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STATE UNIVERSITY SYSTEM OF FLORIDA
BY TELEPHONE CONFERENCE CALL
TALLAHASSEE, FLORIDA
MAY 18, 2011

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The Chair, Ava L. Parker, convened the meeting of the Board of Governors by telephone conference call, from Tallahassee, at 9:00 a.m., May 18, 2011, with the following members present: Dean Colson, Vice Chair; Dick Beard; Ann Duncan; Charlie Edwards; Gallop Franklin; Patricia Frost; Mori Hosseini; Frank Martin; Tico Perez; John Rood; Gus Stavros; John Temple; Norm Tripp; and Dr. Rick Yost.

Ms. Parker thanked the members for their participation on the call. She said she appreciated the time they were giving to service on this Board. She said this Session had been very interesting. She extended sincere thanks to Vice Chair Dean Colson and the members of the Legislative Affairs Committee for their work and tireless advocacy to ensure that the State University System and the Board Office were treated fairly. She said that other members of the Board had also participated during Session with visits and numerous telephone calls. She said with the tough economic climate, the System came out pretty favorably. She also thanked Rick Maxey and his team of university lobbyists for their hard work. She thanked the lobbyists for making things happen for the System; she said this Session demonstrated the value of working together.

Ms. Parker said the Governor had now received the budget. She noted the reports that he was going over the budget carefully and considering vetoes. She said she was preparing a letter to the Governor emphasizing the importance of the allocations to the System. She said she had asked Chancellor Brogan to work with the Governor's Office to address the Governor's concerns.

She said the Board and the State University System had been given a lot of work with a variety of deadlines over the coming year. She said she was convinced she was working with the best university system board in the country and she thanked all for their commitment to this Board.

1. Chancellor's Report

Chancellor Brogan also thanked everyone for their hard work this Session. He said the Session had been fascinating. He expressed appreciation for the work of the Board's Legislative Committee under the leadership of Mr. Colson. He commented that the entire Board staff was engaged during the Session in responding to requests for information and preparing presentations for various legislative committees. He

thanked the staff for all the extra effort. He said many others were involved and advocating on behalf of the University System.

Chancellor Brogan said that advocating for the System's budget had been particularly challenging this year because of the loss of federal stimulus funds. He said he would continue to work with the Governor's Office and provide any needed information.

Chancellor Brogan reported that the Higher Education Coordinating Council continued to meet. Co-chairs Jon Moyle and Marshall Criser were keeping the Council on track. He noted that legislation passed this Session provided greater clarity to the duties of the Council.

Chancellor Brogan said this Board's strategic planning efforts would be strenuous for the remainder of 2011. He noted that the June Board meeting would be important as all the universities would be presenting annual work plans and proposals for tuition differential fees. He said the staff was also planning to hold orientation sessions for new trustees as a part of both the June and September Board meetings.

Chancellor Brogan noted that Commissioner Smith would soon be leaving office as Commissioner. He thanked the Commissioner for his service and for his expertise. He said the State Board planned to name a new Commissioner this summer. The Chancellor said earlier in the week, the State Board had elected Ms. Kathleen Shanahan as its Chair and Mr. Bobby Martinez as its Vice Chair.

Chancellor Brogan said this would also be Mr. Franklin's last Board meeting. He noted that Mr. Franklin was in Miami doing his clinical rotations for his pharmacy degree. He thanked him for his truly outstanding service as a member of this Board. He commented that he had been at the event recognizing the Gubernatorial Fellows which Mr. Franklin had not been able to attend. He said he had been pleased to speak with his mother and his grandparents about his remarkable achievements.

Mr. Franklin said serving on the Board had been a remarkable experience. He thanked everyone for helping him understand all the complexities of the University System.

2. Update, 2011 Legislative Session

Mr. Colson thanked the Chair for her leadership during the Session. He said the 60-day Session had been a challenge. He thanked the members of the Board who had also risen to the challenge. He noted that Mr. Hosseini and Mr. Tripp had been in Tallahassee constantly to meet and visit with Legislators. He thanked Senate President Mike Haridopolos and Speaker Cannon for their leadership and for their support of the State University System. He thanked Chancellor Brogan who had been at the Capitol

for days and hours on end. He said the System budget had included \$140 million in federal stimulus funds, which nobody had expected would be replaced. He said he was grateful for the proposed Appropriations Bill, which seemed to have a minimum negative impact on the universities. He said he was very thankful for the outcome of this Session. He said the SUS had achieved much of its proposed legislative agenda.

Mr. Tim Jones said the agenda materials included budget spreadsheets for the State University System, for the Board office and for PECO projects. He said the total 2011-12 SUS budget was \$3.48 billion. He said this was four percent less than the 2010-11 budget of \$3.62 billion, a difference of \$140 million. He commented that the \$140 million was primarily the loss of federal stimulus funds. He noted that if one compared the 2011-12 budget to the 2010-11 recurring budget, i.e., the budget less federal stimulus and other non-recurring funds, there was a 1.3 percent increase in the budget.

He noted that there was a \$67 million reduction for the Florida Retirement System. Employees would now be required to contribute three percent towards their retirement. Previously, the state contributed these funds, and the universities made these payments for the employees.

Mr. Jones explained that a \$152 million General Revenue base budget cut was offset by \$53.6 million in lottery money and other General Revenue, for a net reduction of \$98 million. He said the budget included Plant, Operation and Maintenance funds of \$19.9 million. He noted that there had been a late addition to this amount to cover additional facilities which would be opening this year. Chancellor Brogan commented that these additional dollars were an example of the coordinated lobbying effort.

Mr. Jones said the budget included continued phase-in funding of \$4.4 million for the UCF and FIU medical schools. He said the Legislature had assumed a base undergraduate tuition increase of eight percent, for \$42.3 million, and had also assumed a seven percent tuition differential increase, for \$35 million. He said the Legislature had also assumed an eight percent resident graduate/professional and an eight percent non-resident undergraduate increase, for \$34 million. He said the budget also included a reduction of \$1.5 million for the reduction in state support of salaries for presidents and administrators, and a reduction of \$1.2 million for the Florida Center for Library Automation.

Mr. Jones said the total Board Office budget was \$5.7 million, down 7.6 percent from the prior year. He noted that the office was losing one position and \$475,000.

Mr. Jones said a total of \$137 million was appropriated for PECO, of which \$26 million was for Utilities Infrastructure and \$13.8 million for Maintenance/Repair/Renovation/Remodeling.

Mr. Rick Maxey said the System had also had success with its substantive legislative agenda. He said the Senate had considered and confirmed 15 university trustees appointed by the Board of Governors. The Senate had not considered for confirmation one appointee at the University of North Florida and one appointee at Florida International University. The Senate had also confirmed 10 of the Governor's appointees.

Mr. Maxey said that, at present, up to \$225,000 in state funds could be used for presidents' salaries. He said this limit had been lowered to \$200,000. He noted that the provision now also applied to university administrators, but as to both presidents and administrators only for one year, until June 30, 2012. He said that a specific appropriation in the budget limited the state funded portion of the salary of any employee of the Board of Governors to no more than \$200,000, a limit that would expire June 30, 2012.

Mr. Maxey explained that on the issue of concurrency, the Board had sought to restore the funding source. He said the funding source had not been restored, and the Trust Fund had been eliminated. He said the Board had also sought several statutory changes to recognize the Board's regulation process in lieu of rulemaking as outlined in the Board's governance agreement. Eight of the ten recommended changes had been approved; two, relating to personnel and child care, were withheld pending further review.

Mr. Maxey said the Board had also sought legislation which would allow universities to require summer term attendance of students who had earned nine or more credits through accelerated mechanisms such as AP, IB and others. He said the bill containing that provision also authorized a pilot at UF which would admit students to an alternate academic year consisting of a spring and summer term. He noted that students who qualified for Bright Futures who were admitted to this pilot program could have their Bright Futures awards applied to their summer term attendance. He said at this time, the pilot was only for UF.

Mr. Maxey said that beginning July 1, 2011, the state match for facilities and operating challenge grant programs would be suspended. He said the program would resume once \$200 million of the eligible donations were matched. He noted that existing eligible donations would remain eligible for future match. He said the SUS would continue to talk about the importance of these programs.

Mr. Maxey said legislation passed which would authorize a university board of trustees to expend carry-forward balances from prior year operational appropriations on legislatively approved fixed capital outlay projects which had been authorized for the establishment of a new campus.

He said that a proposed Constitutional amendment giving the Governor the authority to appoint a student member of the Board of Governors had failed. This would have eliminated student involvement in this process as the current student member from the Florida Student Association was selected by the student members of the FSA. He said there had been legislation proposed which would have allowed guns on campus. He said the university police chiefs had been concerned about this bill and had come to committee meetings to explain their public safety concerns. The provision relating to university campuses had been removed.

Mr. Maxey said that legislation had passed providing more specificity to the work of the Higher Education Coordinating Council. The Council report, outlining its recommendations on a list of projects affecting higher education, was to be submitted to the Governor, the President of the Senate, the Speaker of the House, the Board of Governors and the State Board of Education by December 31, 2011.

Mr. Maxey said the universities had obtained additional fee flexibility. He said they would be allowed to use any unused portion of the 30 percent of tuition differential that had been set aside for need-based aid for other undergraduate purposes if the university had met all of the other tuition and fee needs of resident students who applied for and received a Pell grant. He said that legislation had passed to allow the SUS and the Florida College System to work on a joint library organization that would replace the Florida Center for Library Automation and the College Center for Library Automation. He said that the State Board of Education and the Board of Governors had been directed to identify utilization of higher education classroom facilities to accurately determine space needs. The report was to be submitted to the Governor, the Senate and the House by January 15, 2012.

Mr. Colson thanked Mr. Jones and Mr. Maxey for their reports. It said it was clear that the legislative leadership, in both the Senate and the House, were supportive of higher education. Mr. Stavros also commended all who had participated in advocating for the University System. He said he would continue to plead for support of the matching programs, as these were so critical to successful fund-raising.

Chancellor Brogan said he knew it was dangerous to single out individuals for thanks, as he would likely miss someone, but he thanked Senators Alexander, Lynn, Negron, Oelrich, and Thrasher, and Representatives Dorworth, Gibbons, Grimsley, Metz, O'Toole, Proctor, Stargel, and Weatherford, for their leadership and their support for higher education. He said they had been true champions during the Session.

Ms. Parker noted that the 2012 Session began in January. She said the Board would need to begin working early to prepare its System priorities and goals.

3. Final Approval, Board Regulations

Mr. Perez explained that currently, university property management followed state agency requirements developed by the Department of Financial Services, and established pursuant to Chapter 273, F.S. The statutes and rules were developed for state agencies using the state's accounting system. The universities now used their own enterprise resource planning systems; many of the specific rule requirements were inapplicable.

He said the new regulations closely paralleled the existing rules, but included increased threshold limits. The regulations were also more streamlined. He noted that the regulations had been developed in conjunction with university staff. He said these regulations had been approved for notice in March and there had been no comments during the comment period.

A. Board Regulation 9.001, Definitions

Mr. Perez moved that the Board approve Board Regulation 9.001, Definitions, as presented. Mr. Beard seconded the motion, and members of the Board concurred.

B. Board Regulation 9.002, Recording and Marking of Property

Mr. Perez moved that the Board approve Board Regulation 9.002, Recording and Marking of Property, as presented. Mr. Colson seconded the motion, and members of the Board concurred

C. Board Regulation 9.003, Property Inventory

Mr. Perez moved that the Board approve Board Regulation 9.003, Property Inventory, as presented. Mr. Colson seconded the motion, and members of the Board concurred.

D. Board Regulation 9.0031, Disposition of Property

Mr. Perez moved that the Board approve Board Regulation 9.0031, Disposition of Property, as presented. Mr. Beard seconded the motion, and members of the Board concurred.

Mr. Perez reported that the Budget Committee had reassembled the Fee Working Group to work through the fee process and to develop additional guidelines for the universities in presenting the next round of fee proposals for Committee and Board consideration.

4. Status Report, Audit and Compliance Committee, Approval of Audit Plan

Mr. Tripp reported that the Audit and Compliance Committee met on May 12, 2011, by conference call. He reported that the Board's Inspector General, Derry Harper, had presented the proposed Annual Audit Plan for Fiscal Year 2011-2012, a copy of which had been sent to all Board members. He said the Audit Committee had approved the Plan.

Mr. Tripp said that in accordance with law and the Committee's Charter, Mr. Harper was required to develop an annual audit plan for the review and approval of the Chancellor and the Board's Audit Committee. He said the proposed Annual Audit Plan had been developed from findings of a systematic risk assessment and review of the Board office's organizational units, including the Board Foundation. He said the staff had relied on other resources, including the Regulation Compliance Review database and responses to the Risk Assessment Questionnaire as well as Auditor General reports.

Mr. Tripp said that each auditable unit or activity had been ranked based upon a number of risk factors, including complexity and decentralization of operations; status of certain internal control elements such as policies and procedures or monitoring systems; and the financial impact. He said that based on the results of the risk assessment and additional input from the Chancellor and senior staff, the following audit priorities had been identified: Institutes and Centers; Ethics Climate; Tuition Differential/ Tuition and Fees Programs; and Board of Governors Foundation.

Mr. Tripp said the Board had delegated to the Audit Committee the duty to review and approve the annual audit plan. He said that Board action was not necessary, but that the Committee was presenting to the Board the proposed Annual Audit Plan for Fiscal Year 2011-12.

Ms. Parker thanked him for the report from the Audit Committee.

5. Status Report, Trustee Nominating Committee

Mr. Hosseini reported that the Trustee Nominating Committee had been working hard to fill the open positions on the 11 university boards of trustees. He noted that more than half of the appointments had been made in January. He said there were still positions to fill on the UF, UCF, UWF, UNF and FIU boards.

He said he had been pleased to work with Governor Scott and to share the applicants who had applied to fill Board of Governor vacancies. He said the Governor had been interested in these applicants. Mr. Hosseini said he intended to continue to share these files.

He said that because several new vacancies had occurred and several of the Board's applicants had been appointed to university boards by Governor Scott, the application period had been re-opened for trustee vacancies at UF, UCF, UNF and FIU. He noted that because there had been no changes to the applicant pool at UWF, he had asked the Board members who had the UWF applications to proceed with their reviews and interviews.

Mr. Hosseini explained that the Board's Application and Selection Procedure called for a 30-day application period. He said that notice of this application period had been posted on Monday, May 16, 2011. The 30-day period ended on June 15, 2011. He said he would ask the members of the Trustee Nominating Committee to review applications as they were submitted, to make decisions about interviews and to proceed with these interviews during the 30-day period, recognizing that there might be excellent candidates who submitted their applications on the last day of the application period. He said he hoped to complete Committee work and to bring recommendations to the full Board at the June meeting to fill all these trustee positions. He said he was aware that this was an ambitious schedule, but that he was committed to filling all these vacancies as soon as possible.

He said that Chair Parker and he had discussed an orientation schedule for these new trustees. He said he was recommending that all the new trustees, as well as the ones appointed by this Board for terms beginning January 2010, attend an orientation session, either at the June Board meeting at USF, or at the September Board meeting at FIU. He said that staff would be working on the agenda, and contacting all the trustees to advise them of this opportunity. He said this orientation was extremely important. He strongly urged all of the trustees appointed by this Board attend one of the two orientation sessions, which he believed to be critical to their successful service to their respective universities and to the State University System.

He thanked both Chair Parker and Vice Chair Colson for their leadership this Session and for their commitment to the State University System and to this Board. Ms. Parker thanked him for the work of this important Committee.

6. Closing Remarks and Adjournment

Ms. Parker advised the Board members that the June meeting would have a full agenda; the meetings would take full days both Wednesday, June 22, and Thursday, June 23, 2011. She said the universities would be presenting their work plans in 30 minute time slots on Wednesday. Board committees and the regular Board meeting would take place on Thursday. She suggested that the committees take care of some of their agendas by telephone conference calls prior to the meeting.

Mr. Edwards proposed that the Facilities Committee meet by telephone on Monday, June 20, 2011, or Tuesday, June 21, 2011. He said Mr. Kinsley would be

polling the Committee members for the most convenient time. He said the Committee had three bond proposals to review.

Chancellor Brogan said there had been a preparatory meeting of the Chair and Vice Chair of the Strategic Planning Committee in April to discuss the work of the Committee. He said he had suggested that it might be helpful to divide the universities among the members of the Board and assign each Board member a specific university with which to become familiar. He said this might facilitate the discussions of the university work plans.

Having no further business, the Chair adjourned the conference call meeting of the Board of Governors at 10:05 a.m., May 18, 2011.

Ava L. Parker, Chair

Mary-Anne Bestebreurtje,
Corporate Secretary