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FLORIDA BOARD OF GOVERNORS
TURLINGTON BUILDING, ROOM 1721/1725
TALLAHASSEE, FLORIDA
AUGUST 7, 2003

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The Chair, Carolyn K. Roberts, convened the meeting of the Board of Governors in Room 1721/1725, Turlington Building, Tallahassee, Florida, at 11:00 a.m., August 7, 2003, with the following members present: John Dasburg, Vice Chair (by telephone); Pam Bilbrey; Dr. Castell Bryant; Lt. Gen. Rolland Heiser; Commissioner Jim Horne; Gerri Moll; Joan Newton (by telephone); Ava L. Parker; Dr. Howard Rock (by telephone); Chris Sullivan (by telephone); John W. Temple (by telephone); Steven Uhlfelder; and Dr. Zachariah P. Zachariah (by telephone).

1. Call to Order and Chair's Remarks

Mrs. Roberts thanked members for their participation in this important meeting. She said Amendment 11 gave this Board important responsibilities as advocates for the University System. She said the Board did not have the luxury of lengthy deliberation concerning the Legislative Budget Request because of the September submission date to the Legislature. This meeting had been called to allow the Board to submit its Budget Request for inclusion in the State Board's complete K-20 budget submission later in the month. She said that policy decisions should drive any budget request, such as decisions regarding caps on enrollment, but this Board had not yet engaged in those key System policy discussions on enrollment growth and access. There were other policy discussions that would impact future budget requests, e.g., the size of the universities, the need for new universities or branch campuses, and issues that will arise from the Board's Strategic Plan. It will be important for this Board to inform the Governor on these policy decisions as he develops his proposed budget, but there has not yet been the time. In addition, she said the Board needed to be aware of the financial realities of the State, and to recognize that the universities were one part of the total K-20 system with its many needs.

2. Chancellor's Report

Chancellor Austin said that the Fall is an exciting time of year. Classes at the universities will begin August 25, 2003. She encouraged Board members to visit the universities; they are the reason for this Board.

3. Commissioner's Report

Commissioner Horne said his children had started school that morning. He said the K-20 system in place in Florida was unique in the nation. He said there was a system of education in Florida, not a loose confederation. The role for this Board is to direct higher education. The Board would soon have to address the difficult issues of access and capping enrollment. Making some of these strategic decisions will be uncomfortable, even unpopular, but the Board would be recommending a rational

allocation of finite resources. He applauded the Board as it began to deal with these important issues.

4. Consent Agenda

Ms. Moll moved that the Board approve the Consent Agenda Items, as presented. Dr. Bryant seconded the motion, and members of the Board concurred.

- A. Approve Transaction Quitclaiming Title to Property to certain Fraternities and Sororities, UF

The Board consented to the transaction quitclaiming title to property to certain Fraternities and Sororities at the University of Florida, as presented.

- B. Adoption of a Resolution authorizing the Issuance of Not to Exceed \$32,500,000 Florida State University Financial Assistance, Inc., Refunding Revenue Bonds to Refund Certain Outstanding Obligations

The Board adopted a resolution authorizing the issuance of revenue bonds in an amount not to exceed \$32,500,000 to refund the outstanding balance of the \$52,750,000 Florida State University Financial Assistance, Inc., Educational, Including Athletic, Facilities Improvement Revenue and Refunding Bonds, Series 1994, as presented.

- C. Adoption of a Resolution approving the Financing of the Construction of a Portion of a Genetics and Cancer Research Facility on the Campus of the University of Florida and Approving the Issuance by the University of Florida Research Foundation, Inc., of Capital Improvement Bonds Not to Exceed \$35,000,000

The Board approved the financing plan and adopted a resolution authorizing the issuance of variable rate, tax-exempt revenue bonds by the University of Florida Research Foundation, Inc., a direct support organization of the University of Florida, in an amount not to exceed \$35,000,000 to finance a portion of the cost of construction of a Genetics and Cancer Research Center on the main campus of the University of Florida. Further, the Board authorized the Chair, the Vice Chair, the Chief Financial Officer and other authorized representatives of the Board of Governors to execute the necessary contractual documents related to the financing of the project, as presented.

5. Consideration of Trustee Appointment, New College of Florida Board of Trustees

General Heiser moved that the Board appoint Major General Raymond E. Mason, Jr., as a Trustee of the Board of Governors to the New College of Florida Board of Trustees. He said General Mason was a successful businessman and strong

supporter of New College. He said he would also be spending more time in Florida. Commissioner Horne seconded the motion, and members of the Board concurred.

6. Consideration of 2004-2005 University System Legislative Budget Request

Chancellor Austin described the process in bringing these budget recommendations to the Board. She explained that the budget was divided into six major areas. The Board would need to make a decision on funding enrollment growth. She explained three enrollment scenarios. Scenario 1 would fund all over-enrollments plus 2004-2005 enrollment growth; Scenario 2 would fund 2004-2005 enrollment growth; and Scenario 3 would fund 2004-2005 enrollment growth plus 2003-2004 over-enrollments. Scenario 3 would fund 11,689 FTE at a cost of \$81.8 million in General Revenue.

Mr. Uhlfelder said the Presidents were expected to discuss enrollment at their meeting on August 15, 2003. The Chair said that action on any recommendation for an enrollment cap would be taken by this Board. Mr. Uhlfelder said he did not want to reward poor enrollment planning. Chancellor Austin said each university should be looked at differently. Some universities generate more teaching hours, and for that they should not be penalized. Dr. Bryant said it was also important to be aware of faculty teaching loads at the undergraduate level, and to look at the full time faculty, not the Teaching Assistants. She said the Board should adopt guidelines concerning enrollment projections; enrollment growth should be related to the needs of the State.

Ms. Bilbrey inquired about the 5-year enrollment projections. Chancellor Austin said the universities had submitted 5-year enrollment plans. She had used their 2004-2005 estimates in developing these enrollment scenarios. She said that the Board's Strategic Plan might require some revision to these projections.

Commissioner Horne noted that capping enrollment had different meanings. He said he did not support the universal freezing of enrollment, nor did he foresee the "flagship" institutions growing to 100,000 students. The Board should make strategic allocations of the available resources based on prescribed outcomes, with some capped enrollment and some growth. He said he believed in a market-driven system, moving away from the "cost recovery" approach. He said the Board needed to consider a tuition policy; the universities might not always be able to rely on high levels of state resources. The universities might have to survive in an environment with deeply discounted state support.

Mr. Dasburg said the three scenarios proposed by the Chancellor proposed total budget increases of 9.89 percent, 6.17 percent and 8.24 percent, respectively, over the 2003-2004 appropriation. He wondered whether these were realistic requests. Mrs. Roberts agreed that these were large increases.

Ms. Moll said she had thought a great deal about these enrollment scenarios. She said it was important for Florida to maintain access to the universities. She moved that the Board support Scenario 3, 2004-2005 planned enrollment growth plus the 2003-2004 over-enrollment. Dr. Rock seconded the motion.

Commissioner Horne concurred, and added that this would be a stop-gap approach for this year. The approach would be different, once the Board adopted its accountability measures. Mr. Uhlfelder said he could agree with this approach, if the Board allocated resources based on mission. He said he would not want to reward institutions seeking an enhanced research mission with greater undergraduate enrollment growth, and using Teaching Assistants to teach undergraduate students. Mrs. Roberts noted that the issue of institutional mission and funding appropriate to mission was an issue that would be addressed in the Board's Strategic Plan.

Ms. Parker inquired when the Board would deal with the allocation of the enrollment growth. The Chancellor said that was a different issue, and it was done by level, i.e., lower level, upper level, graduate levels, by institution.

Commissioner Horne said the budget process was ongoing. This Board and the State Board would make their recommendations to the Governor by September 1; the Governor would make his recommendations to the Legislature in January.

Dr. Bryant said the Board should consider enrollment at the institution as an issue separate from approving the budget request. She inquired whether the enrollment projections presented were related to the university missions currently in place. Chancellor Austin said the staff had received the university projections, but further staff review was needed.

President Hitt noted that broad state policies collided on the issues of providing access and capping enrollment. He sensed the Board saying if the universities provided too much access, they should be punished, both in terms of past growth and future growth. He said that universities were already admitting students for the 2004 year, so the Board should not delay too long in allocating enrollment to the campuses. Mr. Uhlfelder commented about imposing rigid enrollment caps on each campus, and whether the universities should not enroll any unfunded student. Commissioner Horne said universities had experienced unfunded enrollment growth the past two years. He said the proposed scenario was a one-time proposal. After this year, the Board had the opportunity to address the policy. He said he was not afraid of enrollment caps; that might be the necessary approach.

Mr. Uhlfelder said the community colleges enrolled a significant number of first time in college students in Florida. He suggested that the Board might consider enrollment caps for the most popular campuses. He said he did not want to leave the impression that university caps would leave students without a college opportunity. Ms. Newton concurred.

Ms. Parker concurred with Scenario 3, and added that she was interested in further detail. Chancellor Austin said this would be provided to the Board in September. Mr. Sullivan said the Board needed to provide its best idea on behalf of the universities, and work with the Legislature to obtain funding for access to the universities. Ms. Bilbrey said she supported the dollar amount represented by Scenario 3, but not necessarily the allocation process. She said the Board should engage in further discussions about the allocation of the funded enrollment.

Mr. Dasburg inquired how this budget would affect the balance of the K-20 budget submission. He inquired if the size of the University System's budget request would affect the balance of the rest of the K-20 budget request. Commissioner Horne said this budget would be incorporated as one part of the total package; the size of the requested increase would not affect the rest of the K-20 request. Mr. Dasburg inquired if the Commissioner had a sense of the Governor's position on this request. The Commissioner said he had briefed the Governor on this budget request. Mrs. Roberts said the Governor expects this Board to be the advocate for higher education and its needs. Mr. Dasburg added that the Board also needed to understand this budget within a broader context, and would have to be prepared to defend this budget to legislators and others. He would argue that the Board should present a realistic request; the Board Chair would need to be comfortable with the proposed 8 percent increase. The Commissioner noted that there had not been any discussion of the revenues needed to finance this request. There were no further discussions and members of the Board concurred unanimously in support of Scenario 3 funding for Enrollment Growth.

Dr. Austin said there was a \$100 million backlog in the Major Gifts Matching program. She said the Board had previously indicated its support for a bonding program to reduce this backlog. The proposed budget request included \$60 million for this program. Mrs. Roberts said this was an important issue for the universities.

General Heiser commended the Chancellor for including this item. He moved that the Board accept this budget request. Ms. Bilbrey seconded the motion. She inquired if there was a university breakdown for the Matching Gifts funds. Dr. Austin said there was a breakdown. Mr. Uhlfelder noted that the universities had different priorities for the use of these funds. Mrs. Roberts said this action was only to include the funding request. There could be subsequent Board discussion on the use of this money, to include the discussion of bonding for this program. There were no further discussions, and members of the Board concurred unanimously.

Chancellor Austin said the request included \$4.3 million for the Medical School at FSU. There was a commitment for additional funds for the Medical School through 2006-2007. The budget included \$1 million for the FAMU Law School, for which there was also a funding commitment through 2006-2007. Mr. Uhlfelder moved that the Board include these two requests. Ms. Moll seconded the motion.

Dr. Bryant inquired why no funds were included for the FIU Law School. Dr. Austin responded that FAMU was to receive a total of \$15 million over a period of years; the last portion would be included in the 2006-2007 budget. FIU had requested a total of \$8 million; that total had now been funded. There were no further comments. Members of the Board concurred unanimously.

Chancellor Austin explained the items under "Cost to Continue." She noted that non-recurring funds had funded the Florida Center for Reading Research in the current year. The request included \$1.5 million for this Center from recurring funds. Ms. Moll moved that the Board approve the request for the Cost to Continue programs, as presented. General Heiser seconded the motion. Mr. Uhlfelder said it was important to provide a merit-based salary increase for faculty. He said faculty members were

generally underpaid and the Board should think of ways to reward them. He suggested reinstating some of the earlier programs which had rewarded outstanding faculty members. There were no further comments, and members of the Board concurred with the motion.

Chancellor Austin described the last major items, State Critical Needs and Research/Economic Development/Graduate Education. She said the universities had submitted requests for priority projects totaling \$175 million; she was recommending university priorities totaling \$33.2 million. She said she had selected projects which met identified critical needs as well as projects which supported university research efforts. Dr. Bryant said she was pleased to see the recognition of state critical needs. She said she was also interested in the development of measures to determine if dollars were well spent. Ms. Bilbrey inquired about the Centers of Excellence. Dr. Austin responded that the Legislature had appropriated \$30 million for these Centers in 2002-2003 and three programs had been selected, for \$10 million each, at UF, UCF, and FAU. This request for \$20 million for Centers of Excellence would be awarded to two institutions, selected on a competitive basis. These had not yet been selected.

Dr. Bryant moved that the Board adopt the proposed 2004-2005 Legislative Budget Request for \$2,074,092,642, including Scenario 3 on enrollment growth, for a total 8.24 percent increase over the 2003-2004 Appropriation. Ms. Moll seconded the motion. Dr. Bryant noted that her motion included authorization to the Chancellor to make technical adjustments, as necessary.

Mrs. Roberts said that this was a good budget. While the Board could not recommend the full request of the universities, this was a good budget from the Board, as advocates for the needs of the universities. Dr. Rock inquired about next steps. Mrs. Roberts said the budget would be forwarded to the State Board for inclusion in the complete K-20 Legislative Budget Request; it would then be submitted to the Governor for his consideration. She said she recognized that while this Board had responsibilities under the Constitution, the Governor also had responsibilities spelled out by Florida's Constitution.

There were no further comments. Members of the Board concurred unanimously.

7. Adjournment

Having no further business, Chairman Roberts adjourned the meeting of the Board of Governors at 12:30 p.m., August 7, 2003.

Carolyn K. Roberts
Chairman

Mary-Anne Bestebreurtje,
Corporate Secretary