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FLORIDA BOARD OF GOVERNORS  
CAPE FLORIDA BALLROOM, STUDENT UNION  
UNIVERSITY OF CENTRAL FLORIDA  
ORLANDO, FLORIDA  
MARCH 18, 2004

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The Chair, Carolyn K. Roberts, convened the meeting of the Board of Governors in the Cape Florida Ballroom, Student Union, University of Central Florida, Orlando, Florida, at 11:00 a.m., March 18, 2004, with the following members present: John Dasburg, Vice Chairman; Pam Bilbrey; Dr. Castell Bryant; Miguel DeGrandy; Rolland Heiser; Commissioner Jim Horne; Sheila McDevitt; Gerri Moll; Lynn Pappas; Ava Parker; Dr. Howard Rock; Peter Rummell; Clayton Solomon; Steven Uhlfelder; and Dr. Zachariah P. Zachariah.

1. Call to Order; Recognition, UCF

Mrs. Roberts recognized President John Hitt, University of Central Florida, and thanked him for serving as the Board's host for this meeting. She said she continued to be excited about the work of this Board and the devolution of authority to the University Boards. They were all becoming more effective. She said the Board would meet next in Tallahassee, at Florida A & M University. As the NCAA Men's Basketball Tournament got under way, she wished teams participating from UF, UCF, and FAMU, the best of luck.

President Hitt extended a warm welcome to members of the Board. He said the University of Central Florida was celebrating its 40<sup>th</sup> anniversary this year. He said he had given each Board member a copy of "State of the University" which provided statistical information about UCF, its faculty and its students. He said the University had a significant impact on the Central Florida economy. He thanked the Board members for their advocacy on behalf of the universities, adding that their support was critical for the well-being of the universities in Florida.

Mrs. Roberts read the following Resolution:

**WHEREAS**, the University of Central Florida was established in 1963 as Florida Technological University when the State Legislature authorized the State Board of Education to create a university in the central part of the state, and was subsequently renamed the University of Central Florida in 1978; and

**WHEREAS**, enrollment in the University of Central Florida has grown from 1,948 students in its inaugural year to over 42,000 students in the fall of 2003, making it the second largest university in the State University System, as well as the 14<sup>th</sup> largest university in the nation, and has now awarded over 130,000 degrees; and

**WHEREAS**, the University of Central Florida has expanded to offer 174 degree programs from six different colleges: the Burnett Honors College, the College of Arts and Sciences, the College of Business Administration, the College of Education, the College of Engineering and Computer Science, and the College of Health and Public Affairs, as well as two stand-alone schools, the Rosen School of Hospitality Management and the School of Optics; and

**WHEREAS**, the University of Central Florida has a diverse student body, with students from throughout Florida as well as from all 50 states, and from 146 countries, with an average SAT score of 1176 and an average grade point average of 3.8 for students entering in 2003; and ranking in the Top 100 of universities across the country enrolling National Merit Scholars; and

**WHEREAS**, in the 40 years since its establishment, research funding has grown to almost \$90 million annually, an increase of 222 percent in the last four years; the Central Florida Research Park is ranked among the top 10 in the nation; and the Florida Photonics Center of Excellence at UCF led the list of proposed university-based research centers recommended by Governor Jeb Bush's Emerging Technology Commission; and

**WHEREAS**, there are over 1,678 faculty employed at the University of Central Florida, with many faculty honors awarded, such as the Excellence in Journalism Education Award given to Michelle Betz; the 2002-2003 Florida Professor of the Year Award to Lew Ehrhart; and the Early Career Development Award from the National Science Foundation given to Yong-ho Sohn and Raj Vaidyanathan; and

**WHEREAS**, the University of Central Florida has established and maintained a partnership with the City of Orlando, as well as with the surrounding counties that has furthered economic development, and the University itself has become the sixth largest employer in the area; and

**WHEREAS**, the University of Central Florida has grown from Promise to Prominence in the 40 years since it was established and will continue to do so in the years ahead;

**NOW, THEREFORE**, be it resolved by the Board of Governors, meeting on the campus of the University of Central Florida on this eighteenth day of March, 2004, that the Board of Governors of the State of Florida proudly recognizes the 40<sup>th</sup> anniversary of the University of Central Florida.

Members of the Board concurred in the Resolution unanimously. President Hitt thanked the Board for this special recognition.

2. Approval of Minutes of Meeting held January 22, 2004

Ms. Parker moved that the Board approve the Minutes of the Meeting held

January 22, 2004, as written. Commissioner Horne seconded the motion, and members of the Board concurred.

3. Presentation, Report, "We Must Do Better," Florida Council of 100

Mrs. Roberts welcomed Mr. Chris Sullivan, Chair, Florida Council of 100, and former member of this Board, to present the Council's report on the State University System. She noted that three Board members were also members of the Council, Mr. Dasburg, Mr. Temple, and Mr. Rummell, who also served as Vice-Chair of the Council.

Mr. Rummell commented that the report addressed complicated problems of funding and tuition at the universities, and presented a complicated solution to these issues. He admonished all in attendance not to "unbundle" these recommendations, as they entailed far more than a simple recommendation of a tuition increase. He introduced Mr. Sullivan.

Mr. Sullivan said The Florida Council of 100 was established in 1961 to promote the economic growth of Florida and to improve the economic well-being and quality of life of its citizens. The Council includes Florida's top business leaders. It meets twice a year and concentrates on issues of importance to the State. In 2002, a Higher Education Funding Task Force was established, chaired by Mr. Joe Lacher. The Task Force had 41 members, including public and private university presidents in Florida, as well as several key community college leaders. He said the intense and focused assistance of the McKinsey & Company, particularly its Managing Principal in Florida, Mr. Joe Heel, made the report possible. He said the key to the Report was that it looked at all the funding sources; the recommendations are presented as a package. He said they had already made presentations to the Governor, the Lt. Governor, the Senate President-elect, and the House Speaker-elect. He said the Report could help begin the important conversations about quality and accessibility to Florida's universities.

Mr. Heel thanked the members of the Board for the opportunity to make this presentation. He said his company generally worked on business problems; they had addressed the issue of funding of the state's universities as a business owner might address the problem. He said the State of Florida spends \$2.3 billion on university education, but the quality and accessibility of the system are low compared to other states, and the number of bachelors degrees is not sufficient to meet labor market demands. From their review of the numbers, the Task Force determined that Florida produces 25.1 undergraduates for every \$1 million in state funding. The Task Force found that Florida's return on state funding was substantially lower than most of its peers and of national averages. He said the Council proposed an integrated set of policy changes, noting that all were inter-related and no one of them could be adopted without the others because of the related consequences. The policy changes recommended were, as follows: 1) Increase tuition and fees by 13.9 percent per year for five years to reach the national average; 2) Increase Bright Futures SAT requirements to 1070/1330 (from 970/1270), beginning in 2005-2006; 3) Further leverage of private institutions, by increasing the Florida Resident Access Grant to \$120 million; 4) Increase need-based aid from \$80 million to \$243 million by 2008-2009; 5) Accrue \$101 million

per year for the Prepaid Program, beginning in 2005-2006; and 6) Increase state university funds for quality of education by \$366 million by 2008-2009.

He explained that the net impact of these recommendations was neutral in terms of current state funds, requiring the reallocation of funds. He said the total impact of these changes would improve quality and accessibility above national averages, graduate more students with bachelor degrees, and improve the effectiveness of state funds. The Task Force anticipated the following results if all their recommendations were implemented, as follows: 1) E & G budget per FTE increases 14 percent, increasing the state's rank from 34<sup>th</sup> to 24<sup>th</sup>; 2) State need-based aid/Federal Pell Grant increases from 22 percent to 36 percent, increasing the state's rank from 34<sup>th</sup> to 22<sup>nd</sup>; 3) An additional 15,480 bachelors are graduated per year, approximately 4,500 more than the current trajectory; and 4) The return on state funding increases from 25.1 to 27.8, even after improving the quality and accessibility of the system.

Mr. Heel explained the information assembled to come to these conclusions and provided significant detail about the findings of the Task Force and the rationale for these recommendations. He described the sources of funds to the universities. He showed where Florida tuition ranked as compared with tuition in other states. Despite recent tuition increases, Florida's undergraduate tuition still remained among the lowest in the nation. Due to this low tuition, the State funds significantly more of the cost of education, 76 percent, than in its peer states, 64 percent. He also reviewed the state's several scholarship programs, how they were funded and eligibility for these awards. He said the Task Force proposed shifting to more need-based aid and increasing the eligibility requirements for the merit-based aid programs. He said the goal was to improve the quality and accessibility of Florida's public universities to the benefit of all the citizens of Florida.

Mrs. Roberts thanked Mr. Heel, the Higher Education Funding Task Force, and The Council of 100 for this comprehensive analysis of a very complicated set of policy issues. Mr. Uhlfelder commented that there was broad popular support for low tuition and for the Bright Futures program. He inquired why the Task Force had not looked into a sliding scale in changing the eligibility criteria for the Bright Futures Scholarships. Mr. Heel reiterated that none of these "levers" should be manipulated independent of the others. Mr. Rummell added that it was important to understand that tuition did not exist in a vacuum. He said the process for change started with education on the issues. It seemed clear to him that Bright Futures could not remain intact forever.

Mr. DeGrandy echoed his thanks for this careful analysis. He said that during his time in the Legislature, there was never the time for such a comprehensive analysis. He said it would be important to make an impact on the Legislature with this information, particularly the members of the Education and Appropriations Committees in both the House and the Senate. Commissioner Horne noted that the State was appropriating more to the universities, as well as covering the increases in tuition for students awarded the Bright Futures scholarships. Ms. Parker noted the gap in degree programs. She inquired whether Mr. Heel could do a breakdown by profession, to determine where there were gaps in relation to the bachelors degrees earned.

Mrs. Roberts asked Mr. Rummell how the Board should be a participant or a leader in the discussions of this important Report. Mr. Rummell said the Council was clearly an advocate of these recommendations. Mr. Dasburg noted that the Report should be considered as a whole; it was saturated with social issues. He said he was concerned how this Board could act on these recommendations; they were not the Legislature. Ms. Pappas said the Board needed to know the choices. She said she recognized this was a problem for Legislative solution, but clearly, the State needed to do better and reach for systematic solutions. The Council Report made it clear that the State could not keep doing the same things.

Commissioner Horne said there was a huge demand for higher education. This Report made clear the need for the voice of this Board. He said the Legislature will appreciate this Board's viewpoint and thoughtful discussion of these issues. Ms. McDevitt said this also lent itself to the development of a model incorporating the numerous factors. She said she was interested in obtaining the detail behind all the separate, but interlocking, pieces detailed in this Report.

Mr. Dasburg cautioned members that there were those who disagreed with this Report. The Board needed to invite presentations from them, as well. As the State continues to increase tuition, there are implications for the Bright Futures and Prepaid Tuition programs, as well.

Mr. Solomon expressed his concern that those who will have to pay the rising tuition costs are those who will be on the edge of not qualifying for financial aid. He said he was concerned how the Board was looking at the national average. From the students' perspective, they were getting a good education at a good price.

Dr. Rock inquired about the reactions of the Governor and the Lt. Governor. Mr. Heel said they had advised the Council to "roll it out." Commissioner Horne said that unlike numerous other studies he had seen, this did not merely describe the problem but included solutions. He said he welcomed the discussion.

#### 4. Chancellor's Report

Chancellor Austin asked Mr. Daniel Woodring, General Counsel, to advise the Board on several matters. Mr. Woodring reported that at the last meeting, members had asked that he work with the Chancellor and Department staff to develop legislation placing the Board of Governors in the statutes in the appropriate places on issues of university governance, recognizing that the current School Code had been adopted prior to the adoption of the Constitutional Amendment. The guiding principle in developing the legislation was to replace the State Board of Education with the Board of Governors as the appropriate oversight Board on university issues, while maintaining the duties of the University Boards previously devolved. The legislation had been developed, but would not be considered this Session. He introduced Mr. Nate Adams, Deputy General Counsel, DOE, to provide a status report on the challenge filed by the NAACP in 2000 to the rules implementing One Florida in university admissions.

Mr. Adams reported that the Administrative Law Judge in the Division of Administrative Hearings had determined that the NAACP had standing to bring the challenge. He had found only one section of the three adopted rules to be invalid. The Supreme Court in 2003 had reversed the District Court and found that the parties had standing, but left for consideration whether the case was moot because of the new Board of Governors. Mr. Adams explained the brief he had filed asking that the Court dismiss the case as moot. He explained the different roles of this Board, the State Board and the University Boards, as they relate to rule-making authority. He said the State Board of Education has no authority for these rules. This Board, by its action on January 7, 2003, had exercised its constitutional authority, not statutory authority, to adopt these rules, and by adopting them, the individual university boards had no authority to adopt systemwide rules. He said the case should also be dismissed as moot, as the Petitioner in the case was now enrolled in a state university; admissions rules were no longer relevant to his case.

Chancellor Austin said she had distributed additional materials to each member, including the briefs filed in the NAACP case. She said the Governor had recommended some supplemental budget recommendations, which included \$1 million for the OCR Partnership Agreement. The Senate Education Appropriations Committee had released its proposed budget recommendations. These included a 7.5 percent tuition increase for in-state undergraduates and 12.5 percent tuition increase for all others, plus a limited discretionary authority to the University Trustees for additional increases; enrollment growth funding of \$61.3 million; funding for the FSU Medical School and for the FAMU Law School; \$94.8 million for Major Gifts Matching, funding the backlog through December 2003. She said the House would release its recommendations the following week. She reported that the State Board would be updating its Strategic Planning Process. She also distributed a summary of the legislation being monitored by the Division staff.

Mrs. Roberts inquired how Board members wanted to be kept informed about the Session. Dr. Rock suggested that they be advised by email, unless a matter rose to the level of "panic," when a conference call might be necessary. Mrs. Roberts inquired of Counsel whether 24 hours was sufficient notice for a Board telephone conference call. Mr. Woodring responded that would be sufficient notice if members were merely being informed on the status of proposed legislation.

Finally, Dr. Austin announced the excellent news that the graduation rates at Florida's state universities ranked well above the national average. Florida ranked 12<sup>th</sup> among the states in overall graduation rates, with graduation rates for Hispanic and African-American students ranked sixth and seventh, respectively.

Dr. Rock inquired about the status of salary increases for the faculty. Commissioner Horne responded that that was a budget item which would be resolved as part of the final budget discussions.

5. Commissioner's Report

Commissioner Horne reported that the State Board of Education had met March 16, 2004, in Tallahassee. The Board had heard several Charter School appeals and had adopted a number of rules relating to students with disabilities. He said there had been recent news reports that the FCAT had been made easier this year; he said these reports were false. He reported that Florida's students had been improving steadily over the past five years. He reported that Hispanic and African-American children were making significant reading gains at the fourth grade level. All of these improvements created a push for greater access to the State University System.

6. Consideration, Legislative Agenda, 2004 Session

Chancellor Austin said, as directed by this Board, the staff had drafted legislation to delineate the issues under the jurisdiction of this Board from those issues under the jurisdiction of the State Board of Education. The bill had been drafted under the concept of K-20 education in Florida. The proposed legislation had been distributed to the universities for their comments. There were enough differences among the universities that it had been decided not to introduce this legislation this Session to allow more time for the staff to work with staff in the House and Senate and the Governor's Office, as well as the universities.

The Chancellor said the Board had endorsed the Governor's proposed tuition policies at its meeting in January, and had asked the universities to submit their concerns about the implementation of these policies. Mr. Dasburg inquired about the universities' responses. Dr. Austin said the responses varied; they had been shared with the Governor's Office. Mrs. Roberts noted that the legislation implementing block tuition did not seem to be moving through the Legislature. She said this Board had agreed that the universities could submit specific requests for exceptions to these policies for approval by the Board.

Dr. Rock said he was confused about the role of this Board in relation to these policies. Mr. DeGrandy read the Board Minutes from the meeting held on January 22, 2004, stating the intent of this Board to support the proposed tuition policies, but asking the University Boards for their concerns in the implementation of these policies. He suggested that any legislation incorporating these policies include a provision that this Board has the ability to authorize flexibility in their implementation.

Dr. Rock inquired about any legislation on these policies. Dr. Austin said she expected the Senate to include them in proposed legislation. Dr. Rock noted that many of the universities had indicated the expense involved in implementing these proposals. Mrs. Roberts said the university lobbyists were very good about explaining their concerns about any legislation affecting them. Mr. DeGrandy inquired whether the Board would be recommending any modifications to these policies at this point. Mrs. Roberts responded that the Board would not make those recommendations now.

Mr. DeGrandy moved that if there were legislation implementing these policies, it should include a "notwithstanding" provision, which would empower this Board to



authorize exceptions in the imposition of these policies, on the basis of appropriate evidence provided by the institutions. Mr. Dasburg seconded the motion. Mr. Woodring noted that the Governor's proposal had included that flexibility. Mr. DeGrandy said that he wanted it to be the clear sense of the Board that it can live with, and understand, and agree, with the concepts in the tuition policies, but that it should also be clear in the law that the Board of Governors has the authority to allow exceptions. There were no further comments, and members of the Board concurred.

7. Consideration, Partnerships with External Entities

Commissioner Horne moved that with respect to any university receiving legislative appropriations to implement a partnership with an external entity that the university terminates, the Chancellor of the Division of Colleges and Universities is authorized to adjust the base budget of the university by up to an amount equal to the appropriation. Mr. Dasburg seconded the motion, and members of the Board concurred.

8. Presentation, Partnership Agreement with the Office for Civil Rights

Dr. Adeola Fayemi, Senior Educational Policy Director, K-20 Office of Equity and Access, provided an update on the Partnership Agreement with the Office for Civil Rights. The overall goal of the Agreement is to ensure progress in the provision of equitable educational opportunities for minority students in Florida. She provided highlights from the K-12 sector, the community colleges, and the universities. She reported on universities' expanded outreach programs, continued scholarship programs and financial support for mentoring and career advancement opportunities, and the status and representation of minorities and women in the universities' workforce. She said the next step would be a review of the report by the U.S. Department of Education, Office for Civil Rights. There were no questions. Mrs. Roberts thanked Dr. Fayemi for her report.

9. Consent Agenda Items

A. Consideration of University Transition from the State Accounting System (FLAIR) to Individual University Accounting Systems

Ms. Bilbrey moved that the Board approve the FLAIR transition plans for the University of West Florida, Florida State University, Florida A & M University, University of Florida, University of North Florida, and Florida International University, as presented. The approval of these plans by this Board will then be submitted to the State Board of Education, then to the Office of the Governor, and the chairs of the House and Senate Appropriations Committees, with an effective date of July 1, 2004. Ms. Pappas seconded the motion, and members of the Board concurred.

B. Consideration of Amended 2004-2005 State University System Fixed Capital Outlay Legislative Budget Request

Ms. Bilbrey moved that the Board approve the amended portions of the 2004-2005 SUS Fixed Capital Outlay Legislative Budget Request, including the 2004-2005 Alec P. Courtelis Facility Enhancement Challenge Grant Program Project List; the re-appropriation of funds; and the 2004-2005/2006-2007 SUS Three-Year PECO Project Priority List, as presented. Ms. Pappas seconded the motion, and members of the Board concurred.

C. Consideration of Condemnation of Private Property Adjacent to the Campus of Florida State University

Ms. Bilbrey moved that the Board approve the exercise of the right of eminent domain by the Board of Trustees of Florida State University to acquire fee simple title in the Board of Trustees of the Internal Improvement Trust Fund of all properties described in the Agenda, Exhibit 1, and, to give authority to the Board of Trustees of Florida State University to accomplish the acquisition, as described, through condemnation, including authority to prepare and execute all necessary parcel-specific condemnation resolutions, as presented. Ms. Pappas seconded the motion, and members of the Board concurred.

10. Status Reports, Board Committees

A. Audit

Mr. DeGrandy said the Audit Committee had heard from President Mitch Maidique and from Mr. David Parker, Vice Chair of the Board of Trustees, Florida International University, on the audit of the FIU Hemispheric Center for Environmental Technology. They had explained the issues in the audit and the action steps the University was taking to restore credibility and leadership. They had also described the change in culture at the University necessary to promote greater accountability in its processes. He noted that the Committee had been pleased by the manner in which the issues had been handled at the University.

The Committee had then discussed the role of the Board of Governors vis-à-vis critical audits at the universities. He said that he wanted to be consistent in the treatment of the universities by this Board. The Committee had recommended that the Board direct the Chancellor to develop a policy statement for the consideration of audits by the Audit Committee. This policy should take into consideration factors of public exposure, including the opportunities or benefit to the university in making a public presentation to this Board; the magnitude of the problem; the significance in the amount of funds; and, the degree of involvement between the Board of Trustees and the administration. The policy should

also include the exercise of discretion by the Chancellor and the Chair of the Audit Committee. He so moved. Mr. Dasburg seconded the motion, and members of the Board concurred.

B. Strategic Planning/Educational Policy

Mr. Dasburg reported that the Strategic Planning Committee had passed a resolution, as a result of the Medical Education Workshop, asking the Council for Education Policy Research and Improvement to define the parameters of a model to be used to quantify the adequacy of the State's physician workforce, to project the extent to which a shortage exists and to develop cost/benefit estimates of various alternatives to produce the required number of additional physicians. The Committee had also discussed the financing required for this modeling exercise. The Committee had also continued its discussion of the Board's strategic goals. Those goals would now be tested with the Presidents, Provosts, and members of the University Boards involved with strategic planning. The Committee would discuss their responses on the implementation of these goals at its meeting in April.

C. Performance and Accountability

Mr. Uhlfelder reported that the Subcommittee discussing Learning Assessment Outcomes would continue its discussions at the April Board meeting. He said during the Committee meeting, the members had agreed to adopt a new accountability measure, "the proportion of test takers who pass required licensure/certification exams within a timeframe appropriate to the discipline." He moved that the Board approve this additional measure. Ms. Parker seconded the motion, and members of the Board concurred.

D. Ad Hoc Committee on Matching Gifts

Ms. Bilbrey reported that the Ad Hoc Committee had held a productive meeting by telephone conference call on Friday, March 12, 2004. She said the charge to the Committee had been to support the elimination of the backlog of gifts waiting for the state match, and to recommend revisions to the Major Gifts Trust Fund legislation to assure that such a backlog would not reoccur. She noted that University Foundation Directors had met with Senate President King and House Speaker Byrd.

She said the Committee was recommending six proposed revisions to the Major Gifts Trust Fund, as follows: 1) \$3 million cap of state dollars used to match any single gift in a given year; 2) Total match for any single gift limited to \$15 million (\$3 million per year for five years); 3) Matched endowment gifts must be for university priorities only, as set by each university's Board of Trustees; 4) Bundled gift will be limited to a 50

percent match, with a maximum gift of \$1 million; 5) The matching percentages shall be revised as follows: \$100,000 at 25 percent, \$500,000 at 50 percent, \$1 million at 75 percent, \$3 million at 100 percent; and 6) 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 percent will allow the university to create a chair for \$1,050,000 (private donation and state match combined). Also, the Committee recommended that 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.

Ms. Bilbrey moved that the Board approve the Committee recommendations, as presented. General Heiser seconded the motion. He said these were excellent recommendations and would greatly assist the matching program. There were no other comments, and members of the Board concurred.

11. Adjournment

Having no further business, the Chair adjourned the regular meeting of the Florida Board of Governors at 2:45 p.m., March 18, 2004.

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Carolyn K. Roberts,  
Chair

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Mary-Anne Bestebreurtje,  
Corporate Secretary