MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
BUDGET AND FINANCE COMMITTEE
ORLANDO AIRPORT HYATT REGENCY HOTEL
ORLANDO, FLORIDA
SEPTEMBER 22, 2015

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Mr. Mori Hosseini, Chair, convened the meeting of the Budget and Finance Committee at 2:42 p.m. Members present for roll call were Ned Lautenbach, Dean Colson, Tonnette Graham, Wayne Huizenga, Jr., Alan Levine and Norman Tripp. Tom Kuntz joined the meeting at 3:28 p.m. Other Board members present included Dick Beard, Wendy Link, and Katherine Robinson.

1. Call to Order

Mr. Hosseini called the meeting to order and turned to Mr. Tim Jones to walk the Committee through potential changes to the Board's performance based funding model.

2. Performance Based Funding Model

Mr. Jones walked the Committee through a series of powerpoint slides that provided a national perspective on performance funding models, then he presented the four guiding principles and other key components of the model. Mr. Jones stated that discussion would be focused on 5 primary items; 1) definitional change to Metric 1, 2) Student Loan Default Rates, 3) 2+2 Articulation, 4) Tiebreaker Options, and 5) Doubling of points.

Mr. Jones stated that this past summer, just like last year, suggestions were solicited from the universities on three primary areas:

1. Enhancements to Metric 3 – cost per degree;
2. Suggestions for tie-breakers; and
3. Suggestions on whether to go from a 50 point to a 100 point model.

The universities also provided other comments and suggestions on changes to other metrics. Mr. Jones walked through some of the suggestions for changes to Metrics 3, 4, 6, 7 and 8.

In regards to Metric 3, Mr. Jones stated that staff had looked at enhancing the metric to focus on cost of a degree to a student, basing improvements on the affordability discussion the board has had the last several months. There were seven universities that also suggested moving to a student cost type metric. In addition, there were several recommendations for calculating that number. One of the main challenges in a net cost of a degree to a student is the financial aid data. The majority of financial aid is Pell Grants and Bright Futures. This totals approximately 70 percent of the total financial aid of $1 B. This is aid that follows the student and universities have minimal impact on this type of aid, thus the ability to make a meaningful impact by the universities on reducing the cost to the student would be difficult.

a. Definitional change to Metric 1 – Percent of Bachelor's Graduates Employed and/or Continuing their Education

Mr. Jones noted that the current definition of Metric one includes a component where degree recipients who are employed full-time must be making at least minimum wage. Discussion has been held about raising the wage criteria from minimum wage to a higher threshold. Although raising the wage threshold may exclude some counts, the expectation is that students earning a bachelor's degree will enter the workforce making higher than minimum wage. Staff is still exploring this issue and is in the process of reviewing the data to provide possible options.

The Committee indicated support for staff to continuing exploring this issue and to come up with a recommendation for the November meeting.

b. Student Loan Defaults

Mr. Jones pointed out that there was significant discussion nationally and specifically during the last legislative session about student loan default rates. Mr. Jones provided data that shows public universities in Florida are below the national average on student loan default rates and it is students who have attended proprietary institutions that have the highest default rate.

The Committee had a lot of discussion and expressed concerns about student loan defaults of Florida's students. The Committee agreed that student loan defaults should continue to be monitored and the best thing our universities can do is to graduate students in fields that will provide them with an opportunity for a good job. It was determined that this would not be an appropriate metric at this time, but the Committee would continue to monitor loan default rates via the annual accountability report.

c. 2 + 2 Articulation

Mr. Jones provided a series of graphs showing the number of AA applicants, percent admitted and graduation rates for AA transfers. Although first-time-in-college (FTIC) applicants are three times as high as AA transfer applicants, the university system admits 75 percent of AA transfers compared to 53 percent of FTIC applicants. In addition, graduation rates for AA transfers is comparable to FTIC students.

The Committee expressed continued support and accolades for the 2 + 2 system and reiterated that it is the best in the country. The data continues to support the system's commitment to the 2 + 2 program. The Committee did not believe a new metric need to be added to the performance funding model.

d. Tiebreaker Options

Mr. Jones presented some options for tiebreakers. These included the following:

- Total of excellence and improvement scores
- Give advantage to higher points earned through Excellence
- Score metric by metric giving a point to the school scoring higher
- Use Excellence scores as first mechanism; if a tie remains use Metric 4 as a quality differentiator
- First tiebreaker is most 5's, then most 4's, and so on
- Have ties go to the benefit of the institution
- Other suggestions

Last year, FIU and UCF tied for third and were eligible for additional funds based on their top three ranking in the number of points. Mr. Jones walked through tiebreaker scenarios based on the first three options. Using bullet one as a tiebreaker, FIU would have won. Using bullet two, UCF would have won. Using bullet three, there would have been another tie.

After discussion, the Committee did not express any concerns with the tiebreaker options reviewed.

e. Increasing the Point Scale from 50 to 100

Mr. Jones presented the 2014 and 2015 points based on 50 points and what that would have been based on 100 points. Although going to 100 points does not result in fewer ties, it does increase the range between the lowest and highest points. Where the range for the 2015 model based on 50 points is only 18, if the model was based on 100 points, the range would be 41.

Mr. Jones stated that two universities expressed concerns going to 100 points.

Mr. Jones also pointed out that if we move to 100 points, we will need to work with the universities on Metric 10 to develop the appropriate benchmarks for the Board of Trustee approved metric.

Mr. Jones also provided an example, using Metric 1, of what the benchmarks would be for this metric if converting to 100 points. The highest benchmark will generate 10 points, versus 5 currently. The highest benchmark would continue to be based on the Board's Strategic Plan goal. The lowest benchmark that a university would earn one point on, would actually be higher than the current benchmark. This results in higher threshold to earn points.

The Committee discussed the change and how it could potentially eliminate some ties in the future and provide a greater range between the lowest and highest scoring university. The Committee did not express any concerns in moving to 100 points.

3. <u>Concluding Remarks and Adjournment</u>

The Committee instructed staff to present options for discussion at the November meeting.

Having no further business, the meeting was adjourned at 3:57 p.m.

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Tom Kuntz, Chair

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Tim Jones, Vice Chancellor
Finance and Administration