

# FLORIDA BOARD OF GOVERNORS

October 21, 2004

**SUBJECT:** 2005 Legislative Session Issues

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## **PROPOSED BOARD ACTION**

For information; Participation in the House Interim Project on Governance  
For approval: Major Gifts legislation and Tuition Policies

## **AUTHORITY FOR BOARD OF GOVERNORS ACTION**

Article IX, Section 7, Florida Constitution.

## **BACKGROUND INFORMATION**

Three legislative issues are before the board for information or approval:

- 1) Participation in the House Interim Project on Governance:** The project is “designed to identify statutory changes needed to implement Section 7 of Article IX of the Florida Constitution.” The Division of Colleges and Universities staff is working with the General Counsel’s Office and the Governor’s Office to review and comment on more than 650 statutes identified by House staff.
- 2) Major Gifts Legislation:** The proposed amendments include changes approved by the Board of Governors in March 2004 (i.e., reduce some of the state match percentages, revise the donation scale, and cap the annual state contribution for a single gift). In addition, allowing the Board of Governors Foundation to receive private donations for state matches and directing local donations to priorities will assist the universities in meeting systemwide goals and university priorities.
- 3) Tuition Policies:** Integrating Tuition and Fee Policy and Strategic Planning: Proposed Board of Governors Tuition and Fee Policies. Report included as a part of this agenda item.

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**Supporting Documentation Included:** 1) Participation in the House Interim Project on Governance bullets; 2) Major Gifts Legislation Issue; and 3) Tuition Policy Report

**Facilitators/Presenters:** Chancellor Austin

## 1) Participation in the House Interim Project on Governance

### Project

- Project spearheaded by the House Education Committee Staff
- Project is “designed to identify statutory changes needed to implement Section 7 of Article IX of the Florida Constitution.”
- Focus is on technical corrections not substantive changes to the statutes. Although some substantive changes may be necessary.
- House soliciting comments from executive branch, state universities, local university boards, state education boards, and general public.
- Comments on more than 650 statutes must be timely submitted on website: <http://www.myfloridahouse.gov/SUSgovernancereview.aspx?statute=&page=0>
- All comments are to be submitted by November 29, 2004

### Participation

- DCU is working with General Counsel and Governor’s Office to review and comment on statutes
- Recognize many gray areas in the statutes affecting the constitutional roles of the Board of Governors, in terms of its ability to “operate, regulate, control, and be fully responsible for the management of the whole university system.”
- Comments will be technical in nature (e.g., to replace one entity for another, to add an entity, and to align a statute with the new governance structure.)
- Policy issues may also be identified in comments (e.g., ensuring K-20 articulation in a system that has two governing boards)
- Additional information may be provided for the Legislature to consider a substantive change (e.g., completion of a project that was required by statute).

## 2) Major Gifts Legislation Issue

**Change Needed:** Section 1011.94 of the Florida Statutes needs to be amended to improve the University's Major Gifts program. The state match program has been very successful in helping state universities solicit private donations but the state has not had the funding available to meet the required state matches. The state will be able to annually fund the state match requirements and private donations will not be jeopardized if we reduce some of the state match percentages, revise the donation scale, and cap the annual state contribution for a single gift.

Additional changes to the same Florida Statute will assist universities in meeting the systemwide goals as well as funding university priorities. Allowing the Board of Governors to accept private contributions under the matching program will provide an opportunity to assist multiple universities in meeting systemwide goals. In addition, directing private donations at the local level to university priorities as determined by the boards of trustees are proposed.

**Current Condition:** The popularity of the program may once again cause potential funding problems. The 2004 Legislature eliminated a three-year backlog of state match requests by appropriating \$94.8 million to the program through December 31, 2003. As of June 30, 2004 more than \$23 million in requests for state matching funds have been received. If any changes had been made to the program during the 2004 Legislative session, the gifts received through the end of June would not have been impacted. However, based on previous analysis, the estimated potential savings to the state is from 20% to 30%.

**Rationale for Change:** There is widespread agreement that the sliding scale for the state match should be less generous. Today, the donation scale is as follows:

Private Donation	% State Match
\$100,000 - \$599,999	50
\$600,000 - \$1,000,000	70
\$1,000,001 - \$1,500,000	75
\$1,500,001 - \$2,000,000	80
\$2,000,001 +	100

The proposed change adopted by the Board would have revised the scale to:

Private Donation	% State Match
\$100,000 - \$499,999	25
\$500,000 - \$999,999	50
\$1,000,000 - \$2,999,999	75
\$3,000,000 +	100

In addition to changing the sliding match scale the other proposed changes include:

- Limiting the largest match on a single gift in one year to \$3 million;
- Limiting the total match for any single gift to \$15 million (\$3 million per year for five years);
- Limiting bundled gifts to a 50% match with a maximum gift of \$1 million;
- To be eligible for a Chair, a minimum private donation of \$700,000 must be received. The private donation, combined with a state match of 50% will allow the university to create a chair for \$1,050,000 (private donation and state match combined);
- Any gift (including those pledged but approved for initial match) already approved by the Board of Governors and on the pending list before the effective date of this legislation shall be eligible for state match at the rate when approved. These changes would be effective for new gifts and pledges made after July 1, 2005.
- All gifts should be paid in the order contributed (FIFO);
- Allow the Board of Governors' Foundation to accept private donations and state matching on behalf of the state university system thus providing an opportunity to assist multiple universities or address Strategic Plan goals.

**Fiscal Impact:** In an analysis of the proposed changes on gifts submitted in 2002-2003, the Board approved changes would have reduced the state's match by an estimated 27% (or \$8.9 million). Obviously donor contributions and the complete impact of these changes to the program cannot be predicted. However, the Board adopted changes would bring significant savings to the state, especially since 93% of the private donations are for less than \$1 million.