



Florida Atlantic University Impasse Proceedings
Presentation to the Special Magistrate
February 24, 2009

- ❑ Overview: The State of Florida Funding Process
 - ❑ How the Budget is Developed and Allocated
 - ❑ General Revenue, Lottery and Tuition Authority
 - ❑ Recurring versus Non-recurring Funding
- ❑ Current Economic Condition of the State of Florida
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Overview:
The State of Florida State University System and
Funding Process



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2008-09 State University System Institutions - State Budgeted FTE and E&G Budget

University	Budgeted FTE	Educational & General Budget			
		General Revenue	Lottery	Student Fees	Total
University of Florida	34,314	352,639,176	35,451,775	201,901,130	589,992,081
University of Central Florida	30,840	243,571,636	28,700,235	143,657,275	415,929,146
University of South Florida	27,161	214,821,359	28,903,121	119,234,014	362,958,494
Florida State University	26,802	286,027,270	31,298,699	136,170,108	453,496,077
Florida International Univ.	25,251	192,247,765	24,540,024	127,190,299	343,978,088
Florida Atlantic University	15,239	162,049,309	16,632,794	76,094,024	254,776,127
University of North Florida	10,241	77,579,775	10,373,831	47,247,624	135,201,230
Florida Ag. & Mech. University	8,829	107,300,862	11,991,929	52,778,244	172,071,035
University of West Florida	6,215	60,892,789	6,552,055	28,504,036	95,948,880
Florida Gulf Coast University	5,373	47,907,924	5,771,049	29,356,128	83,035,101
New College of Florida	656	16,984,363	834,464	4,461,102	22,279,929
Total	190,921	1,762,022,228	201,049,976	966,593,984	2,929,666,188

FTE = Full Time Equivalent Student on an annual basis (40 credit hours/Undergraduate and 32 credit hours/Graduate)

Source: 2008-09 Allocation Summary and Workpapers, Board of Governors

- ▶ **Overview of State of Florida Funding Process for Higher Education and Types of Budgets**
 - Each Institution of the State University System (SUS) is funded via a separate line item in the State of Florida appropriations budget. Within those line item budgets further delineations can occur (i.e., Harbor Branch Oceanographic Institute and Torrey Pines)
 - Recurring and Non-recurring Budgets
 - General Appropriations Act – Conference Report 5001 for Fiscal Year 2008–09
 - Education and General Operating Budget
 - General Revenue – Grants and Aid
 - Lottery – Education Enhancement Trust Fund
 - Student Trust Fund Fees – Tuition Revenue/Attribution
 - Capital Outlay – Public Education Capital Outlay (PECO – Non-recurring)

Current Economic Condition of the State of Florida

State of Florida - General Revenue Outlook for 2008-09 and 2009-10

	<u>2008-09</u>	<u>2009-10</u>
Recurring	(3,089,700,000)	(3,658,000,000)
Non-recurring	<u>801,400,000</u>	<u>(146,100,000)</u>
Total	(2,288,300,000)	(3,804,100,000)

Source: Robert P. Jones & Associates

FAU is not alone in dealing with these problems. Both public and private institutions alike are experiencing similar challenges...

- ▶ “We are evaluating other options that would affect compensation and benefits—which, together, represent a majority of University expenses. In all probability, we will forego salary increases for both faculty and staff during fiscal 2010.”
Donna Shalala, President, University of Miami, excerpt from a letter to the UM Community, February 10, 2009
- ▶ **“FSU to lay off workers amid budget woes : Provost Larry Abele hopes to spare lowest-paid employees”**
By Bill Cotterell, TALLAHASSEE DEMOCRAT
- ▶ **“Budget cuts, pay freeze on horizon at University of Miami”**, By Ina Paiva Cordle, Miami Herald © February 17, 2009
- ▶ **“Cuts to the Florida budget could hit higher education hard”**, South Florida Business Journal – by [Brian Bandell](#), Friday, February 13, 2009



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Florida Atlantic University Budget Overview

The 2008–09 Operating Budget of Florida Atlantic University (FAU) is comprised of seven budgetary components:

Educational and General	Student Financial Aid
Contracts and Grants	Auxiliary Enterprises
Athletics Local	Student Government
Concessions	

▶ Within the budget development process, methods and techniques are carefully integrated to ensure effective *best practices* and to validate that decisions are directly tied to the University's strategic goals and objectives in a *value-maximizing* framework. All proposed expenditures are reviewed and evaluated at multiple levels within the organization, from departmental units to the President's Executive Committee and the Board of Trustees Committees. Finally, the operating budget is formally approved and adopted by the full Board of Trustees.

▶ FAU's 2008–09 Expenditure Operating Budget totals \$521,818,482, a decrease of 1.7 percent from the prior year. In order to accurately reflect total revenues within each budgetary component, the 2008–09 Budget reflects transfers between units.

Source: 2008–09 Presentation to the Board of Trustees, June 2008

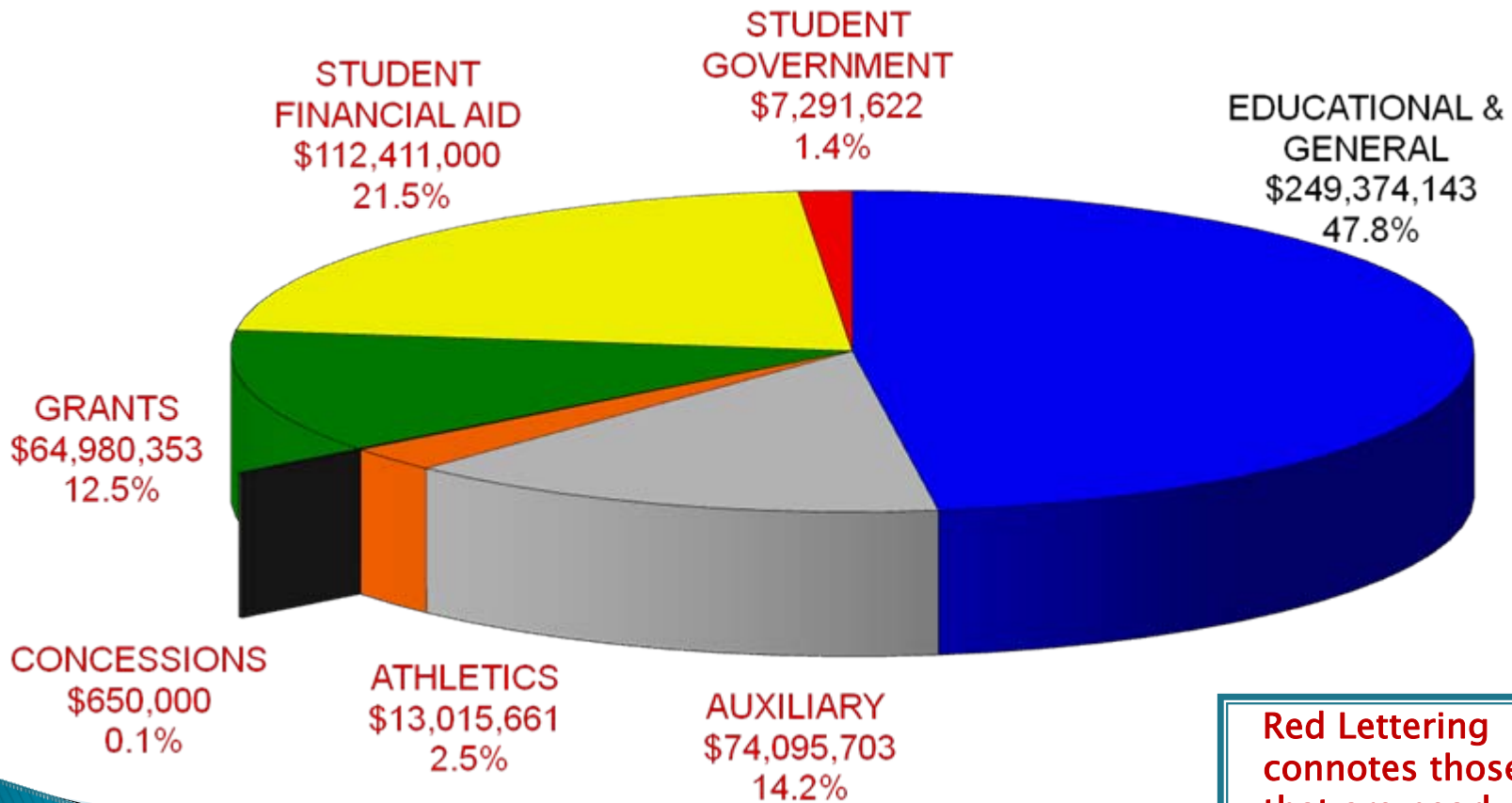
Recurring and Non-recurring Budgets

General Revenues that fund higher education are those funds that the state derives from taxes. They include Sales and Use Taxes, Corporate Income Taxes, and Documentary Stamp Taxes.

Most of these revenues are **recurring** in nature. That is, they are likely to continue in the future with a great deal of certainty. It is this source that FAU relies on to support annual salaries and expenses in the Education and General Fund. And it is this source that has suffered due to the State's economic downturn of the past two years.

Non-recurring funds are one-time revenues that, once used, will be depleted and are unlikely to continue. *Universities do not rely on these dollars for on-going faculty salaries as they are not guaranteed into the future.*

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Red Lettering
 connotes those funds
 that are nearly 100%
 restricted or non-
 recurring

The Educational and General budget includes expenditures for instruction, research, library and learning resources, student services, plant operations and maintenance and administrative support. The budget is funded by:

- ▶ **General Revenue**, consisting primarily of State of Florida sales tax collections and corporate income tax collections, as well as license fees and other taxes and operating receipts.
- ▶ **Education Enhancement Trust Fund**, consisting of collections from the sale of Florida lottery tickets. Approximately 31 percent of total lottery collections is dedicated to the trust fund.
- ▶ **Student Fee Trust Fund**, consisting primarily of matriculation fees and tuition (out-of-state fees) paid by students, as well as other fees such as application and late registration fees.

Of the 1,090 faculty nearly **90%** are funded from Educational and General Funds and the University is committed to sustaining and preserving our human capital by funding salaries from the most stable source of funding for on-going commitments – Educational and General resources. The remainder – **10%** – are funded from Research grants.

Even if we had surpluses in other funds as asserted by the UFF, it would be irresponsible to fund base faculty salaries from one-time monies that by their very nature offer no guarantee of sustainability.

Where is the evidence that we are committed to foster, sustain and grow our strategic planning goals of access and success of our students?

How best can we show that FAU's priorities have been in support of our mission of instruction, research and service?

Through data developed by the Board of Governors depicting Educational and General expenditures.

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Undergraduate Instruction		
Overall Rank		<u>2006-07</u>
1	FGCU	38.81%
2	UNF	36.92%
3	UWF	36.74%
4	UCF	31.68%
5	FIU	31.38%
6	FAU	29.96%
7	USF	28.52%
8	NCF	26.74%
9	FAMU	25.08%
10	UF	23.24%
11	FSU	21.32%

Source: 2006-07 Expenditure Analysis,
Board of Governors

Graduate Instruction		
Overall Rank		<u>2006-07</u>
1	UF	18.94%
2	FIU	18.31%
3	FSU	17.35%
4	USF	14.87%
5	FAMU	13.40%
6	UCF	13.04%
7	FAU	12.26%
8	FGCU	9.42%
9	UWF	9.08%
10	UNF	8.01%
11	NCF	0.00%

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Library Resources		
Overall Rank		<u>2006-07</u>
1	FIU	2.11%
2	USF	1.71%
3	UF	1.66%
4	FSU	1.63%
5	FAMU	1.62%
6	FAU	1.58%
7	UCF	1.39%
8	NCF	1.31%
9	UWF	1.12%
10	UNF	1.12%
11	FGCU	0.01%

Library Staffing		
Overall Rank		<u>2006-07</u>
1	FAU	5.16%
2	FGCU	4.79%
3	NCF	3.61%
4	FIU	3.38%
5	UWF	3.25%
6	UF	2.85%
7	FAMU	2.52%
8	USF	2.46%
9	UCF	2.21%
10	UNF	2.19%
11	FSU	1.95%

Library staff are members of the bargaining unit

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Research and Service		
Overall Rank		<u>2006-07</u>
1	USF	18.78%
2	UF	17.99%
3	UCF	17.01%
4	FSU	14.95%
5	FAU	9.28%
6	UNF	9.00%
7	FAMU	7.91%
8	NCF	6.20%
9	UWF	6.10%
10	FGCU	5.12%
11	FIU	4.09%

The category of “University Support” includes the general administration of the University

Plant/Operations and Maintenance		
Overall Rank		2006-07
1	FSU	13.92%
2	NCF	13.73%
3	UWF	11.89%
4	FIU	11.08%
5	USF	10.84%
6	FAMU	9.52%
7	UNF	9.22%
8	FGCU	9.10%
9	FAU	9.00%
10	UF	8.31%
11	UCF	7.01%

University Support		
Overall Rank		2006-07
1	NCF	24.59%
2	FAMU	20.44%
3	FGCU	19.90%
4	UWF	15.67%
5	FIU	14.39%
6	UNF	14.03%
7	UCF	12.96%
8	FAU	12.38%
9	FSU	10.60%
10	UF	6.75%
11	USF	6.67%

Capital Outlay Budget

Section 1013.61, Florida Statutes, requires the Florida Atlantic University Board of Trustees to adopt a capital outlay budget for the ensuing year to inform the public of the University's capital outlay needs.

The Florida Atlantic University Board of Trustees on June 27, 2007 approved the University's Capital Improvement Plan as recommended by the Strategic Planning Committee. Additionally, the FAU Board of Trustees approved the Capital Improvement Trust Fund (CITF) projects on February 20, 2008 as recommended by the Audit and Finance Committee. Subsequently the Board of Governor's approved the FAU fixed capital outlay request for the Public Education Capital Outlay (PECO) projects and the Capital Improvement Trust Fund projects. These projects were approved by the 2008 Florida Legislature as recommended by the Florida Atlantic University Board of Trustees.

These funds cannot be used for salaries.
They are restricted in their use.



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Capital Outlay Budget – Not available for faculty salaries

Public Education Capital Outlay Projects (PECO)

Infrastructure	\$ 7,865,000
FAU/UF Davie Joint Use Facility	\$ 17,447,500
General Classroom Facility/Engineering	\$ 17,952,000
General Classroom Facility	<u>\$ 8,246,000</u>
SUB-TOTAL	\$ 51,510,500

Capital Improvement Trust Fund (CITF)

Campus Recreation and Wellness – Boca Phase 1 Advance	\$ 4,000,000
Campus Recreation and Wellness – Boca Phase 2	\$ 4,433,359
Student Union and Wellness – Davie	\$ 350,000
Student Union Renovation – Jupiter	\$ 75,000
Renovation to Student Life Center – Treasure Coast	<u>\$ 1,038,817</u>
SUB-TOTAL	\$ 9,897,176

TOTAL 2008-09 CAPITAL OUTLAY BUDGET **\$ 61,407,676**

Recap:

The Educational and General fund is the only source of recurring dollars that allows for discretionary spending for salary increases.

Financial Aid, Student Government and Grants are restricted for use either by State statutes or Federal law. Auxiliary is non-recurring/pay-as-you-go activity and not suitable for on-going commitments. Some components are also restricted due to Bond Covenants.

PECO funds and CITF are restricted at the State level for capital improvements and cannot be used to fund salaries.

History of FAU Budget Reductions

For the period July 1, 1991 – June 30, 2007,
Florida Atlantic University incurred \$29,909,036
in Operating Budget reductions.

\$29,909,036

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Recent Reductions - July 1, 2007 to July 1, 2008			
	<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>
General Revenue			
Initial Reduction	(6,212,285)	(10,113,385)	(16,325,670)
Special Sessions	(2,225,968)		(2,225,968)
Student Financial Aid	<u>(40,693)</u>	<u>(32,747)</u>	<u>(73,440)</u>
	(8,478,946)	(10,146,132)	(18,625,078)

Additional Reductions in General Revenue and Lottery for Fiscal Year 2008–09 – **\$12,070,953**

- ▶ In January 2009, Governor Crist approved an additional 4% reduction to Florida Atlantic University budget of **\$7,070,953** for the 2008–09 budget year.
- ▶ While not finalized, it is expected that the State of Florida Legislature will support an *additional 3–3.5%* reduction for 2008–09 due to revised estimates downward of General Revenue. This would mean another reduction to the FAU budget of approximately **\$5,000,000.**

What can we expect for 2009–10?

- ▶ Continuing revenue shortfalls predict that the State of Florida will reduce Florida Atlantic University budget by an additional **\$15,000,000 for 2009–10**

Estimated Impact of Reductions - July 1, 2007 to June 30, 2010

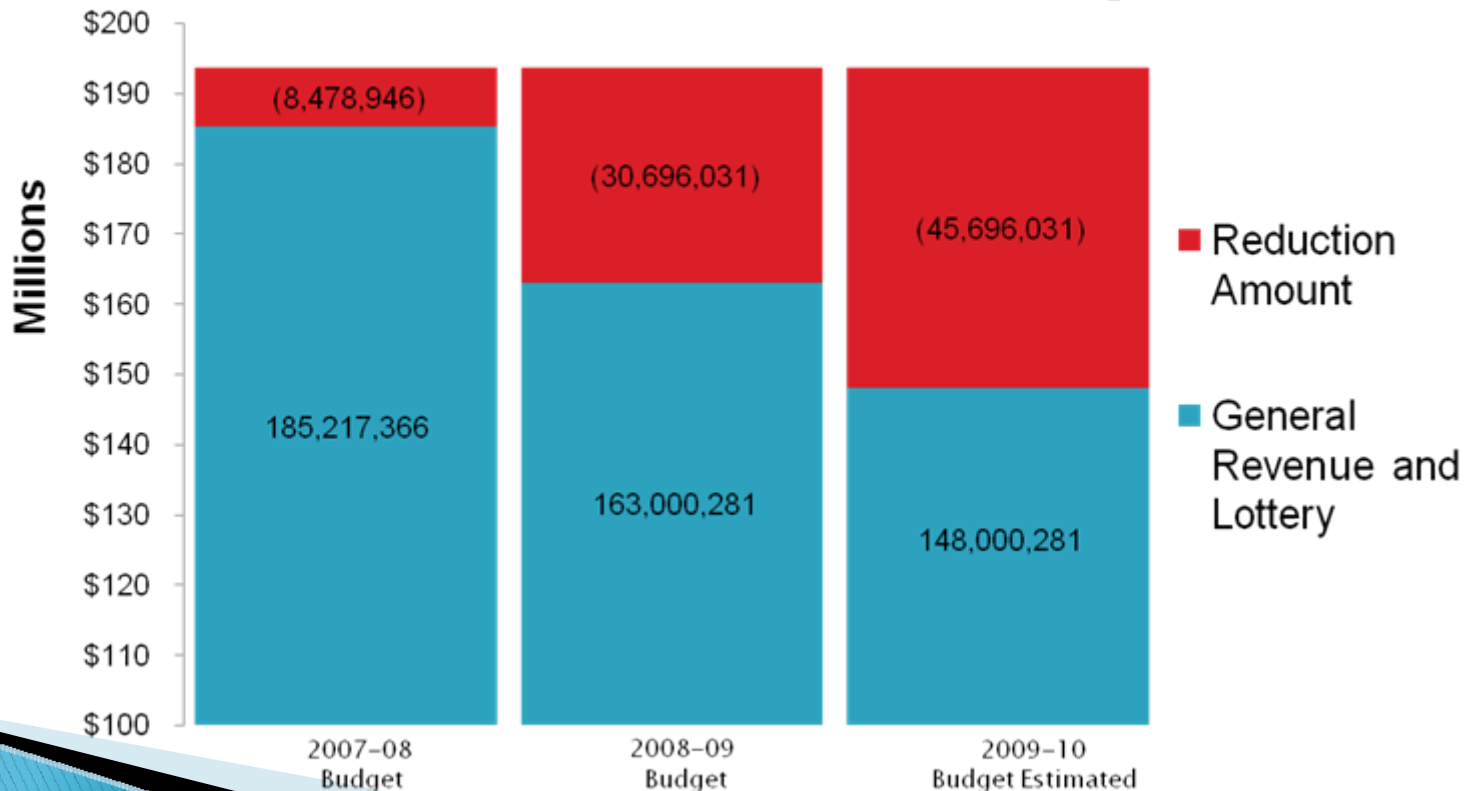
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>Total</u>
General Revenue/Lottery				
Initial Reduction	(6,212,285)	(10,113,385)		(16,325,670)
Special Sessions	(2,225,968)			(2,225,968)
Gov. Crist July 2008		(7,070,953)		(7,070,953)
Add'l Call Back Jan 2009		(5,000,000)		(5,000,000)
Estimates for 2009-10			(15,000,000)	(15,000,000)
Student Financial Aid	<u>(40,693)</u>	<u>(32,747)</u>		<u>(73,440)</u>
	(8,478,946)	(22,217,085)	(15,000,000)	(45,696,031)

(45,696,031)

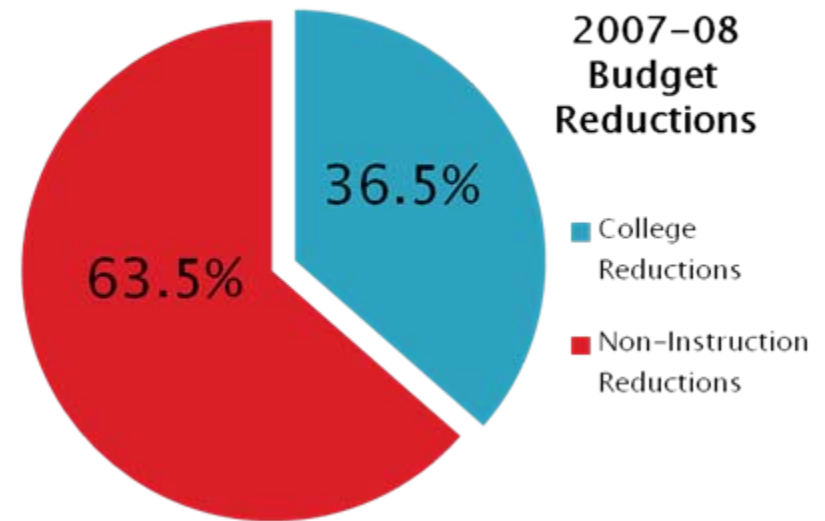
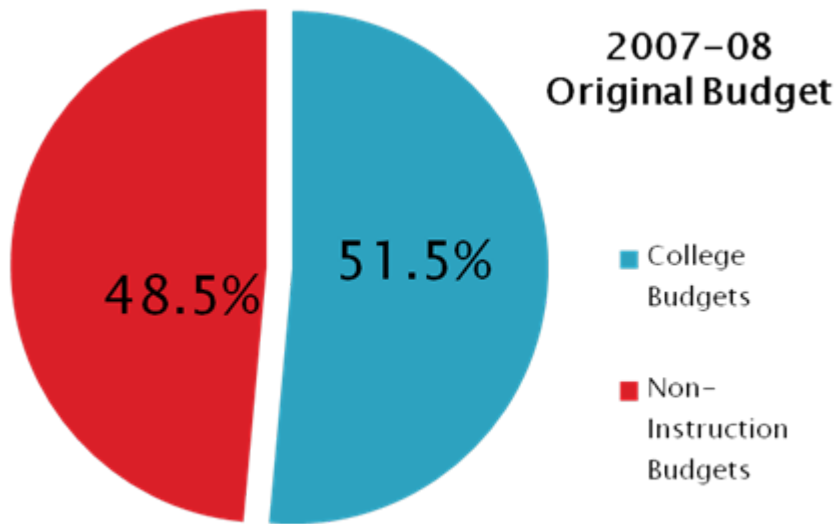
This amount represents a reduction of nearly **25%** over a three year period (2007–08 to 2009–10) of our General Revenue and Lottery allocation.

In addition, in 2008–09 FAU self funded a small increase for staff, which will require an additional **\$900,000** to be identified by each unit within their 2009–10 E&G budget. This brings the total reductions to **\$46,596,031**

3-Year Change in General Revenue/Lottery



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Summary

What are the key issues?

- ▶ We are making every attempt to preserve the academic and research mission
- ▶ We simply cannot afford a pay increase on the order of the UFF proposal
- ▶ We have taken drastic cuts over the past two years – we cannot add more cuts and still maintain quality and access to students.
- ▶ Additional layoffs are inevitable
- ▶ We can expect that recurring dollars from General Revenue and Lottery funds will continue to be reduced by the State of Florida
- ▶ We do not charge differential tuition; if FAU institutes differential tuition the revenues generated will not meet the needs of the UFF proposal