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FLORIDA BOARD OF GOVERNORS
BY TELEPHONE CONFERENCE CALL
TALLAHASSEE, FLORIDA
MARCH 13, 2006

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The Chair, Carolyn K. Roberts, convened the meeting of the Florida Board of Governors by telephone conference call, 1605 Turlington Building, Tallahassee, Florida, at 2:30 p.m., March 13, 2006, with the following members present: Dr. Akshay Desai; Ann Duncan; Charlie Edwards; Joe Goldberg; Dr. Stan Marshall; Frank Martin; Lynn Pappas; Ava Parker; John Temple; and Dr. Zach Zachariah.

1. Consideration of Amended 2006-2007 Legislative Budget Request, Construction Cost Escalation

The Chair, Mrs. Roberts, said this budget issue had been discussed at the Board meeting on February 23, 2006, and Board members had asked for additional information to clarify the request. Ms. Parker explained that the Legislature had asked the Board staff to survey the universities about construction projects which were under contract and were experiencing problems being completed because of the recent huge increases in construction costs. She said staff had presented that information at the meeting, but there had been further questions about the projects, about the dollars identified as needed to reach completion, and about the fund sources. Ms. Parker said the Board had said it wanted to be able to justify this request and that it should submit a credible request to the Legislature to fund this issue.

Dr. McKee said she had asked Board members what additional information they needed from the universities. They had asked for the following additional information: the guaranteed maximum price at the executed original contract date, whether the project was funded from PECO or from General Revenue, the funds needed to complete the project prorated to the source of funding, the funds needed to complete the project to the guaranteed maximum price, a description of the major change orders executed to manage inflationary increases, and information to explain the increase in costs tied to inflationary increases. She said they had learned that the universities were employing different strategies to manage escalating construction costs. Some were reducing the total square feet of the proposed project; some were shelling in floors anticipating future funds to complete them; some were reducing landscaping, furnishings, or equipment needs.

Dr. McKee explained that the spreadsheet presented three distinct request amounts. The initial request to fund the construction cost escalation issue, presented to the Board in February, was for an additional \$56.5 million. If the request is prorated to the appropriation to a project, then the request would be for an additional \$36.1 million. If the request is for the amount to complete the projects to the guaranteed maximum price, then the request would be for an additional \$1.1 million. Dr. McKee noted that

requesting any amount less than the full \$56.5 million would neither address the cost problems nor the university needs.

Ms. Parker said she wanted to be sure that in the latest survey of the universities on this issue that all the universities were evaluated using the same standards. Dr. McKee assured her that they were.

Ms. Parker moved that the Board approve an amendment to the 2006-2007 Legislative Budget Request, in the amount of \$56.5 million to address construction cost escalation. Mr. Edwards seconded the motion.

President Brogan said the University Presidents had been on a conference call earlier in the day to discuss Commissioner Winn's recommendation that the SUS would not receive an allocation from the estimated increase in PECO dollars and that all of the expected increase would go to fund district needs for additional classroom space to address the Class Size Amendment. He said the Presidents were all very concerned about this recommendation as they were also scrambling with increasing space needs. He said the statutes required the Commissioner to allocate shares to all three education sectors. He said he was supportive of the budget request of \$56 million to address cost overruns, but that the universities still had critical PECO needs which were not addressed. He said he would submit that the motion was appropriate, but that he was concerned with a \$56 million request going forward along with a zero request for PECO funds. The universities had considerable needs for PECO funds. He noted that \$4 billion in non-recurring funds was available. Mrs. Roberts noted that this issue had been developed in response to a request of the Legislature.

There were no further comments. Members of the Board concurred in the motion.

Ms. Parker inquired if the Board should request General Revenue funding in place of the lost PECO funds. Mrs. Roberts concurred that this was a serious concern. She said she understood the huge budget impact of the Class Size Amendment. She said this had been an issue many had discussed prior to the vote on the Amendment. She asked staff to assemble further information prior to the March 23, 2006, Board meeting.

Mr. Edwards said he was concerned about timing. He noted that PECO was a dedicated source of funds for capital improvements. He said there was a formula specified in law for the allocation, and if he wanted to allocate the funds differently, the Commissioner should seek a change in the law.

Chancellor Rosenberg said he was poised to make the SUS case to the Commissioner. He said he would present a PECO list to the Legislature with the funds that should be allocated to the SUS, if the Commissioner had made the appropriate allocation. He said he believed that the SUS share of the increase was \$286 million over the three-year period. He said he hoped to meet with the Commissioner and ask that he rethink this decision, but that it was important to put together a list to go forward.

Mr. Edwards said this recommendation set a bad precedent. He said he was concerned that the Commissioner was toying with dedicated funds. President Brogan added that the Class Size needs would continue to grow.

Ms. Parker asked the Board's General Counsel to prepare a legal opinion for distribution to the Board. Dr. Rosenberg invited Ms. Shirley to respond. She said there was a clear statutory scheme, and that she believed the Commissioner did not have the authority to make the recommendation on the allocation he had made. She said it was clear that he was required to comply with the funding formula as specified in Section 1013.64, F.S.

President Wetherell said the Commissioner could not unilaterally make the recommendation he had made. He said the Legislature could act on this matter, and he suggested that the Chancellor prepare statutory amendments to make up the lost PECO revenue.

Ms. Pappas inquired whether the Chancellor had responded to the Commissioner's letter and objected to the recommendation. Dr. Rosenberg said staff was drafting a response. He said he had requested a meeting with the Commissioner at which time he would indicate that the State University System was eager to receive its portion of the PECO funds.

Ms. Jeanine Blomberg, Chief of Staff, DOE, noted that the Commissioner was withholding action on the allocation, but that Board staff had been advised of the dollar amount to be allocated to the SUS.

2. Adjournment

Having no further business, the Chair, Mrs. Roberts, adjourned the telephone conference call meeting of the Florida Board of Governors at 3:05 p.m., March 13, 2006.

Carolyn K. Roberts,
Chair

Mary-Anne Bestebreurtje,
Corporate Secretary