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FLORIDA BOARD OF GOVERNORS
WFSU BROADCAST CENTER
FLORIDA STATE UNIVERSITY
TALLAHASSEE, FLORIDA
SEPTEMBER 24, 2003

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The Chair, Carolyn K. Roberts, convened the meeting of the Board of Governors in the WFSU Broadcast Center, Florida State University, Tallahassee, Florida, at 1:55 p.m., September 24, 2003, with the following members present: Pam Bilbrey; Dr. Castell Bryant; Rolland Heiser; Commissioner Jim Horne; Ava Parker; Dr. Howard Rock; Peter Rummell; Patrick Sullivan; John Temple; Steven Uhlfelder; and Dr. Zachariah P. Zachariah.

1. Call to Order and Welcome

Mrs. Roberts thanked President Wetherell and the staff of Florida State University for their warm welcome to the members of the Board of Governors. She recognized Ms. Lee Hinkle, Vice President, University Relations, for remarks.

Ms. Hinkle said this Broadcast Center housed three radio stations, two television stations, and was the heart of the University's webcast productions. She recognized Mr. Patrick Sullivan, an FSU student, and thanked him for representing all the students in the System. She described the research at the National High Magnetic Field Laboratory with the world's largest and most powerful magnets and the team from the College of Engineering working with nanomagnets, one-one thousandth the width of a human hair. Dr. Robert Holton had discovered taxol and FSU was the beneficiary of royalty income from this discovery; Professor Mark Winegardner, Creative Writing, had been selected to write the sequel to The Godfather. More than 30,000 students were on campus for this Fall Semester.

2. Report, Chair, Board of Governors

Mrs. Roberts said the next meeting of the Board would be held October 22, 2003, at Florida A & M University, Tallahassee. The last scheduled meeting would be December 3, 2003. She said that since the Board's regular July meeting, the Board had met on August 7, 2003, to approve the SUS portion of the Legislative Budget Request. Mr. Uhlfelder's Accountability Committee met on September 8, 2003; Mr. Dasburg held a joint meeting of the Executive/Strategic Planning Committee last week in Miami to begin discussions of the Board's Work Plan. She observed that Fall was a busy time on the university campuses.

Mrs. Roberts noted that the Agenda included the several components comprising the 2004-2005 State University System Fixed Capital Outlay Legislative Budget Request. She said, in future, the Board would be able to consider how the university projects fit the Strategic Plan for the State, the Strategic Plan of the university, and how

the proposed projects met the critical needs of the State. These will not receive automatic approval.

Mrs. Roberts outlined an aggressive schedule of Board meetings for 2004. She suggested that Board members hold these meeting dates for 2004: January 22, March 25, April 22, May 27, June 24, July 22, September 23, and November 18. She asked members to advise the Corporate Secretary of conflicts.

Mrs. Roberts said that she had been advised that staff had been able to resolve the issues relating to a proposed Resolution of the Board authorizing the issuance of Revenue Bonds to finance additional student housing on the campus of Florida Gulf Coast University. She said a motion was needed to add this supplemental item to the Agenda. Mr. Uhlfelder moved that the Board add this action item to its Agenda, as described. Dr. Zachariah seconded the motion, and members of the Board concurred.

3. Approval of Minutes of Meetings held July 23, 2003, and August 7, 2003

Mr. Rummell moved that the Board approve the Minutes of the Meetings held July 23, 2003, and August 7, 2003, as written. General Heiser seconded the motion, and members of the Board concurred.

4. Commissioner's Report

Commissioner Horne advised the Board that the State Board had held a Workshop at its meeting on September 16, 2003, on the offering of baccalaureate degrees by community colleges. He said Chancellor Armstrong, Community Colleges, and Chancellor Austin had presented a map of Florida showing the numerous access points for higher education, including partnerships and joint-use facilities. He said this had been instructive as to how and where higher education was delivered.

Mr. Uhlfelder inquired whether community colleges as four-year institutions would fall under the concurrent jurisdiction of this Board, as this would change the definitions of the community colleges. The Commissioner said the Constitution described the institutions under this Board's jurisdiction as the State's public universities. He said the statutes are very clear about the conditions required for a community college to offer the baccalaureate degree. There must be a critical need; a university must be approached about addressing that need, whether on campus, through a joint-use facility, or at some other appropriate location. If there is no partnership, and there is a critical need, the statute prescribes the steps. He said that a four-year degree would not make the college a university nor bring them under this Board. Mrs. Roberts said this issue would need further discussion.

5. Presentation, Florida's Matching Gift Programs

Mr. Paul Robell, Vice President for Development and Alumni Affairs, UF, thanked the Board for the opportunity to discuss the two matching gifts programs in Florida, the Matching Gift Endowment Program, begun in 1979, and the Courtelis Facilities

Enhancement Challenge Grant Program, begun in 1988. He said there was a backlog in matching private gifts in excess of \$124 million. He said the programs were begun to provide incentives for private gifts to the universities; the universities had been able to develop programs and build facilities the state could not afford. Since their inception, the programs have generated over \$1 billion in private support and created 2225 endowments. Through the Courtelis Program, 100 buildings, over \$200 million in construction, had been built at \$.50/ dollar. The backlog for Courtelis projects is estimated at \$10-20 million for 2004; some projects have been on the list and not funded for three years. He said the backlog was now beginning to have an adverse effect on fundraising.

He said these programs were very effective in encouraging donors to give to the universities, but the delays and the backlog were demoralizing, both to the donor and to the campus. He said there was a traditional five-year cycle in returning to donors for additional gifts. He said the backlog would soon affect the longer-term fundraising efforts of the universities. He urged the Board to propose to the Legislature that it pay off the backlog with cash. The Board needed to articulate clearly the differences in the two programs and continue them intact, with separate funding. This year the Legislature provided funding for both programs in one lump sum; the universities had to select how to divide the funds. Further, the Board needed to develop an acceptable format for the future of the Major Gifts Trust Fund, as to the size and term of the State's match.

He said it was critical to sustain these programs for the long term. While endowments pay out only a small portion annually, they are the measure of great universities, inspire private investment and provide some cushion to the universities in difficult economic downturns.

Commissioner Horne inquired if Mr. Robell had any recommendations to address the appetite of donors that might exceed the State's ability to provide the matching funds. Mr. Robell said he would provide some. Commissioner Horne said the Board might also address how projects got on the list and the level of priority for the matching request. The Chair concurred that these were important questions. She thanked Mr. Robell for his excellent presentation.

6. Presentation, Representative Ed Jennings, Chair, Legislative Black Caucus

Representative Ed Jennings thanked Mrs. Roberts for inviting him to address the Board. He said he was excited about the funding for education and for the universities. He said he had enjoyed his discussions with the Board Chair about enhancing the State University System. He said the members of the Florida Conference of Black State Legislators, of which he was the Chair, came from districts representing all the universities. They sought a more formal relationship with the Board of Governors.

He commented that, in his view, the decision of the U.S. Supreme Court in the University of Michigan case continued to allow the use of race in the admissions process to universities. He said while the issue was pending, Governor Bush had

implemented One Florida to eliminate the use of race in university admissions in Florida. He suggested that as the nation's fourth largest state, it was important to make use of all the "tools in the toolbox," and he urged the universities to continue to look at a prospective student's race as one additional factor in enhancing the diversity of the student body and assuring opportunities for a diverse workforce. He said he was not recommending the use of race as the sole factor in admissions, but merely, as one more in a list of factors, in addition to the application of the One Florida requirements. He noted that in 2002, FAMU enrolled the significant portion of the African-American students in the System. Similarly, FIU enrolled the significant numbers of Hispanic students in the System. He said all the universities needed to be responsible for diverse student bodies. He proposed to the Board that it recommend to the universities the use of race as one more factor in weighing student applications, along with factors such as athletic ability or family legacy. He said he was concerned that there might be students lost to the admissions process without considering all these factors.

In addition, Rep. Jennings said he was concerned about the need to increase need-based scholarships. He said the Board needed to review the funding for Bright Futures Scholarships, and might want to make recommendations regarding thresholds for these scholarships for students receiving federal financial aid.

Mr. Uhlfelder said he had been a member of the Board of Regents when it had adopted One Florida. He said he believed it worked. He reminded Rep. Jennings that the Governor had proposed One Florida in response to Ward Connerly's initiative to eliminate the use of race in university admissions, without any suggested alternative. He said he was saddened that the country was still talking about the use of race in university admissions. He wondered whether there were students not being admitted because of One Florida. Rep. Jennings concurred that One Florida was an excellent program, but that the universities should add consideration of race as an admissions factor.

Dr. Rock inquired about recommendations for restructuring the Bright Futures Scholarships. Rep. Jennings said the scholarships were now based on SAT/ACT scores. He said family income might be a factor, as well as eligibility for federal financial aid. He said the Legislature had promised Bright Futures would cover full tuition, but that combined with other sources of aid, the funds might be directed differently.

Mr. Woodring clarified that the Supreme Court, for more than 25 years, had ruled the use of race in admissions as unconstitutional. Every state had been urged to look for best practices in using race-neutral admissions, and the states had all moved in that direction. He said it would be unconstitutional to go back and use race as a factor in admissions. He said the universities had embraced the race-neutral approach of One Florida, with which they had been successful.

7. Chancellor's Report

Chancellor Austin said the Agenda included information on First-Time-in-College Student Enrollment in the universities since 1998, which gives a picture of student

diversity at the universities. She noted that this was not a picture of the pipeline of students coming to them. In the long-range, there are increasing numbers of minority students taking and completing AP courses; more students are better prepared. In the numbers, FTIC enrollment is up by more than four percent. She noted that the representation of FTIC minority students is up systemwide for all minorities. She said that there were greater numbers of minority students, primarily at FAMU, but also at USF and at FIU. She said that the average SAT scores for entering students was also up systemwide.

Dr. Austin also reported on increases in minority graduate student enrollment over the past several years. She said she hoped this would lead to increases in minority faculty members. She noted, however, that there were barriers in the financial support available for graduate students. There were also increases in the number of minority law students. In all areas, the universities were making progress. She said she was particularly concerned about the retention and graduation of graduate students as the universities sought a more diverse faculty.

Dr. Austin reported on the 1998 OCR Agreement, under which there was a commitment for additional financial support for FAMU. The 2004-2005 Legislative Budget Request included \$2.5 million. She said the Department's Office of Access and Equity was doing a "climate" survey of women, especially women administrators on the campuses.

She advised the Board that Governor Bush would be giving his "State of Education" address in Orlando, on November 13, 2003. Members would receive invitations. She encouraged their attendance on this important occasion.

Mr. Uhlfelder thanked the Chancellor for her report. He said he was pleased to see the growth in the numbers of minority students. He inquired whether the universities used the factor of legacy in admissions. The Chancellor said it was a discussion point.

President Hitt said all the Presidents struggled with the issues of access and excellence; there was a natural tension between the two goals. If the universities do their job well, they provide access to excellence. He noted that the budget reductions were forcing sacrifices to excellence, but access to mediocrity was no benefit at all. He said the Board should look at all 11 institutions as they are and as they must be to serve the State. He said there was potential for different types of growth. He said that California had different institutions which were funded to grow, and institutions which served different niches. He said the Presidents were eager to work with the Board on accountability; they are not the "enemy." The universities need the advocacy of the Board and will be responsive to the Board's needs. He said the universities all had excellent Trustees, all of whom stood ready to be advocates and partners to this Board. He advised the Board that a UCF student had just been crowned Miss America; last year, UCF had its first Rhodes Scholar.

Provost Colburn, UF, gave student and faculty information about the University. He said UF had one of the most diverse student bodies in the AAU, who entered the

University with an average SAT score of 1300. Students at UF were involved in community volunteer activities, study abroad and research with faculty members. Students were encouraged to obtain a Master's degree before they left the University, as one additional credential. He noted that many of these well-trained students were leaving Florida and that it was critical to the health of the State that businesses in Florida recruit these students. He recited data that showed Florida collected \$400 million less tuition than Michigan, and \$200 million less than Ohio. Mr. Rummell said it would be helpful to know the tuition comparison per FTE. Chancellor Austin said she would distribute that information.

Provost Rosenberg, FIU, noted the Board's focus on accountability was appropriate. He said the Board also needed to think about quality and competitiveness for the universities, noting that the universities were not competing just in Florida but nationally and internationally.

8. Presentation, University Contracts and Funding Issues, Dr. Bill Proctor, CEPRI

Dr. Proctor, Executive Director, CEPRI, thanked Mrs. Roberts for attending a CEPRI meeting. He said CEPRI was studying the proposal for university contracts with the State. The Council had discussed five-year contracts and the development of a master template for these university contracts. As these issues were discussed, the Council determined that one Legislature could not bind future Legislatures. The Council would not recommend five-year contracts. There had also been discussion that these contracts should be linked to tuition flexibility. He said a draft report was due to the Legislature by November 1, 2003. The Council suggested that contracts be drawn between the Board of Governors and the individual universities, including performance expectations. He said the Board should recommend a process to the Legislature, whereby the Legislature would create the authorizing legislation in a bill the Governor would sign. The System would present a request with 11 separate contracts and would review the process every two years.

He said the Council was also discussing the university funding formula and had received testimony that the formula did not work, that the universities had different missions and filled different niches. As it existed, the funding formula fit none of the universities.

Dr. Proctor said there had been lively discussion in the State about tuition. He said increasing the tuition by a certain percentage did not mean that the total cost of a college education increased by that percentage. He said tuition was not the main cost of going to college, as maintenance is not the total cost of driving. He said costs, other than tuition, account for the majority of the cost of college attendance. If students have to attend an extra year to complete necessary courses, the cost is significant in terms of college costs and deferred income. He said universities could improve graduation rates if they implemented student tracking systems, as had been done at UF. He noted that Florida would continue to experience strong demand for higher education based upon the growth in the number of 18 to 24 year olds. He compared State and student fee support to Florida's universities with five top public universities.

Dr. Bryant inquired whether the Board could enter multi-year contracts with the universities. Dr. Proctor said it could not, nor should the contract be with the Legislature. Dr. Rock inquired about the cost issues, particularly with the guarantees of Bright Futures Scholarships and Pre-paid Contracts. He suggested that the universities might be able to increase accessibility through tuition increases. Mr. Patrick Sullivan said students were happy attending universities in a low-tuition state. He said they objected to the steady increases in the non-tuition fees.

9. Presentation, University Enrollment Plans

Dr. Nate Johnson presented information on enrollment growth in the State University System. He explained the pressures for growth, including the increase in the 18 to 24 year age group. He noted that Florida was one of the fastest improving states in eighth grade reading; these students would be better prepared for university studies. Employers demanded an educated workforce. He described the allocation of the enrollment growth in the 2004-2005 Budget Request. He also reviewed the universities' long-term growth estimates. He said his presentation could be viewed on the Board's website.

10. University Funding Formulas and Tuition Policy

Mr. Ray Monteleone said the Agenda included information describing the university funding process generally. He described the three main sources of revenue to the universities: General Revenue, Lottery, and student tuition. He said that in developing the Budget Request, issues fall into four main categories: base operating funds, cost to continue, enrollment growth funding, and other issues or enhancements. While universities had other operations, such as bookstores and athletics, these activities were not funded by monies appropriated by the Legislature. He said the memo had described some of the funding models used by other states.

Mr. Uhlfelder said he was interested in states that had moved away from FTE funding models. Commissioner Horne noted that the new accountability legislation stipulates that 10 percent of university funding, beginning in 2004-2005, will be based on specific performance measures.

Mr. Rummell said he was interested in the base budget. He said if the focus were only on the increases, and the base was never revisited, inequities would enter the formula. Mrs. Roberts concurred, noting that the development of the Strategic Plan and the individual university missions would have an important impact on the funding formula. This would also be important in terms of this Board's relationship with the Legislature. Commissioner Horne noted that the entire University System was funded at approximately \$6 billion; the Legislature appropriated only \$2 billion of that total. If the cost-to-continue figures were not reviewed, the Board did not get the full view of the universities. Mrs. Roberts cautioned, however, that university budgets included many resources over which this Board has no control.

Ms. Parker inquired about the potential impact of funding the Class Size Amendment requirements on the University System's Legislative Budget Request.

Commissioner Horne said the State Board had requested over \$1 billion in operating funds in the 2004-2005 Budget Request, which included the Amendment's requirements. As a result of the enormity of the funding need, the State Board had suggested taking another look at the Class Size Amendment, and perhaps recommending its repeal and enactment of class size limits for K-3 by statute, with district flexibility. Reduction in class size for only K-3 would cost about \$300 million. Mrs. Roberts said that the costs of the Class Size Amendment, ultimately, did have an impact on funding for the universities. Commissioner Horne agreed that the State would face many budget challenges in the coming year. Dr. Bryant noted that the funding requirements would increase each year.

Ms. Parker inquired about the repeal of a Constitutional Amendment. The Commissioner said the Legislature could propose the repeal of the Amendment by a three-fifths vote for a joint resolution, and place that repeal proposal on the ballot of the next general election.

Mr. Uhlfelder moved that the Board support the State Board and support the repeal of the Class Size Amendment, and propose more realistic goals, for example, limiting class sizes K-3, so as to do no budget harm to the community colleges and the State University System. Mr. Rummell seconded the motion. Ms. Parker said she was uncomfortable specifying the class size limits for any grade level. Mr. Uhlfelder proposed amending his motion to reflect the Board's support of the repeal of the existing Class Size Amendment, and supporting a more realistic measure without harming postsecondary education. Mr. Rummell commented that there was no way to gain support for this repeal without a positive alternative, and limiting the class size limits to K-3 seemed to have the least negative impact. These motions failed.

Mr. Uhlfelder asked that staff present further information regarding the proposed repeal of the Class Size Amendment and the modification of its requirements to a smaller subset of grade levels. Dr. Zachariah seconded the motion, and members of the Board concurred, with Mr. Patrick Sullivan abstaining.

11. Presentation, 2004 Legislative Session, Board of Governors Issues

Mr. David Foy, Director, Governmental Relations for the Department, introduced himself to the Board. He described the legislative process, and said that he was always available to answer questions from Board members.

Dr. Zachariah said that during the meeting of the Student Affairs Committee, the members had discussed the new legislation authorizing high school graduation through an option of 18 credit hours. On behalf of the Committee, he moved that the Board ask the Chancellor to work with the Legislature in reviewing this graduation option. Ms. Parker seconded the motion, and members of the Board concurred.

12. Consent Agenda

A. Consideration of 2004-2005 Fixed Capital Outlay Legislative Budget Request

Mrs. Roberts said that in future years, the Fixed Capital Outlay requests submitted by the Board of Governors would reflect the Board's Strategic Plan. Ms. Parker inquired if these lists funded each university's priorities. She said the Board needed to do more than merely approving all the requests in times of limited resources. Mrs. Roberts said the Facilities Committee would give that scrutiny.

Mr. Rummell moved that the Board approve all six of the component parts of the 2004-2005 SUS Fixed Capital Outlay Legislative Budget Requests, as presented in the Agenda, and further, authorize the Chancellor, Division of Colleges and Universities, to make revisions based on updated revenue forecasts and to make technical changes, as necessary. Ms. Bilbrey seconded the motion, and members of the Board concurred.

B. Consideration of Terms of Office, Appointees of the Board of Governors to the University Boards of Trustees

Ms. Bilbrey moved that the Board approve the terms of office for its appointees to the University Boards of Trustees, as presented. General Heiser seconded the motion, and members of the Board concurred.

C. Adoption of a Resolution of the Board of Governors requesting the Division of Bond Finance of the State Board of Administration to issue Revenue Bonds on Behalf of Florida State University to Finance Renovation of Landis Hall

Mr. Sullivan moved that the Board approve the financing plan and adopt a resolution authorizing the issuance of fixed rate, tax-exempt revenue bonds by the Division of Bond Finance of the State Board of Administration of Florida, on behalf of Florida State University, the funds to be used to finance the renovation of a student housing facility, Landis Hall, in an amount not to exceed \$16,550,000. Further, he moved that the Board authorize the Chair, the Vice Chair, the Chief Education Financial Officer and other authorized representatives of the Board of Governors to execute the necessary contractual documents related to the financing of the project; and further, authorize the issuance of bonds to refund all or a portion of any bonds secured by revenues of the housing system of Florida State University, if it is deemed by the Division to be in the best financial interest of the State, as presented. Ms. Parker seconded the motions, and members of the Board concurred.

- D. Adoption of a Resolution of the Board of Governors approving the Financing of Renovation and Expansion of the Existing Student Health Center, UCF

Ms. Parker moved that the Board approve the financing plan and adopt a resolution authorizing the issuance of fixed rate, tax-exempt revenue bonds by the Division of Bond Finance of the State Board of Administration of Florida, on behalf of the University of Central Florida, the funds to be used to finance the renovation and expansion of the existing Student Health Center in an amount not to exceed \$8,000,000. She moved further, that the Board authorize the Chair, the Vice Chair, the Chief Education Financial Officer, and other authorized staff to execute the necessary contractual documents related to the financing of the project, and further, authorize the issuance of bonds to refund all or a portion of any bonds secured by revenues of the Student Health Center of the University of Central Florida, if it is deemed by the Division to be in the best financial interest of the State, as presented. Approval is contingent upon affirmative action of the fee proposal modification by the University President, with input from the local fee committee, and the University Board of Trustees. Mr. Sullivan seconded the motion, and members of the Board concurred.

- E. Adoption of a Resolution of the Board of Governors Authorizing the Issuance of Not to Exceed \$50,000,000 Florida Gulf Coast University Financing Corporation, Inc., Revenue Bonds, Series 2003, to Finance Phase VI of the North Lake Village Student Residences and Refund the Certificates of Participation Previously Issued by the Florida Gulf Coast University Foundation, Inc.

Mr. Monteleone said he had discussed this item at length with Ms. Moll. She had recommended that the Finance Committee develop policies for the evaluation of criteria for the issuance of bonds, and minimum coverage criteria.

Mr. Sullivan moved that the Board approve the financing plan and adopt a resolution authorizing the issuance of fixed or variable rate, tax-exempt revenue bonds by the Florida Gulf Coast University Financing Corporation, Inc., in an amount not to exceed \$50,000,000 for construction of North Lake Village Student Residences, Phase VI, and to refund the Certificates of Participation previously issued by the Florida Gulf Coast University Foundation, Inc., as presented. Dr. Bryant seconded the motion, and members of the Board concurred.

13. Status Report, Performance and Accountability Committee

Mr. Uhlfelder reported that the Committee wanted to develop four or five measures of student learning. He said the Committee had engaged in a lively

discussion of proposed measures. He suggested that members bring suggested measures to the next meeting, for further discussion.

14. Adjournment

Having no further business, the Chair adjourned the regular meeting of the Florida Board of Governors at 4:55 p.m., September 24, 2003.

Carolyn K. Roberts,
Chair

Mary-Anne Bestebreurtje,
Corporate Secretary