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 GRAND BALLROOM – J. WAYNE REITZ UNION  
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The Chair, Carolyn K. Roberts, convened the meeting of the Board of Governors in the Grand Ballroom, J. Wayne Reitz Union, University of Florida, Gainesville, Florida, at 1:15 p.m., January 26, 2006, with the following members present: Dr. Akshay Desai; Ann Duncan; Charles Edwards; Joe Goldberg; Dr. Stanley Marshall; Bill McCollum; Sheila McDevitt; Lynn Pappas; Ava Parker; Dr. Martha Peláez; Tico Perez; John Temple; and Commissioner John Winn. Dr. Zach Zachariah joined the meeting by telephone.

1. Call to Order and Chair's Report

Mrs. Roberts thanked President Machen and his staff for their warm hospitality. She said the dinner at the Harn Museum the previous evening had been delightful. She said she was sorry the UF men's basketball team lost.

She said the Governor had announced the previous week the new appointments and reappointments to this Board. She expressed her sincere thanks to the members who had not been reappointed. She said that Ms. Gerri Moll had been an inaugural member of the Board who had served as the Chair of the Finance Committee. Mr. Peter Rummell had served as Chair of the Performance and Accountability Committee, and had led important discussions of business efficiencies applicable to university administration. Mr. René Albors, appointed last February to serve the remainder of Mr. DeGrandy's term, has moved out of state and did not seek reappointment. Mr. Bill McCollum has resigned from the Board, effective February 1, 2006, to run for Attorney General. She said Mr. Joe Goldberg, Student Body President, UF, had taken the seat previously held by Mr. Chris Schoonover, the Student Body President at FSU. She said Board members had signed Resolutions honoring each one of these departing Board members and these would be sent to them.

Mr. McCollum said he had enjoyed his service on this Board, particularly learning the challenges facing the State University System. He thanked the Board staff for their professional and capable assistance. He said he was sorry that he would not be able to participate in the Board's final deliberations on the medical education proposals, but that he wished to offer several thoughts. He said Florida was dependent on other states to train doctors for Florida; 80 percent of Florida doctors came from elsewhere. In addition, the state was experiencing a critical shortage of doctors. He said to maintain a stable source of doctors, the state needed to find a way to "home grow" its doctors.

Mr. McCollum said he had heard two compelling arguments for new medical schools in Florida, i.e., that it was the best way to get new doctors in the state, and that medical schools were economic drivers and had a positive impact on the economy, to the community and to the entire state. He said the Board had learned that the state was 2700 doctors short per 100,000 population. He said this shortage could not be addressed by adding seats to the current medical schools. He also addressed the cost factor and the fear that if the Board approved the medical schools, the Legislature would take the dollars out of the budgets for the existing medical schools or from some other education allocation. He said the state cannot yield to such fears. He said cost was a concern, but he would urge the Board to find ways to work with the Legislature and the Governor to find new dollars. He said he was confident that existing programs and universities, as well as these new medical schools, could be fully funded. He said he might be showing his bias, but the universities had made compelling presentations. He said he wished the Board the best of luck in dealing with all these issues. He said it had been very difficult to realize that by running for statewide office, he would have to give up his seat on this Board, but he assured the members that he was available to discuss engineering education in the Strategic Plan. He said he would always remember his service on this Board.

Mr. Schoonover said it had been an honor and a privilege to serve on this Board. He said he had learned so much from service on this Board. Students should be more aware of all this Board did for them. He said he was sure Mr. Goldberg would continue the tradition of excellent student representation on the Board.

Mrs. Roberts reported that Dr. Desai and Mr. Temple had been reappointed to full seven year terms on the Board. She thanked them for their continuing commitment to the Board.

Mrs. Roberts also introduced the new members. She welcomed Mr. Charlie Edwards, an attorney from Ft. Myers, who had also been a member of the Board of Regents. She said he was Vice Chair of the Board of Regents when she was appointed to that Board. She said she admired his leadership, particularly the energy he had sustained in getting FGCU approved and established. Mr. Edwards said he hoped he could contribute to this Board with his historical perspective.

Mrs. Roberts welcomed Mr. Tico Perez, a graduate of UCF, and a recent member of UCF's Board of Trustees. Mr. Perez said he looked forward to this opportunity, as he carried a longtime love for the State University System.

Mrs. Roberts said the Governor had also named Mr. Jorge Arrizurieta to the Board. He is a businessman from Miami who previously served on the Postsecondary Education Planning Commission. She said Mr. Arrizurieta was not able to attend this meeting because of a prior commitment. Last, Mrs. Roberts announced that the Governor had named Mr. Frank Martin, of Tallahassee, to succeed Mr. McCollum. She said the Board would welcome him at the Board's February meeting.

Mr. Goldberg said he was also looking forward to his service on the Board. He said Board members had much to learn from each other.

Mrs. Roberts commented that this was the Chancellor's "inaugural" meeting, although he had already been hard at work for the Board since December. She welcomed him as Chancellor; she said the Board needed him. She said he had already begun visiting Legislators in the Capitol and talking to them about University System issues.

She said that Board members had been advised that Vice Chancellor LeMon had suffered a heart attack several weeks ago. She said she was pleased to hear that he was recovering quickly and hoped to return to work soon. She said that he appreciated all their well wishes and hopes for a speedy recovery.

Mrs. Roberts said she always thought about this Board at the beginning of the year, where the Board had been and about its direction for the future. She said this Board was now beginning its third year in implementing the Constitutional Amendment. She said she had shared dinner with the new Chancellor in December when he had asked whether she was optimistic about Florida and its universities. She had said that she was optimistic for many reasons. She said she was encouraged by her fellow Board members who were dedicated to making Florida a better state. She said that together with the members of the Boards of Trustees and the University Presidents, there was still a great deal of work to be done.

She clarified the reports coming from the Higher Education Access Task Force. She said her remarks had been misinterpreted. She said she certainly understood the importance of access to a postsecondary education and the value of education. She said this Board was dedicated to the education of Florida's citizens.

She said she was confident that the Board would continue to work with the Legislature in a mutually respectful and thoughtful way. She encouraged Board members to meet with legislators and advocate on behalf of the universities. She said it was always about the funding. She said in the end, if the universities were not funded properly, the Board had failed in its main job. She said the Presidents had been helping Board members understand the complexities of the universities. She noted that the Presidents were ambitious and creative in seeking to improve their universities. She urged them to work with the Board in achieving the best for the University System.

She advised the Board that legislative staff had asked for information related to the escalation of construction costs. She said they had read reports that the universities were having problems completing projects because of these rising costs. The staff will compile the information, forward it to legislative staff, and bring it to the Board for its review in February.

Mrs. Roberts said the next meeting of the Board would be held February 23, 2006, at Florida A & M University, in Tallahassee. She said the focus of the day would be a Workshop on Medical Education, so she encouraged Board members to get their questions to staff in advance.

2. Consideration of Appointments, University Boards of Trustees

Mrs. Roberts said that each University Board had five Trustees appointed by this Board. On each Board, the terms of two of these Trustees expired on January 6, 2006. She said the Board members had received the list of appointments to each University Board. She said she recommended that all the Trustees named be appointed for full five year terms. She noted that all the appointments, except that of Joan Newton to the UNF Board, were reappointments.

Ms. Duncan moved that the Board make the appointments of University Trustees, as presented. Mr. Goldberg seconded the motion, and members of the Board concurred.

3. Approval of Minutes of Meeting held November 17, 2005; Minutes of Meeting of the Florida Board of Governors Foundation, Inc., held November 17, 2005; and Minutes of the Meeting held by Telephone Conference Call, December 21, 2005

Mr. McCollum moved that the Board approve the Minutes of the Meeting held November 17, 2005; the Minutes of the Meeting of the Florida Board of Governors Foundation, Inc., held November 17, 2005; and the Minutes of the Meeting held by Telephone Conference Call on December 21, 2005, as written. Ms. Duncan seconded the motion. Mr. Temple said he wanted to add to his comments found in the last paragraph on p.5 of the Minutes of December 21, 2005., as follows: "He said he was also interested in a trendline of PECO allocations over the past several years and that this trendline be used as a possible upside case when PECO fund allocations are reviewed and approved by the Board of Governors. The Chancellor agreed to provide this analysis in next year's PECO plan."

There was no objection to this addition to the Minutes. Members of the Board concurred.

4. Presentation: Vision and Challenges for the State University System. Chancellor Mark Rosenberg

Chancellor Rosenberg introduced several new staff members. He said Ms. Vikki Shirley had accepted the offer to become the Board's General Counsel, starting February 6, 2006. She was currently a shareholder with a Tallahassee firm, Huey, Guilday, Tucker, Schwartz & Williams, P.A., and practiced in appellate and administrative law, and in state and federal civil litigation. Her legal assistant, Linda Bakker, is also joining the Board staff. Mr. Bob Donley has agreed to leave President Maidique's staff at FIU and will be the Chief of Staff. He was at FIU for 10 years, and had a long career in state and federal government prior to moving to Miami. Ms. Christine Janowsky, with both the B.A. and M.A. from UF, will join the staff as Administrative Assistant to the Chancellor. Dr. David Colburn, former UF Provost, will assist the Chancellor and staff as Senior Adviser.

Dr. Rosenberg thanked the Board for the honor of being named Chancellor. He said it was a privilege to work with the Board and to represent the Board and the public universities. He thanked the Board members for their public service. He said they were

all particularly indebted to Mrs. Roberts for her singular investment in this University System and her tireless efforts on its behalf. He thanked many friends and colleagues for their support and encouragement as he undertook this new job.

Dr. Rosenberg said this was a new era, with strong local university boards, burgeoning urban and rural needs and opportunities, a global environment that made universities major actors in community well-being, and continuing demand for access to higher education. He said his approach to these challenges and opportunities was to seek partnerships and collaboration.

He explained that his efforts would be informed by a commitment to three major values. The first major value, quality, and that the commitment to public service must be matched by a commitment to quality in teaching, research and service. Average would not be a goal. The second major value, global competitiveness, that students would graduate into a global labor market and faculty must prepare them for a world that was flat, digital, 24/7, web-based and supersized. The third major value, accountability, defined as responsibility, efficiency and transparency in the context of performance.

He said that recent commentators had remarked that U.S. dominance in the last century had depended on its strong commitment to science and technology, but that the age of relatively unchallenged U.S. leadership was ending. He said that in this new century, innovation would be important to determining America's success. He said that the driver of innovation was knowledge, and universities were major producers in the global knowledge economy. He noted that public universities were at the forefront of the knowledge explosion; the volume of information was doubling every five years. The faculty were teaching at the leading edge of this knowledge explosion. They were doing the research, writing the textbooks, designing the lab experiments, creating the software, and preparing students to manage, to innovate and to be entrepreneurial. He said public universities were the major catalysts for the research and development feeding the innovation economy. He noted that companies might come and go, but universities had permanence and a resilience that made them significant assets in any community. Universities were also about creating a better tomorrow.

Dr. Rosenberg described the diverse institutions within the State University System. He said Florida's public universities graduated about 60,000 students annually, generated over \$1 billion annually in sponsored research, provided hundreds of thousands of community service hours, and had graduated nearly 60,000 teachers in the last 16 years. He said the futures of Florida's communities were tied to the instruction and research provided by Florida's public universities.

He said the Board must affirm its commitment to excellence and clarify its relationships with its partners. He said the Board must respect the Legislature while exercising its Constitutional duties. The Board must also continue to work with the Governor and deepen its relationships with the community colleges. He commented that approximately 50,000 students a year entered the universities from the community colleges. He said he had been working with Commissioner Winn on common concerns and the ways to be responsive to the needs of elementary and secondary schools in Florida. He said the role of the University Boards of Trustees was also vital. He said

local support and management were critical components of a successful University System. He said the System must find a means to increase its share of Federal research dollars and must increase dramatically its private support. He encouraged all the universities to support the Board's legislative agenda, particularly in obtaining full enrollment funding. He said he was optimistic about this Legislative Session.

He said that in the longer term, the Board must sustain three fundamental qualities to advance the System and the universities. He said the Board needed courage to do the right thing, as the decisions made now would determine the course of Florida's public universities for the next thirty years. He said he wanted "best in class" for the universities. He said the Board needed vision, the art of seeing the invisible, believing it to be possible and knowing how to pursue it; and the Board needed a plan, a multiyear plan that built upon the foundation already set in place by the Strategic Planning Committee. He said this new century presented numerous challenges, but through partnerships and collaboration, the universities would meet them. He pledged to do his best to represent Florida's public universities before its many constituencies and to enhance the State University System as the critical driver of Florida's success in the innovation economy of this 21<sup>st</sup> century.

Dr. Marshall said it was very gratifying to hear the Chancellor describe his ideas and his vision for the University System. He said he was particularly sensitive to the role of the University Trustees. He said these were dedicated and able individuals, but he said he sensed some uncertainty about their proper role and their interaction with this Board.

##### 5. Commissioner's Report

Commissioner Winn said he had distributed the slides for a presentation he would not give on Florida's 2006-07 Teacher Recruitment and Retention Action Plan. He reported on the recommendations of the High School Reform Task Force. He said the Task Force had recommended upgrading high school graduation requirements, including a requirement for four years of mathematics and a course higher than Algebra 1. He said this was recommended, despite the critical teaching shortage in higher level math. Students now take a number of one-half credit courses, which do not give students the ability to focus on any one area. The Task Force recommended giving students the opportunity to pursue a series of courses in a field to achieve proficiency. The Task Force found that students who were engaged in high school tended to graduate, so students should be allowed to pursue the area they enjoy. Students needed to be challenged. The Task Force found that there were drop-outs among gifted students, as well as among less successful students. High schools, however, could not provide these challenges without a high level of support. The Task Force suggested creating small learning communities within the very large high schools in Florida. He noted that many of the recommendations also addressed changes in the middle schools.

Commissioner Winn also reported that the State Board of Education had adopted a revised rule on teacher education that removed the recitation of specific courses to meet teacher certification requirements. The Colleges of Education had helped the

Department craft the rule. He noted that with the Academic Learning Compacts adopted by this Board, students leaving the Colleges of Education had a set of core competencies higher than the minimum competencies for teacher certification.

Commissioner Winn reported that the Department had worked with CooperDDB to develop a comprehensive plan for the recruitment of new teachers, targeting school districts with declining student enrollment with the message to come to Florida. He also explained the new “e(ducation) minor.” He said there were about 30,000 students who majored in history, math, science, psychology, etc. He said with 20 credit hours in education methodology, which was also required of education majors, these students could get a job as a teacher with a temporary teaching certificate. After one year of paid, supervised teaching, they would earn a regular certificate. He said the Governor had recommended offering assistance with housing, “signing bonuses,” laptops, and tuition reimbursement for those teachers who return to class and earn a certificate in one of the critical shortage areas.

Dr. Desai asked about “pay for performance” and the salary differential for performance. Commissioner Winn said there should be opportunities for teachers to be rewarded for great performance. If a teacher had better skills, taught in a challenged school where the needs were great, that teacher should be compensated at a higher level. Further, teachers should be rewarded for performance, defined by how much the students learned in the classroom. He said the Legislature provided up to a five percent increase, but this had never been fully implemented.

Dr. Peláez thanked him for his plan and for his challenge to the Colleges of Education. Dr. Marshall said the “pay for performance” provisions seemed to conflict with provisions of collective bargaining contracts. Commissioner Winn agreed that the conversations would be lively.

#### 6. Comments, President Machen

President Machen said the Governor would propose a new program in his budget to offer state support for the recruitment and retention of “world-class scholars” which would benefit all the universities. He described one faculty member, Dr. Marco Pahor, an expert in aging and population-based studies, recruited from Wake Forest University. He said Dr. Pahor’s expertise was consistent with UF’s strategic priorities and consistent with its federal and institutional funding priorities. He said he was a true academic leader involved in innovative research which attracted other researchers and students. He had brought a research group of 30 people with him, and helped some faculty, already at UF, decide to stay. He said 16 of his past trainees now held appointments at other universities. In addition, Dr. Pahor and his research attracted outside funding of \$8 million a year. He also had a record of academic success that garnered academic credibility. Dr. Machen said that his performance at UF to date was exceptional. He had established a new department in the College of Medicine and attracted five new faculty members. He also won a \$13 million grant from NIH.

Dr. Machen said the universities were in constant danger of losing their academic stars to other universities. This matching grant program would help Florida’s universities to hold on to these stars.



7. Consideration: Board of Governors Legislative Issues, 2006 Legislative Session

Mr. Rick Maxey reviewed the issues which the Board would propose for consideration during the 2006 Legislative Session. He said the agenda included short explanations of these issues, with proposed statutory language. He said he would review each one. He described the issue dealing with the authority of university organizations to incur debt. He said he had distributed a "decision table" identifying the issues and the decision points. He said that Mr. Ben Watkins, Director, Division of Bond Finance, State Board of Administration, had also worked on this issue and was here to make a presentation. Mrs. Roberts said the Board needed to act responsibly. She said the universities need to have an appropriate process to issue debt.

Mr. Watkins said the Division of Bond Finance handled the financing of many projects, e.g., PECO, right-of-way, Preservation 2000. He said he was appointed by the Governor and reported to the Governor and Cabinet. He said he also served as an advisor to the Legislature and to the Governor regarding state policy on debt and financial management policies. He said he wanted to provide information to guide the Board's financial management of the University System, as to debt issuance by the universities and debt management. He recommended that the Board adopt a policy, which would guide proposed statutory provisions to be enacted by the Legislature.

Mr. Watkins said the universities incurred debt through revenue bonds issued by the State Board of Education and the Board of Governors through the Division of Bond Finance and through revenue bonds issued by university direct support organizations (DSOs). The Legislature was involved in both types of financing. Facilities financed by revenue bonds included dormitories, parking garages, athletic facilities, healthcare facilities, research facilities and student activity facilities. Total university and DSO debt for fiscal year 2004 was \$1.9 billion; the state as a whole was \$21.2 billion in debt. He noted that nine percent of all state debt was associated with the universities, so it was not an insignificant percentage of state liability. He said facilities were financed on a university by university basis, except for System Improvement Revenue Bonds, secured by Capital Improvement Fees and Student Building Fees charged by all the universities. He said there had also been an evolution to mandatory student fees from user fees to secure bonds, e.g., the transportation access fee and student health fees. Mr. Watkins explained that university revenues for fiscal year 2004 totaled \$4.7 billion, of which state appropriations constituted only 40 percent, \$1.9 billion. He said that not all student fees were encumbered by debt.

Mr. Watkins said that over the past several years, with the abolition of the Board of Regents, and the establishment of the University Boards of Trustees, there was no clear policy established by the Legislature or by this Board about the appropriate governance and management structure for the issuance of long-term debt. He said the Board needed to have a clear policy in order to make conscious decisions on an informed basis. The policy should address the process to be used to authorize debt and the revenues available to support debt.

Mr. Watkins suggested that there should be shared responsibility among the Board of Governors, the Legislature and the University Boards of Trustees. He said this Board should be responsible to review and approve projects and the finance plans for university facilities; the Legislature should determine which revenues the universities could use to secure debt and the type of facilities to be financed by debt; and the University Boards should determine the facilities needed and how they should be funded. He said that to create this structure required both a Board policy and a statutory change, which should be in concert with each other, or the current confusion would continue.

He explained the proposed Board policy which would require this Board to review and approve university and DSO projects and the required financing. He said the policy would require that university and DSO debt should be secured by revenues which were appropriate for capital outlay, statutorily authorized and approved by this Board. The policy would specify the types of revenues that could be pledged to debt service on bonds and other forms of debt, and would prohibit other types of revenues from being pledged to secure debt unless authorized by this Board. The policy would provide that debt secured by gifts and donations would be limited to five years. It would establish that debt secured by licenses and royalties or auxiliary enterprise revenues must be functionally related to the facilities being financed. It would allow the financing of equipment and software, and would apply prospectively to university transactions.

Mrs. Roberts inquired whether that last provision would include the short-term refinancing of debt. Mr. Watkins said it would. He thanked Mr. Ed Poppell and other university administrative vice presidents for their assistance in developing the proposed policy. He said the decision matrix which Mr. Maxey had distributed could assist the Board in choosing its policy options; the Legislature would then adopt provisions in statute to conform to those policy decisions. He suggested that the Board should make decisions on approving projects such as dormitories, parking garages, and that the Legislature need not approve these types of projects.

Mr. Temple inquired about the provision that the proposed financing be "reviewed by the Division of Bond Finance." Mr. Watkins said this would be an advisory review of the financing by the Division, but that the Board would decide whether to accept the Division's recommendations or advice.

Mr. Watkins said the proposed policy provided clear guidance as to roles and responsibilities, and would eliminate unnecessary bureaucracy and review by the State Board. He said that by establishing the revenues available for financing, the policy provided clarity, and security, which resulted in higher ratings and lower interest costs. He said that once the Board adopted a policy establishing a definitive process for authorizing debt, the Board could pursue legislation consistent with the policy, and the Board could develop more detailed debt management policies and criteria for the review of financings.

President Hitt expressed concerns about the proposed policy. He said the policy was unclear about the blending of revenues to finance debt. He said UCF had been

using a small amount of E & G revenue to pay debt, and that there was statutory authorization for that use. He said he was confused about the prohibition on using pledged debt on gifts for more than five years. He said the policy should be both appropriate and functional.

Mr. Temple inquired about Mr. Watkins' concern over non-recourse debt. He said university-bonded debt issues should not affect the state's ability to finance projects. Mr. Watkins said his concern was the reputational risk to the state. He concurred that there was now devolution of authority to the University Boards, but there was significant state support provided to the State University System. He said that beyond merely looking at the source of revenues, it was incumbent on the state to make good on any of these issues, including university debt.

Dr. Desai inquired, historically, about the dollars pledged through E & G revenues. He said with cash flow projections, it seemed to be the intent that these entities be self-sufficient. Mr. Watkins said in financing over a 20 to 30 year period, the calculation was usually \$1 debt for \$1 principle. The state could pledge \$10 million on a recurring basis for 30 years to borrow \$100 million. He noted that many revenues collected by the universities were not available for debt. He interpreted the current statutes to require affirmative authority to use any resources beyond one year. He noted that grant monies had legal restrictions on their use. Further, state appropriations funded continuing operations and were not available to secure debt. He said the policy was not intended to impair university flexibility.

Ms. McDevitt said there did not appear to be percentage restrictions on the use of fees now available to secure debt. Mrs. Roberts cautioned that if 100 percent of the fees secured debt, there might be problems with the operation and maintenance costs of these facilities. Ms. McDevitt said if this were as ambiguous as it appeared, she was unsure how a legal opinion on the financing was ever issued.

Ms. Duncan thanked Mr. Watkins for the time he had spent with her discussing the proposed policy. She said this policy would be evolving as it was implemented. She said there should be some statement in the policy about the length of time provided for the reviews and about the ability to blend fees for financing projects. She inquired if the Board could authorize the blending of fees. Mr. Watkins responded that if the Board wanted to authorize the blending of fees to finance projects, it could do so by authorizing specific Board approval of such projects.

Ms. McDevitt noted that the policy seemed to prohibit DSO-purchased buildings which were then rented by the universities. Mr. Watkins said that was correct prospectively. He said at present, universities could use a DSO to issue debt on a structure, sign a contract with the university to rent the space, and the university could use state appropriations, money provided to fund operations, to pay the rent. This process gives the universities the opportunity to do indirectly, what they are not allowed to do directly, i.e., use operations funding to secure debt.

Mr. Edwards said this policy was needed. He said it was critical that this Board approve these financings. He said he was unclear about the use of blended fees. He

said that if a housing project met its bond obligations and generated more than sufficient cash flow to meet operations and maintenance, he did not understand the restrictions on the use of revenue. Mr. Watkins explained the limitation was to fund facilities functionally related to the type of fees used to secure the debt. He said that using revenues not related to the facility being financed would be fees or charges intended to generate a profit for the debt of a facility unrelated to that revenue. Mr. Edwards said that excess revenues should be allowed to cover operations in the same year. He said this policy seemed to preclude that.

Ms. Pappas addressed the conditions to be applied to university debt, on p.2 of the proposed policy, specifically, "Debt secured by auxiliary enterprise revenues shall be for facilities that are functionally related to the auxiliary enterprise revenues being pledged to its payment." She suggested that this statement should be deleted. This would give additional flexibility to the smaller institutions.

Mr. Temple said he wanted to be clear that this policy was establishing the authority of the Board to approve the financing of these projects, not the Legislature. Mr. Watkins concurred. Mr. Temple said the policy should include a timeline if there were three separate review steps.

President Cavanaugh said the Presidents had participated in the development of the proposed policy. He said that as to the use of auxiliary revenues, the smaller institutions needed to be able to use a variety of fees. He said the Presidents had recommended adding Athletic fees and A & S fees as potential revenues to finance debt.

Ms. Parker suggested the Board might want to review projects on a case by case basis. She said that in the provision cited by Ms. Pappas, "shall" might not be the appropriate word. She said the provision, as stated, should be the general rule, but there should be some exception provision to allow the blending of fees. She said this Board might understand what was meant here, but it might not be so clear in future. Ms. McDevitt suggested adding this exception provision, authorizing the Board to make determinations authorizing this blending. Ms. Pappas noted that it should not be an exception if this was regularly used at the smaller institutions.

Mr. Perez said he had several suggested amendments. He said the policy, on p. 1, listed the revenues which were authorized to secure debt. He suggested that the statement of "Assets of University Foundations or earnings thereon," that it should read "Assets of University Foundations and DSOs or earnings thereon." Also, he suggested that the list of revenues available for debt be expanded with the addition of Athletic Fees and Activity and Service Fees.

Mr. Watkins commented that adding the assets of the DSOs provides clarification. He suggested that adding fees was clearly a matter for the Board to determine the fees which could be used to secure debt. He said the Board should be mindful that using these fees for debt made them unavailable for meeting operational needs. He said the Board might want to consider some limitation, as these fees were not currently authorized by statute to secure debt. He said that before authorizing the

use of all these fee revenues to secure debt, the Board might want to consider a policy on financial management for the University System.

Mr. Perez said there were already about four different reviews of these financing proposals. He moved that the Board add the two fees, Athletic and Activity and Service, as revenues available to secure debt. Mr. McCollum seconded the motion.

Ms. Pappas said she was concerned about the timeline for implementing this policy. She said she did not want to send a confusing message to the University Boards. Mrs. Roberts explained that the Board needed to adopt a policy on authorizing and approving university debt, after which the Board would seek appropriate statutory authority consistent with this policy. Ms. McDevitt said she was concerned about timing. She said if a particular provision were not included in the policy, would that preclude the provision from being included in proposed legislation. Ms. Duncan said she understood that the universities were now prohibited from bonding projects with blended fees. Ms. Pappas recommended that the legislation be drafted giving the universities the flexibility to bring specific project requests to this Board for approval.

Ms. Parker inquired if the Board did not accept Mr. Perez's amendments, was the Board prohibiting the universities from bringing forward special circumstances to use these fees. Mr. Watkins said he did not believe that was the sense of the Board. He said it was important to adopt a policy, which could be amended. He said if the Board adopted a policy, then the Chancellor could pursue legislation authorizing the use of these fees. He said the current statute did not authorize the use of A & S fees to secure debt, so adopting this policy would conflict with current law.

President Cavanaugh said there was outright confusion about the prohibition on the use of these fees. He said it would be difficult to seek legislative change if the Board was not in favor of this change.

Commissioner Winn called the question. Mr. Perez restated his motion. He moved that in the proposed policy in the recitation of revenues authorized to secure debt, that it read, "Assets of University Foundations and DSOs or earnings thereon," and subsequently, add, "If legally available, the ability to bond A & S fees and Athletic fees," or alternatively, modify legislation to give the Board of Governors the authority to bond those fees. On a voice vote, members of the Board concurred.

Mr. Perez moved to delete the statement, p. 2 of the policy, "Debt secured by auxiliary enterprise revenues shall be for facilities that are functionally related to the auxiliary enterprise revenues being pledged to its payment," and retain this at the Board of Governors level. Mr. McCollum seconded the motion.

Ms. Parker inquired about the status of legislation. Mrs. Roberts said the legislation would conform to this. She added that the proposed legislation, presently contemplated, would support the policy as now written. On a voice vote, the motion passed, with two no votes.

Mr. Tico also moved an amendment to the second sentence in the last paragraph of the policy on p.2., as follows, "The policy is intended to apply prospectively to all

university and DSO debt, and not to adversely affect any university or DSO debt currently outstanding, or refinancing thereof, or projects approved by the BOG or by a University Board of Trustees prior to the adoption of this policy. Mr. McCollum seconded the motion, and members of the Board concurred.

Mr. Edwards moved that the Board adopt the Proposed Policy Authorization and Approval of University Debt, as amended. Mr. McCollum seconded the motion.

Mr. John Martin, New College of Florida, said New College was about to seek approval for a \$28 million housing project. He inquired whether New College would be required to follow new procedures. Mrs. Roberts said it would not.

There were no further comments, and members of the Board concurred.

Mrs. Roberts went to the issue on tuition flexibility, with the Board letting the Legislature set undergraduate resident tuition and fees, and delegating to the University Boards the remaining undergraduate and graduate tuition and fees. Ms. Parker so moved. Ms. Duncan seconded the motion.

Mr. Winn said this was moving language to statute, the language that was currently in Proviso to the General Appropriations Act. Mrs. Roberts concurred; this was not a change from current policy. Mr. Goldberg said he was concerned about adding some constraints as to the upper limits for these fee increases. Commissioner Winn said the Board of Governors would set those limits. Mr. Maxey agreed, and said this Board could set restrictions on these fees. He said the proposed language did not address limits, but the Board could set certain parameters or devolve those decisions to the University Boards.

There were no further comments, and members of the Board concurred in the tuition proposal.

Mrs. Roberts said the agenda included the proposal that all the statutes needed to be conformed to the language of HB 1001, adopted in 2005, delineating the responsibilities of this Board and the Legislature. The statutes also needed to remove the State Board of Education from references relating to governance of the University System.

Mrs. Roberts said the agenda included proposals related to the local fees, both the provision that the three local fees cannot exceed 40 percent of tuition, and the provision that the universities could not increase local fees more than five percent in any one year. She said staff had analyzed that the additional fees charged to students would be in the range of \$460 to \$700 per year, depending on the university attended. She noted that there were constraints in the likely increases because student-administrator committees had to recommend increases to these local fees. In addition, the Trustees would have to approve these fee increases. She noted that the 40 percent limit on the total of these fees, placed the cap on these fees at \$28.60 per credit hour.

Mr. Maxey explained the two proposals. One was to raise the cap on the total of the local fees to 45 percent of tuition; the second proposal was to remove the five percent limit on the annual increase to each local fee. Ms. Pappas so moved, as to both proposals; Ms. Parker seconded the motion.

Commissioner Winn said that in the Board conversations about its Legislative Budget Request, the Board had linked needs to its Budget Request. He noted that the five percent tuition hike was not linked to any specified university need. He said he would oppose raising the cap on the combined local fees.

Mr. Goldberg said he did not oppose raising the total of local fees to 45 percent of tuition, but that he could not support eliminating the limit on the annual fee increase. He said he was concerned about unreasonable increases, and increases exceeding students' planned budgets.

Mr. Edwards inquired about the logic to remove the five percent limitation. Dr. Cavanaugh said some institutions had identified needs that might exceed the five percent limit, e.g., a prescription drug benefit. Ms. Parker inquired if there were a correlation between raising fees and the Bright Futures Scholarship. Mr. Maxey responded that there would be an estimated \$9.8 million maximum impact on Bright Futures. She also inquired if there were some connection with the \$1 million addition proposed for need-based financial aid. Mr. Maxey noted that anything added to the budget has a potential impact. Ms. Parker commented that if the Board approved all these fee-related recommendations, they should be placed in priority order.

Ms. Duncan moved a substitute motion that the local fee issue be taken off the table at this time for further discussion. Ms. Parker seconded the motion, and members of the Board concurred.

Mrs. Roberts said there was also a proposal for a technology fee. Mr. Maxey explained how the universities proposed to use the funds generated by such a fee, stating that the universities had emphasized the need for this fee to keep up in a highly competitive university and technology world. He said the proposal included a student-administrator committee to determine whether such a fee was needed by a university; this committee had not been a part of the proposal in previous years. He noted that the community colleges were already authorized to charge a technology fee.

Ms. Pappas said that during the discussions of a regulation adoption procedure, the Board had understood that fees were adopted by university regulation, and that regulations related to fees were reviewed by this Board. This proposal would give fee-making directly by statute to the University Trustees. She moved that the language should rather state that the Board of Governors was authorized to establish this fee. Ms. Duncan seconded the motion.

Ms. Duncan said the Board seemed to be adopting a lot of funding priorities. Dr. Cavanaugh noted that this technology fee was not related to Bright Futures. Dr. Peláez added that the universities were far behind in technology and needed this fee.

Mr. Goldberg said that this fee, not covered by Bright Futures, would be a direct cost to students. He noted that students had no say in how the dollars from this fee were being spent. He recommended that there be a statement that students had some participation in determining how these monies were spent.

Commissioner Winn noted that this fee had been a recommendation of the University Presidents for the past three to four years. He said the LBR had addressed university technology needs with the \$5.9 million request. He said he did not have a problem, conceptually, with this fee, but he did have a problem with a fee without a cap. He said the language proposed did not remove this fee from Bright Futures coverage; it should be rewritten to make that clear.

Chancellor Rosenberg said he had a sense of urgency about this need. He pulled out his Blackberry and asked whether it was a phone, a computer, access to the Internet, or what. He said the universities were in a race. He said they lacked adequate technology security and adequate technology infrastructure.

Ms. Pappas recommended that the Board accept the proposed language, but that it be amended to reflect that the Board of Governors or its designee could authorize the fee. Mr. Perez suggested that the language reflect that any such fee adopted by a University Board come back to this Board for approval. Ms. McDevitt noted that if the authority for the fee were devolved to the University Boards, it would be reviewed by this Board as a regulation relating to fees. She suggested that the issue of limiting the technology fee could be discussed with the discussion of the local fees at the February Board meeting.

Mr. Winn cautioned the Chancellor that bringing all these priorities to the Legislature might handicap his effectiveness during the Session.

Ms. Parker called the question. By voice vote, members concurred in the motion, with Mr. Goldberg and Commissioner Winn voting no.

Dr. Marshall inquired about the extent of direction this Board should provide the Chancellor. Dr. Rosenberg said the greater flexibility he was given, the better. He thanked the Commissioner for the spirit of his advice, and said he would come back to the Board with the approach he would take.

Mrs. Roberts said the last issue, the transfer of appropriations for fixed capital outlay projects, had been removed from the agenda.

8. Consideration: Recommendations from the Joint Meeting of the Board's Student Affairs Committee and the Governor's Access and Diversity Commission

Ms. McDevitt said there had been an excellent meeting earlier in the day of the Board's Student Affairs Committee and the Governor's Access and Diversity Commission. They had discussed university initiatives and best practices. She said there were two action items for the Board from that meeting.



She moved that the Board support the Governor's initiatives which were proposed as part of the Governor's budget priorities. These initiatives were, as follows: an increase of \$35.8 million for need-based aid funding, an increase in funding for the College Board Partnership, an increase of \$4 million in funding for Project STARS, an increase in funding for the College Reach Out Program; funding of \$6.5 million for the First Generation Matching Grant Program; and a Mentoring Partnership targeting middle school students.

In addition, Ms. McDevitt said the Governor had also recommended an increase of \$1 million for need-based financial aid in the Board's Legislative Budget Request. She moved that the Board support this addition to its Legislative Budget Request. Ms. Duncan seconded both motions, and members of the Board concurred.

9. Consideration of Amended Legislative Budget Request Issue on Non-reimbursable Hurricane Related Expenses

Ms. Duncan moved that the Board approve an amended 2006 legislative budget request issue of \$11.6 million for university hurricane related expenses that will not be reimbursed by FEMA or insurance, and further, authorize the Chancellor to make technical corrections, as necessary. Mr. Perez seconded the motion, and members of the Board concurred.

Mr. Tim Jones advised the Board that the universities were experiencing enormous increases in utilities costs. He said staff were conducting a survey to determine the actual costs and would bring a recommendation on a budget request to the Board at the February meeting.

10. Consideration of Authority for Approval and Termination of Advanced Non-Doctorate Degrees

Mr. Stevens explained that with the dissolution of the Board of Regents, the Legislature split degree approval authority between University Boards of Trustees and the State Board of Education. When the Board of Governors was created, it assumed the responsibility for establishing criteria, policies and procedures for new degree approval for professional and doctoral programs. No statute identifies which entity had the authority to approve or terminate advanced non-doctorate programs leading to degrees such as the Education Specialist degree.

Ms. McDevitt moved that the Board authorize the University Boards of Trustees to approve and terminate advanced non-doctorate degrees, subject to criteria previously adopted by the Board of Governors, as presented. Ms. Duncan seconded the motion.

Commissioner Winn inquired whether Board staff reviewed the proposals for new programs approved at the university level. Mr. Stevens responded that the Board of Trustees would approve the program and advise this Board's staff. If staff found issues with the program, they would be resolved with the university. He said this Board needed some control of the naming of programs for keeping the inventory of programs Systemwide, and to ensure that articulation was maintained.

Dr. Peláez inquired how this would relate to the Strategic Plan, particularly if there were duplication of programs. Dr. Rosenberg said that the University Boards were responsible for undergraduate and masters degrees, but the Strategic Plan engaged the universities in the conversation about degree production. He said he recommended that these advanced non-doctorate degrees should be approved by the University Boards, unless this Board determined otherwise. Commissioner Winn inquired about SACS review. Dr. Rosenberg said there was a process in place. Commissioner Winn said there were guidelines from SACS about academic integrity. Dr. Rosenberg said this Board had no reason to be concerned as to the academic integrity of baccalaureate degrees. He said he believed that the University Boards exercised restraint over new programs, and that this Board did not have reason to be concerned about these new degree programs.

Mr. Stevens noted that faculty were already in place. These programs typically served people already in the profession, such as teachers, who sought to advance in the workplace and to qualify for a higher salary. He noted that such programs usually existed under the umbrella of Ph.D. programs. Ms. Pappas noted that as the universities reported to this Board, this Board was looking at programs to address the Board's broader goals.

There were no further comments, and members of the Board concurred.

11. Consideration of Approval of the Financing Plan of an Athletics Stadium on the Main Campus of the University of Central Florida by the Golden Knights Corporation, on behalf of the University of Central Florida

Ms. Parker requested that this item be withdrawn from the Consent Agenda for Board discussion. Ms. Parker inquired whether the Division of Bond Finance had reviewed the financing of this project.

Dr. McKee responded that staff had reviewed this project, as had the UCF Board of Trustees. Staff had reviewed the building schedule, the financial analysis, the pledged revenues and the debt service requirements.

President Hitt said the project for the proposed Athletics Stadium had received a thorough review. The University had conducted workshops with various campus groups with an outside consultant hired to assist the project. He noted that the rating agency had given the bonds an A rating, and he was confident that the project had received the appropriate review and analysis.

Mr. McCollum moved that the Board approve the financing plan and authorize the issuance of fixed rate, tax-exempt, and variable rate, taxable, certificates of participation, in one or more installments, by the Golden Knights Corporation, on behalf of the University of Central Florida, in an amount not to exceed \$65 million for the purpose of financing the construction of the Athletics Stadium project on the main campus of the University of Central Florida. Further, issuance of the Certificates of Participation shall be contingent upon adoption of the Campus Master Plan and

execution of the Campus Development Agreement by the University of Central Florida Board of Trustees, to include the proposed athletics stadium project, as presented. Ms. Duncan seconded the motion, and members of the Board concurred.

12. Consideration of “Report on State University System Accountability Measures Referenced in General Appropriations Act Implementing Bill”

Ms. Duncan moved that the Board approve the document, “Report on State University System Accountability Measures Referenced in General Appropriations Act Implementing Bill,” as presented. Dr. Peláez seconded the motion, and members of the Board concurred.

13. Status Reports, Board Committees

Mrs. Roberts said the Board had already acted on the items from the Student Affairs Committee. She said the Strategic Planning/Educational Policy Committee had met, but there was no item requiring Board action.

14. Adjournment

Having no further business, the Chair adjourned the regular meeting of the Florida Board of Governors at 5:15 p.m., January 26, 2006.

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Carolyn K. Roberts,  
Chair

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Mary-Anne Bestebreurtje,  
Corporate Secretary