts in 2001, prior to September 11, and had absorbed another budget cut of \$168 million after September 11. There was a cut of \$40 million in 2003. Over the past 15 years, the SUS had a total budget reduction of \$484 million.

Dr. Rosenberg said the faculty had carried the burden of access and quality without commensurate SUS investment. He added that the devolution from a centralized governance system had cost the SUS between \$200 and \$250 million in non-recurring funds and \$50 million in recurring costs annually. He said the universities

had not received funds to cover any of these additional costs. He said the recurring costs were for the staff positions to operate these new human resources, student, and financial data systems. The funds for these new systems had come from enrollment funding. He said the combined effects of the budget cuts, implementation of the new administrative systems, and unfunded enrollment growth had an enormous and costly impact on the SUS. The universities, of necessity, had implemented significant efficiencies.

Ms. Duncan said she had been a trustee at the time of the implementation of the new administrative systems. She said there were efficiencies this Board could implement, as well as those to be implemented by the university boards. She inquired whether there were additional systemwide efficiencies to be found in light of the budget cuts. Dr. Rosenberg said these additional efficiencies were likely on the margin, and would not likely increase access.

Ms. Duncan inquired about efficiencies as they related to enrollment growth. Dr. Rosenberg said the recommendation was to freeze enrollment at the current freshman level, allowing enrollment growth at the upper level. He said he hoped there would be no decline at the graduate level. The universities needed graduate students to remain competitive. He said the universities would continue to grow, just not at the freshman level, and would continue to admit community college transfer students.

Mr. Edwards noted that in 1989-1990, the State University System was ranked sixth in the nation.

Dr. Marshall said he was more comfortable without the five percent restriction on tuition for Spring 2008. He said he would not want to place such a restriction on the Board's future action so far in advance. Mr. Edwards said the Board could decide to change that recommendation later.

Dr. Chase commented that with a four percent cut, the SUS would need a tuition increase of 25 percent to close the funding gap. Ms. Parker said the Board should consider a tuition increase of five percent whether or not there was a four percent budget cut.

Dr. Rosenberg said the Board had decided against recommending a tuition increase at its August meeting last year. That had been a rational budget circumstance for the Board's Legislative Budget Request, with the hope that this LBR would be fully considered. He said in a rational context, the Board should look at its state appropriations, determine if there was a gap, and determine if it wanted to use tuition to close that funding gap. The Board had not asked for a tuition increase. He said he was grateful that the Legislature had wanted to help the SUS with a tuition increase. Mrs. Roberts added that the Governor had recommended full funding of the Board's request for enrollment growth in his budget.

Dr. Rosenberg said, however, that he would like to avoid such dependence on the Legislature and the Governor. He said it was impossible for SUS managers to plan in such a “yo-yo” financial environment. He said the point today was for the Board to claim the ground on a stable and rational business model, working collaboratively with the Governor and the Legislature, and moving away from the yo-yo ups and downs of recent budget years. This would enable the academic planners to know how many courses they would be able to offer.

Ms. Parker suggested that the Board wait on a tuition increase decision until the Board knew what the gap would be from the budget reduction. She suggested the Board decide on a tuition increase after learning the budget reduction.

Chancellor Rosenberg underlined Dr. Chase’s comments. He said to restore \$400 million would require the Board to recommend a 25 percent increase in tuition. To restore \$200 million would require a tuition increase of 12.5 percent. He said it was the Board’s fiduciary responsibility to figure out the bottom line on quality. He recommended that the Board make a statement of its intent that tuition would increase. This recommendation would respect parents and students; the universities would continue to do their best to trim efficiencies. This recommendation would give the universities some breathing room and assure students that they could get in and out of the SUS with a degree.

Mrs. Roberts said she wanted to be respectful of Florida families. The Board should be careful not to frighten them with huge tuition increases. Dr. Rosenberg noted that the tuition increases over the past six years amounted to an increase to students of \$26 per credit hour. He added that a portion of any tuition increase would be directed to need-based financial aid.

Ms. McDevitt said she was frustrated. She said she had now been a member of this Board for four years. She said at every meeting, the Board talked about what it could do that did not violate some statute, but still perform its fiduciary responsibilities. She said it seemed the Board was less and less able to do what it should because of the cloud over its authority. She said she recognized the responsibilities of the Legislature; she had been a legislative staff member for the first 12 years of her career. She said the Board needed to make decisions for the universities. She said the Board should rightly be worrying about quality, access and affordability, and could not because of the confusion. She said it would be embarrassing to look at this Board from the outside. She said at the last meeting she had raised a question about institutional efficiencies. She said she was not suggesting that the universities had not done all they should have done. On the contrary, all the universities had done a great deal, in graduation rates, retention and quality programs. She said, however, they were all now at the breaking point. She said she had been impressed by statements from the institutions on how they would deal with the most recent mandated cuts.

She said she would support authorizing a tuition increase of up to five percent, regardless of whether the cut was to be four percent or anything else. She said the institutions had been cut, and cut before.

Ms. McDevitt said the lawsuit was not an adversarial proceeding. It was an effort by citizens who had an interest in the topic to declare their rights. She said this was a friendly suit. Experts were not needed. The parties spelled out their positions and asked the court to make the determination. She said the lawsuit was not about tuition and fees; that was a secondary issue if the governance issues were resolved. She said the governance issues were far more significant than the responsibility for tuition and fees. She said Count 2 of the Complaint was the significant count. She said if the other issues were resolved, responsibility for tuition and fees would be resolved.

She said for the Board to fund the State University System and to provide access, affordability and quality, the dollars had to come. The dollars came from the state, from grants, from private donations and from students. University funding should be a healthy combination from all these sources.

She said she was concerned about graduate and out-of-state tuition. She said graduate tuition was close to being too high to be attractive to out-of-state students. She said it would be a disaster for the University System if it were not enrolling bright and talented out-of-state students.

She said tuition needed to be fair and predictable, so families could plan. She said the governance question must be resolved. She said the Board needed to be in a position to strike an accord with legislative leadership, with the Governor's Office, and with the universities, all together, on how to proceed. The Board needed to take a stand somewhere. She said she would be disappointed if the Board voted to join the lawsuit and all she read about was tuition and fees. She said that if the Board voted to join the lawsuit, this was not about tuition and fees, it was all about planning. It was about utilizing the efficiencies. It was about creating a top tier SUS, and not just one or two excellent institutions in this state.

Mr. Stavros said he was the newest member of this Board. He said both the Chair and the Chancellor were dedicated to doing the right thing for students. He said Mr. Jack Eckerd, before he passed away, had been asked how he had gone from building four drugstores to a chain of 1400 stores. His response had been "timing." Mr. Stavros said if there were ever a right time to settle these issues for the SUS, it was now. He said the Legislature had been outstanding in recognizing its responsibilities. He said, however, that the potential for 10 percent budget cuts would have a huge impact. These were big numbers. He said the universities had been taking students without the funding for them. He said he understood the responsibilities of the Presidents and the Legislature for finding new revenue, and this would be difficult with the revenue from

the state sales tax dropping. He said it was important to come together to solve these problems. He said it was the time not to talk, but to find solutions.

He commented that an article in the St. Pete Times had quoted the Senate President calling this a "tuition battle." He said this was the time for a spirit of cooperation, not an adversarial relationship. He said they were all looking for what was best for Floridians. He said he did not view this as turning the Board of Governors into a fourth branch of government which would impose "unbridled tuition increases" on Floridians. He said he had not heard anything about "unbridled tuition increases." He said this was not a fight, but rather the only way to solve the problem.

He said he believed the parties could resolve the issues. He said he was not in favor of a lawsuit, he was interested in getting funding for university students. He said he had seen the statistics that out of 100 ninth graders in Florida, 52 were high school graduates; of these 53, 32 started college; 24 students continued in the second year of post-secondary education, and at the end of the third year of community college or the sixth year of university, there were 14 graduates. He said he had not heard anything about the responsibility of the students. He said all the parties needed to work together.

Mr. Moseley said he had heard excellent discussions today. He said he needed to understand better the "yo-yo" finances. He commented that all the players were dedicated to higher education. He said the Governor had indicated that he was open to discussion with the universities when he had signed the differential tuition legislation. He noted that Legislators always had questions about how to improve the universities. He said it was critical that all work together. He said a long-term strategic plan helped students with more faculty and more advisers. He said it was also important that tuition increases be predictable for students and parents to plan.

Mrs. Roberts agreed that working together was important. She said she believed that all the entities did have the same goal.

Chancellor Rosenberg commented that the parties had made aggressive efforts to collaborate. He said this was not about drawing lines; this was about building bridges. He said the hurdle was the cleanup on language which was imprecise and left the Board vague about who had what responsibilities. He said students were the ones suffering, with crowded classes and classes not offered. He said students were not graduating on a timely basis; the universities were losing their competitiveness. He said his sense of urgency arose out of a decade of SUS underfunding and budget cuts. He said it was time for the Board to step up and make decisions relating to the exercise of its fiduciary responsibility for the State University System.

Mr. Edwards said there was no question of cooperation. He commented that no one had been more cooperative than the Board Chair. He said it had not worked. He

said getting the answers would help the Board move forward. He said he believed that all the parties wanted the same thing.

Commissioner Blomberg said litigation was not about working together. She said she did not believe that litigation would bring additional dollars to the University System. She said the Board would have to continue to work with the Legislature and with the Governor. She commented that she did not see how raising tuition and fees would generate more funding from the state. She said the SUS would get additional funding by working with the Legislature. She noted that agencies had been asked to identify 10 percent of budget cuts, although they may be directed to cut only four percent. She said agencies had been asked to look at their funding and their priorities; the cuts might not be made across-the-board. She said she was concerned about the effect of Board action on tuition and fees and how this would effect legislative action on Bright Futures.

Mr. Edwards, as the maker of the original motion, agreed to separate the three actions. He moved that the Board raise undergraduate tuition and fees for Spring 2008, not to exceed five percent. He noted that the proposed language "if budget reductions exceed 4 percent" was not in the motion. Dr. Chase seconded the amended motion.

Dr. Chase said the Board could not remain in the status quo. He said the Board had been cooperative, and the SUS had three different visions for its financing, one from the Board, one from the Governor and a third from the Legislature. No one vision had crystallized, and now, the University System was facing severe budget cuts. He said the Legislature had recognized the importance of the economic development role of the universities through funding for the Centers of Excellence. Universities, however, were educating students and could not use Centers of Excellence money for that purpose. He said there was a recommendation to increase class size, but the universities could not increase classroom size without additional facilities. He said the Board should be discussing its fiduciary responsibility to the State University System.

Ms. Duncan inquired whether the litigation would proceed whether or not the Board joined as plaintiffs and the benefit to the Board as participants in the litigation. Ms. Shirley explained one benefit of being a plaintiff would assure automatic standing to the plaintiffs. She said current plaintiffs included faculty members, several former university presidents, Senator Graham and Representative Frey. She said the lawsuit would clarify for the Board the scope of its constitutional responsibility, which was not clear. She said all the stakeholders needed an opinion from the Supreme Court.

Ms. Duncan also inquired about the timeline. Ms. Shirley noted that the Floridians for Constitutional Integrity, Inc. lawsuit had taken 18 months to resolve. She added that she would serve as the Board's counsel in the lawsuit.

Ms. Duncan asked whether action was required today. She said she would invite the dialogue to force an accord among all the parties. Mrs. Roberts said she would talk

to the Governor about bringing the parties together. She said Board members had always attended meetings when invited by Legislators. The dialogue would continue. She noted that all the parties agreed on access and quality, the disagreement was about governance. She said she did not relish discord. She said the Board was responsible for the State University System; the citizens had given this responsibility to the Board.

Ms. Parker inquired about enrollment. Dr. Rosenberg responded that 38,500 freshmen were currently enrolled. The proposal before the Board would retain the same number of freshmen; the freeze would be on increasing the number of freshmen enrolled. He said the Board here would be mandating a Systemwide cap on the freshman class at the currently funded level and the SUS would continue to take 38,500 freshmen. He noted that the SUS already had 5627 students who were not funded by the state. He noted that admitting additional students was further complicated by the fact that enrollment was not fully funded by the state.

Ms. Parker encouraged the universities to adopt the freeze on freshman enrollment growth. She said this would ensure quality for the students already enrolled. She moved that the Board approve the two enrollment action items, a. Eliminate non-critical low enrollment courses and increase class size for all faculty; and b., As a result of the four percent cutback, freeze Freshman enrollment growth (at current funded levels) statewide for a three year period beginning with the Spring 2008 and Fall 2008-2009 admissions, holding harmless the community college AA transfers, as presented. Mr. Martin seconded the motion. Chancellor Rosenberg clarified that item a. was a systemwide enrollment policy initiative of the Board of Governors, asking the Boards of Trustees to follow this systemwide initiative. He said item b. was action for this Board. Ms. Parker agreed that action item a. would be implemented by the University Boards of Trustees, but this Board action, as a policy motion, would send a strong and clear message. Members of the Board concurred unanimously.

Mr. Edwards moved that the Board adopt the two actions relating to governance, a. Develop and publish general guidelines that govern all actions not related to legislative appropriations, and b. Join Senator Graham's declaratory action initiative as a plaintiff. He said the Board members had a draft document relating to the proposed general guidelines. The Board was not taking action on this specific document; the Board would further discuss and refine these guidelines at its next meeting. Dr. Chase seconded the motion. The motion passed, 8 to 2, with Ms. McDevitt, Dr. Chase, Mr. Edwards, Dr. Marshall, Mr. Martin, Mr. Moseley, Ms. Parker and Mr. Stavros voting for the motion, and Commissioner Blomberg and Ms. Duncan voting no.

Dr. Chase called the question on Mr. Edwards' motion to raise undergraduate tuition and fees for Spring 2008, not to exceed a five percent increase. He clarified that the Board would determine the size of the increase once the Board knew the size of the budget reduction.

Ms. Parker said a tuition increase should not be an issue connected to budget cuts. She reminded Board members that a five percent increase was \$55 per student per semester, an annual increase of \$110 per student. She said she understood that a portion of any tuition increase would be added to financial aid.

Ms. Duncan said she felt that any vote on tuition should be accompanied by action on systemwide efficiencies by the Board of Governors. She said she believed there were still additional opportunities for university efficiencies that could be implemented across the universities which should be considered before implementing a tuition increase. She moved that at the same time the Board was taking action on tuition, the Board should be looking at opportunities for efficiencies before imposing an automatic tuition increase. These should go hand-in-hand. Mr. Edwards noted that the Accountability Committee was addressing this issue.

Ms. Duncan said as the Board was looking at budget reductions, the Board should also be looking at duplication and other opportunities for systemwide efficiencies. She said there might be instances for this Board to provide direction to the Boards of Trustees as to more difficult reductions. She said that before acting on a tuition increase, at the same time, the Board should be looking at what has been done and this Board's opportunities for pushing forward on these efficiencies fully. She said as the universities were looking at budget reductions, there may be areas where this Board could step in and articulate additional areas for reduction. These should be fully explored and quantified before action on a tuition increase. Mr. Martin added that the universities should report on their budget reductions at the next meeting. Ms. Duncan noted that these might not be completed in the three weeks until the scheduled August 8 and 9 Board meeting.

Mrs. Roberts asked that Ms. Duncan clarify her amendment. Ms. Duncan said there were issues, such as the reference to existing legal obligations, where the Board might find additional opportunities for efficiencies. Dr. Rosenberg said there were opportunities for efficiencies through the curriculum that this Board could foster and he would work to develop a template for the Board to consider.

Ms. McDevitt said it was difficult to approve a tuition increase without hearing from the presidents on what they have done. Dr. Chase said that with the budget setback, there was an expectation of raising tuition up to five percent. Mr. Stavros said that quality was lessened by the loss of funding. Ms. Duncan said it was inconsistent to impose a tuition increase without pursuing additional efficiencies. She moved that any action on a tuition increase should follow an evaluation of the opportunities for efficiencies presented by the presidents and the support provided by this Board to the Boards of Trustees. Mr. Edwards concurred.

Mrs. Roberts said the motion was to both parts: a. Restructure graduate and professional tuition where market conditions allow so that tuition covers a higher percentage of the program costs; and b. Raise undergraduate tuition and fees for Spring

2008, not to exceed five percent, with the proviso about the continuing review by the universities, with Board of Governors help, programmatic issues, cutbacks and operational efficiencies at the universities, together with a report from the university presidents on measures taken to improve operational efficiencies at their universities. The motion carried by a vote of 9 to 1, with Ms. McDevitt, Dr. Chase, Ms. Duncan, Mr. Edwards, Dr. Marshall, Mr. Martin, Mr. Moseley, Ms. Parker and Mr. Stavros voting for the motion, and Commissioner Blomberg voting against.

Mrs. Roberts thanked all the Board members. She noted that all of them were volunteers. She said she would call the Governor and ask him to bring all the interested parties together. She said there was always time for settlement.

4. Adjournment

Having no further business, the Chair adjourned the meeting of the Board of Governors, State University System of Florida, at 4:30 p.m., July 10, 2007.

Carolyn K. Roberts,
Chair

Mary-Anne Bestebreurtje,
Corporate Secretary