

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
BUDGET AND FINANCE COMMITTEE
UNIVERSITY OF SOUTH FLORIDA
TAMPA, FLORIDA
OCTOBER 17, 2016

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Mr. Ned Lautenbach, Chair, convened the meeting of the Budget and Finance Committee at 3:03 p.m. Members present for roll call were Dean Colson, Jacob Hebert, Tom Kuntz, H. Wayne Huizenga, Jr., and Norman Tripp. Other board members present included Dick Beard, Wendy Link, Edward A. Morton, and Gary Tyson.

1. **Call to Order**

Mr. Lautenbach called the meeting to order.

2. **Prioritization of Legislative Budget Issues**

Mr. Lautenbach stated that although revenues for 2017-18 looked promising, the state could experience a shortfall in 2018-19 and 2019-20. Since then Hurricane Matthew pounded the state and shut down our whole eastern and central sections of the state. It's too early to tell the fiscal impact, but this will have a negative impact on the state's revenues for this year. Updated revenue projections won't be provided by the State until December, thus the impact on the current year budget is unknown at this time.

In September there were several budget issues which come through other committees to the Budget and Finance Committee. This Committee's charge from the Chair is to prioritize these issues in terms of strategic importance for the Board.

In addition to those issues voted out of the respective committees, the Strategic Planning committee heard presentations from UF and FSU on their goals and fiscal needs to improve in the national rankings.

Also, Mr. Huizenga, Mr. Colson and Mr. Lautenbach have been working with New College of Florida on a plan to improve their campus and grow enrollments. There will be a presentation from New College at the November meeting on their fiscal needs.

For today, the Committee needs to prioritize the issues presented in the materials. Staff has looked at some of the issues to see how they may be implemented over a two year period, and that recommendation is included.

Mr. Tim Jones spoken to each of you to get your priorities, and those have been summarized in the document before each member.

Mr. Tripp stated that it would be helpful if there was a prioritization of what types of cluster hires would be made with the \$80 million requested. Having a list of those priorities would help our elected leaders.

Dr. Jan Ignash indicated that the research vice presidents had looked at four areas of focus. However, the intent of the issue was to make it a competitive grant to give institutions flexibility on the type of cluster hire that would be most strategic for their institution.

After discussion, Mr. Tripp moved that the Committee approve the prioritized list as presented. Mr. Hebert seconded the motion, and members of the Committee concurred.

3. **Performance Based Funding Model**

Mr. Lautenbach introduced the next item which is the annual review of the performance funding model. Staff is here to walk us through the various issues. No action will be taken at this meeting. The plan is to give direction to staff on each item and depending on that direction, the Committee may be able to approve changes in November.

Mr. Jones walked the Committee through the following issues:

- A. Metric 1 – Percent of Bachelor’s Graduates Employed and/or Continuing their Education Further 1 Year after Graduation. This metric’s definition was amended by the Board in January 2016 to raise the wage threshold from minimum wage to \$25,000. Past practice has been to adjust the benchmarks based on the new definitions. Therefore, staff proposes to revise the benchmarks to reflect the new system average based on the updated definition, thus the benchmarks would be adjusted accordingly.

Members discussed whether the benchmarks should be adjusted or should they be left alone as a method of making the metric more challenging. Members requested staff to present at the next meeting what the points by institution would be if the benchmarks were left alone versus adjusted.

- B. Metric 2 - Median Wages of Bachelor's Graduates Employed Full-time in Florida One Year after Graduation. Currently this metric only includes wages from bachelor's recipients that work in Florida. Data is now available from 42 states, District of Columbia, and Puerto Rico. Staff proposes to expand the data set to include wages from outside Florida and if so, determine the correct benchmarks.

Members discussed whether to include data from outside Florida. Consensus was that we should capture employment data from all the SUS graduates. Members requested staff to present at the next meeting what the points by institution would be if the data set was adjusted but the benchmarks were left alone.

- C. Metric 3 - Average Cost per Bachelor's Degree. Currently this metric consists of the last four years of expenditure data divided by the number of credit hours for that year to create a cost per credit hour for each year. This cost per credit hour for each year is multiplied by 30 to derive an annual cost. The average annual cost for each year is summed to provide an average cost for a baccalaureate degree that requires 120 credit hours.

This metric has two primary concerns; 1) as long as the appropriations to the universities increase, there will not be any improvement on this metric; and 2) the allocation of faculty effort can significantly impact expenditures.

Florida statute passed in 2016, and Board Regulation 5.001 adopted September 22, 2016 requires an affordability metric.

The proposal is to replace this metric with a metric that determines a student's net tuition and fee cost for a 120 hour baccalaureate degree. This metric will have four entry points for the universities to impact; 1) although undergraduate tuition is set by the legislature, the university controls fees and will have an incentive to keep fees low; 2) inclusion of textbooks as an to reduce the cost; 3) universities can increase institutional financial aid to lower a student's cost; and 4) universities will be incentivized to ensure that students take only the courses needed to obtain their baccalaureate degree in 120 hours.

Members discussed the proposed metric. Mr. Morton requested information on the funding per FTE student and indicated that a universities funding level would have an impact on the amount of institutional aid that can be provided. Members discussed whether student debt should be a component of the new metric. Florida Gulf Coast University and Florida International University spoke against changing the metric while New College spoke in support of the change. Staff stated that the textbook component of the proposed metric uses national data as there is not a methodology currently in place for Florida university data.

Members requested staff to work with the universities on a methodology for Florida textbooks.

D. Metric 10 – Board of Trustee Choice Metric –

- a. UNF is requesting to change the BOT Choice Metric from Percentage of Course Sections Offered via Distance and Blended Learning to Percentage of SUS Undergraduate FTE Enrollments in Online Courses. This change aligns UNF’s metric with the revised SUS Online Education Strategic Plan Goal.
- b. UF is requesting to change the BOT Choice Metric from Total Research Expenditures (benchmarked against AAU institutions) to Licenses & Options Completed with Companies Commercializing Researcher Discoveries. This change would remove the “stretch” from UF’s metric and create a metric and benchmarks that result in a higher Excellence score.

Members discussed a process for reviewing Metrics 9 and 10; the two choice metrics. As we complete Year 4 of the performance funding model, reviewing a process for modifying these two metrics should be a topic of discussion in the fall of 2016.

4. **Concluding Remarks and Adjournment**

Having no further business, the meeting was adjourned at 4:57 p.m.

Tim Jones, Vice Chancellor
Finance and Administration

Ned Lautenbach, Chair