

MINUTES

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
BUDGET AND FINANCE COMMITTEE
FLORIDA GULF COAST UNIVERSITY
FT. MYERS, FLORIDA
AUGUST 29, 2019

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Mr. Syd Kitson, Chair, convened the meeting of the Budget and Finance Committee at 9:53 a.m. Members present for roll call were Tim Cerio, Wayne Huizenga, Zenani Johnson, Brian Lamb, Ned Lautenbach, and Steven Scott. Other Board members present included Shawn Felton, Pat Frost (by phone), Charles Lydecker, Alan Levine, Ed Morton, Eric Silagy, Kent Stermon, and Norman Tripp.

1. Call to Order

Mr. Kitson called the meeting to order.

2. Minutes of Committee Meeting

Mr. Scott moved that the Committee approve minutes from the June 12, 2019, meeting. Mr. Huizenga seconded the motion, and members of the Committee concurred.

3. Performance-Based Funding Report

The 2018 Legislature asked the Board of Governors to submit recommendations on a continuous improvement model that provides for the equitable distribution of performance funds.

Mr. Kitson stated that this is the sixth year of implementing the performance-based funding model. We have seen the improvements in our metrics. It is very clear that our model is working, universities are focused on the metrics, and we are seeing success. We are focused on improved retention, graduation rates, degree production, affordability, and jobs. That is what this is all about.

The Board, in reviewing this statutory language last year, discussed potential changes at the October 2018 Budget & Finance Committee Workshop. We recognized the

improvements that had been made over the previous five years and it was time for a significant change. Specifically, the Board eliminated the mandatory bottom three as this had achieved the desired results of focusing universities and administrations on what was important. The Board modified the model to continue its focus on excellence and add a continuous improvement component.

If a university's score drops two years in a row, then a Student Success Plan must be developed, implemented, and completed to be eligible to receive 100 percent of the available state investment funds. Starting with the 2021-22 fiscal year appropriation, a minimum point threshold of 70 points is required to receive 100 percent of the state investment funds. Universities below 70 points will only receive up to 50 percent of the state investment.

Those changes were adopted at the November 2018 meeting and at the Budget and Finance Committee Meeting in June. We first implemented those changes when we allocated performance funds for this fiscal year.

Our model is focused on the right metrics, it is focused on excellence and continuous improvement. Thus, we have already met the requirements identified in the statutory language.

After discussion, Mr. Huizenga moved that the Committee approve the performance-based funding report as presented. Ms. Johnson seconded the motion, and members of the Committee concurred.

4. Board of Governors Regulations

Mr. Tim Jones presented Regulation 5.001 – Performance-Based Funding. Mr. Jones stated that changes were made to implement Senate Bill 190 requiring an annual audit to validate that the performance funding data submitted complies with Board data definitions.

Mr. Huizenga moved that the Committee approve the public notice to amend Regulation 5.001. Mr. Lamb seconded the motion, and members of the Committee concurred.

Mr. Jones presented Regulation 7.003 – Fees, Fines and Penalties. Mr. Jones stated that changes were made to implement Senate Bill 190 which modified the excess hours' threshold to 120%.

Mr. Lamb moved that the Committee approve the public notice to amend Regulation 7.003. Mr. Huizenga seconded the motion, and members of the Committee concurred.

Mr. Jones presented Regulation 7.008 – Waiver and Exemptions of Tuition and Fees. Mr. Jones stated that changes were made to implement Senate Bill 7098 which waives tuition and fees for children and spouses of deceased emergency medical technicians, paramedics, and active duty members of the U.S. Armed Forces.

Mr. Lautenbach moved that the Committee approve the public notice to amend Regulation 7.008. Mr. Lamb seconded the motion, and members of the Committee concurred.

Mr. Jones presented Regulation 9.007 – University Operating Budgets. Mr. Jones stated that changes were made to implement Senate Bill 190 which provides guidance on university carryforward spending plans and includes additional guidance and clarification on university operating budgets.

Mr. Lautenbach moved that the Committee approve the public notice to amend Regulation 9.007. Mr. Lamb seconded the motion, and members of the Committee concurred.

5. 2019-2020 Operating Budgets

Mr. Jones presented the State University System Operating Budget for 2019-2020.

Mr. Kitson asked if there were any comments or questions.

Mr. Lamb commented that a lot of time was spent yesterday talking about spending in areas where spending may have been inappropriate – subsequently now, we’re working really hard to reign things in. As I look at this budget, at a really high level, there is a tremendous reliance on the leadership of the university and the Board of Trustees. If we move forward with this budget, I think this is a good time to make sure, for the record, that we are “relying” on what’s submitted and what proposed resources and uses is appropriate.

Mr. Kitson agreed this is an extremely important point. I couldn’t agree with you more. I think at our Trustees Summit, we will be talking even more about this. But, you are absolutely right – the Boards of Trustees are responsible for this – they need to be sure they are spending their time getting into the detail and they need to get it right.

Mr. Lamb moved that the Committee approve the 2019-2020 State University System Operating Budget. Mr. Huizenga seconded the motion, and members of the Committee concurred.

Mr. Jones presented the Board General Office Operating Budget for 2019-2020.

Mr. Huizenga moved that the Committee approve the Board General Office Operating Budget and authorize the Chancellor to make budgetary changes as necessary to operate the office. Mr. Scott seconded the motion, and members of the Committee concurred.

6. 2020-2021 Legislative Budget Request (LBR)

Mr. Kitson introduced the 2020-2021 LBR for the system and the Board Office. The 2020 session begins on January 14 and the LBR must be submitted to the Legislature and Governor on September 16.

We have been fortunate, over the last several years, to have great legislative and Governor support. On average, we were receiving about \$182 million in incremental funds, but this past session we only received an increase of \$60 million. We are very optimistic going into the next session. The budget request today totals \$5.3 billion. It is a \$263 million increase over the current year base operating budget.

We have several new Board members, so Mr. Kitson asked Tim to provide a Legislative Budget Request 101 so everyone knows the process that we go through to build a budget request and what happens once it is submitted to the Legislature and Governor.

Mr. Jones presented an overview of the budget request process and the current year state budget, along with a history of university system appropriations.

Mr. Kitson commented on the tremendous improvement in the performance-based funding metrics over the last six years. Recently, the Board had focused on individual university initiatives and we have been successful. However, now is the time to move the system in a more cohesive direction. Although we were successful with many individual university LBRs, we were not approaching the Legislature as a system.

We've said often, over the last several years, that we are stronger as a single voice. So I would like to introduce a three-pronged approach for our LBR, called the Pillars of Excellence.

Mr. Kitson presented a slide that focuses on three pillars: Performance-Based Funding, Preeminence/National Rankings, and Universities of Distinction.

First, Performance-Based Funding. This is our basic blocking and tackling. Every institution, regardless of mission, is here to educate, graduate, and prepare our students for the workforce. Every university has an opportunity to earn funds based on excellence or continuous improvement. Support by this Board and financial support from our elected leaders toward our performance-based funding model has been critical

and is critical to our achieving and maintaining our position as the number one state for post-secondary education.

Second, Preeminence/National Rankings. The Legislature implemented this program in 2013 and we have seen tremendous improvement in national rankings by our three preeminent schools. We want these institutions to continue to climb the ladder.

Finally, Universities of Distinction. This program will focus on our non-preeminent universities. Statutory language last year required us to prepare a report titled Programs of Excellence. This did not gain any traction, but is being reintroduced here with a slight twist.

Mr. Kitson reviewed a set of slides outlining each of the pillars.

Mr. Kitson reviewed the progress that has been improving retention, graduation, affordability, jobs, and degree production metrics, and the investment the state has made in support of performance-based funding. Mr. Kitson reviewed the preeminent requirements and the investment the state has made. He reviewed the improvements made in the US News & World Report rankings for UF, FSU, and USF. Finally, Mr. Kitson reviewed the Universities of Distinction plan to focus on a core competency at a university. These universities should not try to be all things to all people. We want these universities to focus on being the very best at their specific expertise. We are going to engage with the Florida Council of 100's Project Sunrise Report and the Chamber of Commerce 2030 Report to increase talent coming from the university system.

Mr. Kitson recommended that we request \$250 million for the Pillars of Excellence - \$100 million for Performance-Based Funding and \$150 million for Preeminence/National Rankings and Universities of Distinction.

Mr. Kitson proposed that the preeminent universities prepare a proposal on the resources they need to continue their improvements in the national rankings. For the non-preeminent universities, they should prepare a proposal to take an existing core competency and show how they would improve the rankings of that program. Included would be metrics to measure success. One metric would demonstrate a year-one accomplishment, at least two metrics would demonstrate return on investment to the state, and the other metrics would demonstrate how the program had improved over time as a result of funding.

These proposals will be presented at the October 3 meeting.

Mr. Scott commented that he hoped the non-preeminent universities would identify one or two areas of distinction. We don't need all universities focusing on the same area of distinction.

Mr. Felton asked for clarification on emerging preeminent universities and whether we are moving away from that designation to focus on universities of distinction.

Mr. Kitson responded that emerging preeminence is outdated, not that a university wouldn't become preeminent down the road, but those schools should focus on being a university of distinction.

Mr. Lamb applauded the thinking of this approach and believes this proposal lines up well with where we need to go. We need to align these plans with the accountability report. We should be able to align these proposals with jobs, company relocation, federal funding, and show improvement. The Governor and other leaders should be able to take this on their road show and talk about the great assets we have as a system.

Mr. Levine liked the boldness of saying that emerging preeminence has lost its luster and we are moving on to something better. If we have the courage to address more things like this, we improve our system.

Mr. Stermon asked if the path to preeminence was still there. Mr. Kitson replied affirmatively. Mr. Huizenga agreed that the path is still there. Universities can now focus on a core competency.

Mr. Kitson reaffirmed that the performance-based funding model is still the bedrock to everything we do as a system.

Mr. Levine spoke to the work that the research vice-presidents did in developing proposals to improve research collaboration and funding. Chancellor Criser commented that if you read the white paper on universities of distinction, you will see that it drew heavily from the Programs of Excellence work developed by the research vice-presidents. We refined it to be a little more specific to meet this new proposal.

Ms. Johnson commented on the positive feedback she was hearing about universities reaching preeminence over time, but she wanted to know if there were any negative ramifications. Mr. Kitson replied, none that I can see.

Mr. Scott noted that we desperately need engineers. Maybe what we need is more business majors, accounting and finance. It is a great way to become preeminent.

Mr. Lautenbach reiterated that performance-based funding is really what we need and where we have seen our success. These three areas are really what we need. That is how we want to go and helps us stay focused.

Mr. Jones reviewed three other issues; the FAMU-FSU College of Engineering, State Fire Marshall Fee, and the UF-IFAS Extension workload issue.

Mr. Lautenbach moved that the Committee approve the State University System LBR and authorized the Chancellor to make technical adjustments as necessary.

Mr. Huizenga seconded the motion, and members of the Committee concurred.

Mr. Jones presented the Board General Office LBR and indicated that no increase is requested.

Mr. Lautenbach moved that the Committee approve the Board Office LBR and authorized the Chancellor to make technical adjustments as necessary. Mr. Huizenga seconded the motion, and members of the Committee concurred.

7. Business Process Control Review Update

Mr. Mark Maracini, Crowe LLP, provided an update to the Committee on the progress being made thus far.

8. Concluding Remarks and Adjournment

Mr. Kitson noted that the October 3 meeting will be an actual meeting instead of the usual workshop.

Having no further business, the meeting was adjourned at 4:23 p.m.

Tim Jones, Vice Chancellor
Finance and Administration

Syd Kitson, Chair