

MINUTES  
STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
BUDGET AND FINANCE COMMITTEE  
UNIVERSITY OF CENTRAL FLORIDA  
ORLANDO, FLORIDA  
JUNE 22, 2016

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and its Committees are accessible at <http://www.flbog.edu/>.*

Mr. Ned Lautenbach, Chair, convened the meeting of the Budget and Finance Committee at 2:09 p.m. Members present for roll call were Dean Colson, Jacob Hebert, Tom Kuntz, Alan Levine, Dan Doyle, and Norman Tripp (participating by phone). Other board members present included Dick Beard, Darlene Jordan, Kathy Robinson, Wendy Link, and Fernando Valverde.

1. Call to Order

Mr. Lautenbach called the meeting to order.

2. Approval of March 16, 2016 Committee Meeting Minutes

Mr. Levine moved that the Committee approve the minutes of the meeting held on March 16, 2016 as presented. Mr. Doyle seconded the motion, and members of the Committee concurred.

3. Performance-Based Funding Allocation

Mr. Lautenbach noted that the Committee needed to take action on two items. First, a correction to the 2015-2016 allocation and second, the 2016-2017 allocation.

Mr. Tim Jones addressed the 2015-2016 allocation of the \$150 M that the Board approved last June. In the review and preparation of the data for this year's 2014-2015 accountability report that was presented in March, an error was identified in the previous year's (2013-2014) Academic Progress Rate data. This is metric 5 of the performance metrics. The incorrect calculation occurred when four universities resubmitted data. The Academic Progress Rate was calculated by the Board Office then shared with the universities last year and everyone signed off on the data. This year

when the Board Office calculated the progress rate and sent it to the universities, a university questioned their calculations. Upon review by Board staff, the incorrect calculation was identified. Four universities were impacted, however, since decimals were not used last year for the metrics, only FIU's points were impacted. Using the corrected data, FIU's Academic Progress rate improved only two percent instead of the four percent reported last year. This results in two fewer points, thus dropping FIU out of a tie for third place in the performance rankings. There is a fiscal impact to this change. FIU was awarded \$2.3 million to much in performance funds. In accordance with the model, these funds should be distributed to the top three institutions as shown in the materials. As soon as this issue was identified we began withholding these funds until the Committee had an opportunity to review this change. If approved by the Committee and Board, we can make adjustments to the distribution prior to June 30.

Mr. Kuntz asked what steps were being taken to avoid this type of error in the future.

Mr. Jones stated that a new tracking system is being implemented to ensure that all changes made to software programs are consistently made. In addition, a position has been filled that will focus on quality control.

After discussion, Mr. Kuntz moved that the Committee approve the corrected 2015-2016 allocation. Mr. Doyle seconded the motion, and members of the Committee concurred.

Mr. Lautenbach introduced the next issue; 2016-2017 performance funding allocation.

Mr. Lautenbach stated that we started off with \$20 million to be allocated based on only three metrics in 2013, then we received \$100 million in new funds to be allocated based on the Board's 10 metrics, we received an additional \$100 million last year, and now \$75 million in new funds for next year. This brings the State's total performance funding investment to \$295 million over the last four years.

Mr. Jones stated that \$500 million was allocated for performance based funding. This includes \$225 million in state investments and \$275 million in institutional investments.

For the institutional investment of \$275 million, universities that score at least 51 points, will have their institutional investment restored. All universities scored at least 51 points so the full amount is to be restored. No university will have to do an improvement plan which is required if a university scores 50 points or less.

For the state investment of \$225 million, a university has to have at least 51 points to be eligible for the state investment and must not be in the bottom three. Therefore, eight universities will receive a proportional amount of the \$225 million, with the top three receiving additional funds. These additional funds are allocated pursuant to the model based on the points earned of the top three.

After discussion, Mr. Kuntz moved that the Committee approve the 2016-2017 performance funding allocation. Mr. Colson seconded the motion, and members of the Committee concurred.

Mr. Lautenbach reminded the committee that on October 18 there will be a workshop to review the performance model. The Committee has done this for the last two years as its commitment to review the model and make tweaks as necessary.

One of the metrics that we continue to have some concerns about is Metric three – cost per undergraduate degree. Each university has its own financial systems and the ability to focus expenditures on various campus needs. In addition, faculty effort plays a variable role in how expenditures are spread. For example, a research university may have a large portion of the faculty effort focused on graduate education and research, while another university focuses faculty effort on undergraduate education.

Mr. Lautenbach stated that a workshop was held with the universities on March 29 and reviewed 6 proposals on how we can enhance Metric three. One of the recurring themes we heard was to eliminate the impact of faculty effort, which is a key component of parsing out expenditures by degree. I think we are all in agreement to find a cost metric that doesn't use faculty effort in the calculations.

We continue to talk a lot about student affordability by keeping our tuition and fees low ensuring that our students can graduate without significant debt, so we may try and work this component into the metric as well.

We are hopeful that we will have something for the committee to review in October.

#### 4. 2017-2018 Legislative Budget Request Guidelines

Mr. Lautenbach asked Mr. Tim Jones to provide present this item.

Mr. Jones pointed out the three primary changes in the guidelines; updated the dates to reflect the start of the 2017 session in March; included a request for funding support for the State Fire Marshalls inspection of university facilities; and funding support for campus health and safety.

Mr. Kuntz moved that the Committee approve Legislative Budget Request guidelines. Mr. Colson seconded the motion, and members of the Committee concurred.

5. Public Notice of Intent to Amend Board of Governors Regulations

Mr. Lautenbach asked Mr. Tim Jones to provide present the next four regulations. Mr. Jones introduced Regulation 7.001 Tuition and Associated Fees. House Bill 7019 passed during the 2016 session, requires the Board to approve all increases in tuition for graduate and professional programs or the out-of-state fee for all programs.

Mr. Levine moved that the Committee approve the amended Regulation 7.001. Mr. Colson seconded the motion, and members of the Committee concurred.

Mr. Jones introduced Regulation 7.003 Fees, Fines and Penalties. House Bill 5003 requires that the average of all distance learning fees assessed by a university not exceed \$30 per credit hour.

Mr. Levine moved that the Committee approve the amended Regulation 7.003. Mr. Colson seconded the motion, and members of the Committee concurred.

Mr. Jones introduced Regulation 7.008 Waivers and Exemptions of Tuition and Fees. House Bill 799 waives the out-of-state fee for active duty service members. House Bill 1157 modifies the Purple Heart waive to allow recipients who were residents of the state at the time of the military action to receive a tuition and fee waiver no matter where they currently reside and allows for the waiver of tuition and fees for recipients currently living in Florida but whose home of record at the time of the military action was in another state. House Bill 7040 modified the welfare transition program requiring fees to be paid by the local welfare transition board.

Mr. Levine moved that the Committee approve the amended Regulation 7.008. Mr. Doyle seconded the motion, and members of the Committee concurred.

Mr. Jones introduced Regulation 9.007 State University Operating Budgets. There is one change to add the FAMU/FSU College of Engineering as a separate reporting entity for budgeting purposes.

Mr. Colson moved that the Committee approve the amended Regulation 9.007. Mr. Levine seconded the motion, and members of the Committee concurred.

6. Public Notice of Intent to Create Board of Governors Regulations

Mr. Lautenbach asked Mr. Tim Jones to provide present the next two new regulations.

Mr. Jones introduced Regulation 5.001 Performance-based Funding, and reviewed the major components of the regulation.

Mr. Tripp moved that the Committee approve the amended Regulation 5.001.  
Mr. Colson seconded the motion, and members of the Committee concurred.

Mr. Jones introduced Regulation 7.001 and Rule 72-1.002, Latin American and Caribbean Scholarship Eligibility. This is a requirement pursuant to Section 1009.21 Florida Statutes, and provides an opportunity for students from Latin America and the Caribbean to receive scholarships and be treated as residents for tuition purposes.

Mr. Kuntz moved that the Committee approve the amended Regulation 5.001.  
Mr. Levine seconded the motion, and members of the Committee concurred.

## 7. Market Tuition Rate Program

Mr. Lautenbach stated that the last action item is a report from staff on the market tuition rate program. The authority for this Board to establish market tuition rates for graduate courses offered online or through continuing education was created in statute in 2011. This Committee, working with the universities, outlined in regulation the process for implementing this program.

Since the program was new, the Board limited the number of programs that could be submitted by the universities for consideration to no more than five per year and the Board said this would be a three year pilot program so we can see how the program works. In 2014, the pilot program was extended for two additional years, which expired last November.

At that time we asked staff to review the program and bring us some recommendations for moving this program forward.

Mr. Jones walked the Committee through the report and presented key findings and recommendations. Staff recommendations include:

1. Revise the Continuing Education regulation to provide some administrative and fiduciary flexibility. We would anticipate working with the universities on the revision and have an amended regulation for the Board to consider next spring.
2. For this year have a moratorium on requesting approval of new market tuition rate programs.

3. Beginning in 2017, only market tuition rate programs that are requesting an increase in tuition rates or programs that are consider critical workforce needs that lead to licensure would come to the Board for consideration.
4. Continue to monitor these programs looking at the tuition rates, enrollments, completions and comparisons to similar state-funding programs.

Mr. Colson moved that the Committee approve the amended Regulation 5.001.

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

8. Concluding Remarks and Adjournment

Having no further business, the meeting was adjourned at 2:41 p.m.

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Tim Jones, Vice Chancellor  
Finance and Administration

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Ned Lautenbach, Chair