



MINUTES
AUDIT AND FINANCE COMMITTEE CONFERENCE CALL
Tuesday, August 28, 2007

Mrs. Nancy Blosser, Chair of the Audit and Finance Committee, convened this conference call at 2:04 p.m. Roll call commenced with the following Committee members participated:

Dr. William Bryant, Mr. David Feder, Dr. Rajendra Gupta, Mr. Bob Stilley, Mr. Tony Teixeira, and Mr. Norman Tripp.

The following Board of Trustees members participated:

Mr. Scott Adams, Mr. Armand Grossman, Mrs. Sherry Plymale, and Dr. Eric Shaw.

The following University officials participated:

Mr. Frank T. Brogan, President; Dr. Kenneth A. Jessell, Vice President for Financial Affairs; Dr. John Pritchett, Provost and Chief Academic Officer, and Mr. David Kian, General Counsel.

Chair Blosser called individually for comments or corrections to the minutes of the June 6, 2007 Audit and Finance Committee meeting and the June 13, 2007 Joint Strategic Planning/Audit and Finance Committees meeting. With none forthcoming, motions were made to approve the minutes without change. The motions were seconded. Each motion passed unanimously.

Dr. Jessell was introduced to present the next item providing a brief historic perspective on university funding over approximately the past ten years to ensure a thorough understanding of the impact of today's budget reduction.

AF: A-2-i. Historical Perspective Overview: Prior Year Budget Reductions and Funding Per FTE and Credit hour.

Dr. Jessell addressed Members noting the brevity of the review today and advising that this issue will be thoroughly analyzed at the next Audit and Finance Committee meeting in October.

He noted this review as an update from 2004-2005 discussions on the University's \$10 million reductions in 2002-2004. This analysis documents budget reductions of \$36.9 million since 1991-1992 which includes the current \$6.9 million general revenue reduction and the loss of \$600,000 change in mix funding associated with lower out-of-state students that was never appropriated for 2007-08. That figure, when adjusted by the Higher Education Price Index (HEPI), indicates a total budget loss of \$52 million from 1999-2000 to 2007-2008. Even using the more conservative Consumer Price Index (CPI),

which is commonly used to measure family purchasing power rather than higher education goods and services, the loss equates to almost \$28 million.

Based upon discussion at the June 13, 2007 Audit and Finance Committee meeting, FAU developed a ten year history of funding per student credit hour. This provides another significant display of the impact of not only budget reductions but also the reduced level of funding received from the Legislature per FTE or student credit hour over these years.

Also included in the documentation are graphs presented earlier this month by the Board of Governors that show 1988-1989 FTE funding, adjusted for inflation, at \$14,000. Today, that same funding is at approximately \$10,500 after adjusting for inflation.

These funding reductions have a critical negative impact on Florida Atlantic University's and the State University System's ability to meet mission objectives, but at the same time, demonstrate the high levels of efficiencies and productivity performed by this institution during periods of reduced funding.

As a final comment, Dr. Jessell noted the need in the near future for the Audit and Finance Committee to review and strategize on how Florida Atlantic University will continue to address these ongoing permanent reductions.

Chair Blosser requested questions from Members on this issue. None were forthcoming. Trustee Blosser then advised that during the August BOG Budget Workshop a document on trends in national higher education was distributed relative to this issue and should be included in discussions of the next Audit and Finance Committee meeting.

AF: A-2-ii. Request for Approval of a \$6,960,314 Reduction to Florida Atlantic University's Educational and General Operating Budget.

Dr. Jessell noted that the 2006-2007 Operating Budget was approved on June 27 and only two days later notification was received from the Governor and the Florida Legislature on the need to prepare Educational and General budget reductions. This action, resulting from lower General Revenue receipts, reduces quarterly releases of funding from 25 percent to 24 percent, creating a 4 percent General Revenue reduction to Florida Atlantic University. In addition, universities and state agencies were instructed to submit a budget plan reflecting a 10 percent reduction in General Revenue in anticipation of additional shortfalls in General Revenue. The October Revenue Estimating Conference confirmed a continued four percent budget reduction plan.

Subsequently, the Board of Governors worked with the Governor's and Legislative Offices to prepare a system-wide ten percent reduction on behalf of the universities that would be submitted in a comprehensive fashion to identify the cuts as related to enrollments, centers of excellence, etc., without specific details related to each institution.

Serious deliberations commenced encompassing all areas within the University to identify reductions equal to 4.0 percent of General Revenue, or 2.9 percent of the Educational and General Budget which is comprised of General Revenue, Student Fees, and Lottery Enhancement funds. These deliberations revolved around recognizing priorities of the strategic plan, minimizing the impact on instruction,

enrollment, and student access, and maximizing efficiencies of personnel assignments and distance education opportunities.

Members were informed that many components including financial aid, graduate waivers and police/security budgets, etc. were held harmless from budget cuts.

Dr. Jessell then reviewed the recommended reductions by area:

<u>Area</u>	<u>Reduction</u>	<u>Budget</u>
President	\$ 94,363	\$ 3,314,920
Academic Affairs	\$ 5,006,040	\$175,859,716
Broward Campus	\$ 287,525	\$ 10,100,618
Treasure Coast Campus	\$ 80,486	\$ 2,827,443
MacArthur Campus	\$ 84,462	\$ 2,967,094
Financial Affairs	\$ 280,302	\$ 9,846,853
Advancement	\$ 55,696	\$ 1,956,588
Student Affairs	\$ 86,956	\$ 3,054,734
University Architect and VP Facilities	\$ 596,565	\$ 20,957,030
Communications	<u>\$ 47,919</u>	<u>\$ 1,683,357</u>
Grand Total	\$ 6,620,314	\$232,568,353

An additional \$340,000 reduction applied to the Harbor Branch Oceanographic Institute fulfills the \$6,960,314 in University-wide budget cuts.

Chair Blosser confirmed for Members the all-inclusive collaboration within the University in developing this reduction plan. She noted the detailed information provided to members on all cuts and called for questions or comments.

Discussion followed on the difficulties in developing this plan based on the university-wide agreements to hold harmless the University Police Department budget to ensure continued and increased security levels. Members were advised that while this was a difficult task, it was universally recognized as a priority issue, and as such, all were amenable to the required implementation adjustments.

Further observations focused on academic issues including class reductions and the effects these changes could have on the time to degree issue. Members were advised that significant discussions were held on this topic to minimize harmful reductions as best as possible. While a full contingent of coursework is available, some inconveniences exist in the elimination of multiple-campus class offerings and in varying day/night time slots. Lower enrollment classes may be offered but scheduling options have been modified to ensure capacity needs are fulfilled. All course schedules are being published early to ensure students are informed of class availability.

President Brogan confirmed the concerted effort in progress through the Communications Division to ensure students are informed of the budget reduction requirements and decisions made to address the issue, from raising temperatures in offices and classrooms to revisions in class schedules.

A query on utilizing interactive/distance learning options to maximize access and reduce travel issues for students was offered. Members were informed of funding expended last year to upgrade and retrofit distance learning capabilities and these additional options being explored to diffuse the budget reduction impact.

With discussions concluded, Chair Blosser called for a motion to approve the \$6,960,314 reduction to Florida Atlantic University's Educational and General Operating Budget. A motion was made and seconded to recommend approval of the budget reduction to the Board of Trustees. The motion passed unanimously.

With no other issues for discussion, Chair Blosser adjourned the meeting at 2:34 p.m.