

MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
BUDGET AND FINANCE COMMITTEE
FLORIDA ATLANTIC UNIVERSITY
BOCA RATON, FLORIDA
NOVEMBER 6, 2014

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Mr. Tom Kuntz, Chair, convened the meeting of the Budget and Finance Committee at 11:20 a.m. Members present for roll call were Ned Lautenbach, Stefano Cavallaro, Wayne Huizenga, Jr., Norman Tripp, Mori Hosseini and Dean Colson. Alan Levine participated by phone. Other Board members present included Dick Beard, Matthew Carter, Pat Frost, Wendy Link, Ed Morton, Katherine Robinson, Pam Stewart, and Elizabeth Webster.

1. Call to Order

Mr. Kuntz called the meeting to order.

Mr. Kuntz stated that during November we always ask the universities to give us a preview of new fees and potential fee increases that may be under consideration for us to review at the June meeting. He reported that at this time no university is proposing a new fee or an increase to any select fees. Final university requests will be due to the Board office in March.

2. Approval of September 18, 2014 and October 8, 2014 Committee Meeting Minutes

Mr. Tripp moved that the Committee approve the minutes of the meeting held September 18, 2014 and October 8, 2014 as presented. Mr. Lautenbach seconded the motion, and members of the Committee concurred.

3. Legislative Budget Request Issues

Mr. Kuntz stated that at the September meeting we approved the 2015-2016 legislative budget request which was submitted to the Governor and Legislature on October 15.

He noted that we do have an opportunity to amend our budget before the 2015 legislative session begins. The Academic & Student Affairs Committee met November 5 and discussed three additional legislative budget request issues for 2015-16.

- FSU-NCF Arts Program - \$483,840
- Consortium of Metropolitan Research Universities - \$12 million
- Sunshine State Education and Research Computing Alliance - \$6.9 million

Mr. Tripp moved that the Committee approve the FSU-NCF Arts Program of \$483,840. Mr. Colson seconded the motion, and members of the Committee concurred.

Mr. Tripp moved that the Committee approve the Sunshine State Education and Research Computing Alliance of \$6.9 million. Mr. Colson seconded the motion, and members of the Committee concurred.

Mr. Huizenga moved that the Committee approve the Consortium of Metropolitan Research Universities of \$12 million. Mr. Tripp seconded the motion, and members of the Committee concurred.

4. Performance Based Funding

Mr. Kuntz stated that the Committee met on October 8 to review potential changes to the performance funding model. He then presented a powerpoint with the proposed changes to the model.

1. Metric 1, Percent of Undergraduates employed or continuing their education:
 - a. Include employment data for students who are in the military, federal government or employed out-of-state.
 - b. Exclude graduates who do not have a valid SSN.
 - c. Change the benchmark to reflect the new system average based on these data changes. The benchmark will be revised to 80% to earn five points. Currently the benchmark is 75% for five points.
2. Metric 3, Cost per undergraduate degree:
 - a. Modify the benchmark to reflect the new system average of expenditures once that data is submitted to the Board office. The expenditure data will be submitted in November.

Mr. Kuntz asked Mr. Tim Jones to explain how this metric is calculated. Mr. Kuntz stated that we need to look at alternative metrics to potentially replace this metric for the next cycle.

3. Metric 6, Bachelor degrees awarded in areas of strategic emphasis (including STEM):
 - a. Modifying the list of Programs to match the Board's approved definition.
 - b. The benchmarks are consistent with the Board's Strategic Plan and do not need to be adjusted.

Mr. Kuntz stated that Mr. Tripp's Committee will be reviewing the list of Programs identified as Strategic Emphasis at a future meeting.

4. Metric 7 (University Access Rate - % of undergraduates with a Pell Grant):
 - a. Eliminate Non-U.S. students from the calculation as they are typically not eligible for Pell Grants.
 - b. There is no change to the benchmark.
5. Metric 8a (Graduate degrees in Strategic Emphasis – including STEM):
 - a. This issue is similar to the Bachelor's degrees in strategic emphasis in that we want to be consistent with the Board's approved definition.
 - b. There is a change to the benchmark to reflect the amended Strategic Plan that was approved by the Strategic Planning Committee earlier. To earn 5 points a university will need to produce at least 60% of their graduate degrees in areas of strategic emphasis, instead of the current 50%.
6. Metric 9. This metric is our choice metric for each university:
 - a. The metric we are focusing on only impacts New College. We chose National Rankings as their metric. The proposal is to update the list of approved national rankings to include the Fiske Guide.
 - b. There will be no change to the benchmark for this metric.

Mr. Lautenbach moved that the Committee approve the proposed changes to the Performance Based Funding model in accordance with the document in the materials. Mr. Tripp seconded the motion, and members of the Committee concurred.

5. Market Tuition Programs

Mr. Kuntz introduced the next agenda item which is the annual consideration of market tuition programs. The Committee will recall that we are amending our regulation to extend the pilot program for two additional years to allow time to gather additional information on the success of the programs.

Mr. Kuntz asked Mr. Jones to give an overview of the 14 market tuition program proposals.

Mr. Jones provided a little history on the program and then reviewed each proposal submitted by the four universities.

1. Florida Atlantic University
 - a. Executive Master of Accounting
 - b. Master of Taxation
 - c. Master of Science in International Business
2. Florida International University
 - a. Professional Science Master in Environmental Policy and Management
 - b. Masters of Science in Curriculum and Instruction: Curriculum Development
 - c. Master of Science in Special Education Programs
3. University of Central Florida
 - a. Graduate Health Information Administration Certificate
 - b. Master of Social Work
 - c. Master of Science in Management (Business Analytics Track)
4. University of Florida
 - a. Master of Science in Microbiology and Cell Science
 - b. Master of Arts in Medicine
 - c. Master of Science in Pharmacy Clinical Toxicology
 - d. Doctor of Pharmacy
 - e. Doctor of Medicine

Mr. Jones noted that the Doctor of Pharmacy and Medicine are two high profile programs that we haven't seen proposed in the past. Mr. Jones provided additional explanation on the program proposals.

Dr. Joe Glover, UF Provost, provided additional explanation of the proposals.

Mr. Morton asked if staff were comfortable with the proposals and recommend approval. Mr. Jones indicated that after conversations with UF, staff recommended approval and the programs would be monitored during the extended pilot period.

Mr. Tripp moved that the Committee approve the proposed 14 market tuition programs. Mr. Lautenbach seconded the motion, and members of the Committee concurred.

6. Preeminence Performance Metrics

Mr. Kuntz introduced the last item on the agenda and indicated that today's discussion would guide staff on final recommendations that would be made in January.

Mr. Jones provided an overview of the 2014 legislation that modified future tuition differential increases to only apply to universities identified as preeminent which currently includes UF and FSU. The legislation requires the Board to set annual benchmarks for each metric.

Mr. Jones presented a PowerPoint that showed the average of the Top 10 and Top 25 public universities as ranked by the U.S. News and World Report on the three metrics identified in legislation.

Those metrics include six-year graduation rates, research expenditures and patents.

Mr. Jones also presented two options for the Committee to consider when establishing benchmarks for each metric.

Option 1 - Given the different aspirations of each university, it makes sense to have different benchmarks for each metric and for each university. Using the UF and FSU June Work Plan three year goals, different benchmarks were suggested that, if met, would allow the universities to consider potential tuition increases up to two percent for that metric, with a total tuition differential increase of no more than six percent.

Option 2 - This option would allow the universities to consider potential tuition increases up to two percent for that metric, with a total tuition differential increase of no more than six percent, if the university just shows an increase over the prior year for each metric.

Mr. Kuntz stated that guidance needed to be provided by the Committee members on whether the proposed benchmarks should be easy, hard or somewhere in the middle.

Mr. Colson stated that in reviewing the data it appears that it will be harder for UF to move up than FSU, since UF is very high in the rankings. It will be difficult for them to show lots of improvement.

Mr. Kuntz noted that UF is close to the average of the Top 10 in the U.S. News and World Report, while FSU is further from the Top 25.

Mr. Tripp asked what would happen if a university implements a tuition differential increase and their metrics drop in a subsequent year. Mr. Hosseini stated that once a

university receives a tuition differential increase, they keep that increase, even if their metric would drop in subsequent years.

Mr. Morton agreed with Mr. Tripp that sustainability of the metrics wasn't fully thought through in the legislation since a university would still be receiving funds from the tuition differential increase even if their metrics declined in subsequent years. Mr. Huizenga noted that a decline in the metrics would impact the university's performance funding metrics.

Mr. Levine pointed out the research funding at the national level will be more difficult to obtain and that any increase in research funding should be considered. Mr. Kuntz noted that the average research expenditure increase of the Top 10 is greater than the UF Work Plan goal, and unless UF steps up its efforts it will not reach the average of the Top 10.

Mr. Tripp noted that the Board will set the benchmarks each year, so there is opportunity to modify the benchmarks.

Mr. Hosseini asked Mr. Kuntz to work with staff to prepare final recommendations for the January meeting. Mr. Kuntz also asked UF and FSU to work with Board staff and provide input and recommendations for benchmarks.

Mr. Morton commented that the benchmarks should be stretch goals and not easily achieved. The burden will fall on the parents and students to come up with the funds to pay for any increase.

Mr. Kuntz also asked Committee members to provide any comments to staff as well and we will come back to the Committee in January with a recommendation.

7. Concluding Remarks and Adjournment

Having no further business, the meeting was adjourned at 12:40 p.m.

Tom Kuntz, Chair

Tim Jones, Vice Chancellor
Finance and Administration