



Item: AF: I-5

AUDIT AND FINANCE COMMITTEE

Wednesday, February 21, 2007

**SUBJECT: REVIEW OF THE GOVERNOR'S 2007-2008 BUDGET RECOMMENDATIONS
AND FAU'S BUDGET CONSTRUCTION.**

PROPOSED BOARD ACTION

Information only.

BACKGROUND INFORMATION

The Florida Atlantic University Board of Trustees approved the 2007-2008 Legislative Budget Request in June 2006 in accordance with the guidelines established by the Florida Board of Governors (BOG). In August 2006, the BOG approved the system-wide Legislative Budget Request. On February 2, 2007, Governor Crist released his budget recommendations for 2007-2008.

To keep the FAU Board of Trustees informed of the 2007-2008 budgetary process, a comparison of the different budget requests is provided.

IMPLEMENTATION PLAN/DATE

July 1, 2007.

FISCAL IMPLICATIONS

The 2007-2008 Legislative General Appropriations Act will establish FAU's Educational and General Operating and FAU's Capital Budgets for 2007-2008.

Supporting Documentation: Chancellor's Memo; SUS 2007-08 Budget Request and Governor's Recommendation, Educational and General, Executive Summary; Budget Comparison Information

Presented by: Dr. Kenneth A. Jessell, Vice President for Financial Affairs

Phone: 561-297-3266

Good afternoon, Trustees. Today Governor Crist released his budget recommendations for 2007-08. Chancellor Rosenberg prepared the memo below that highlights some of the major items as they relate to public higher education.

For FAU there are a few things I would like to bring to your attention.

FUNDING FOR NEW STUDENTS-- Of the \$150 million BOG request for 10,153 new FTE students, Governor Crist has recommended \$101 million to support 6738 new FTE students, approximately 66 % of the BOG request. We anticipate that considering FAU's revised enrollment plan for 2007-08, we will receive approximately \$3.8 million to support 324 new FTE students. Last year, FAU received approximately \$4 million in enrollment growth funding to support 419 new FTE.

TUITION INCREASE—The Governor's Budget does not include a tuition increase for undergraduate in-state students. Last year, a 3 % increase in undergraduate tuition for FAU generated approximately \$1 million new funding for FAU. We anticipate that the FAU BOT will be able to consider a tuition increase for graduate and out-of-state students.

PECO--The proposed PECO funds are reduced from the BOG proposed amount of \$470 million to \$386 million. We do not yet know how this will affect our portion, but if our percentage holds, our PECO allocation will be around \$34 million from the \$40 approved at last week's BOG meeting. The Governor does include an additional \$47 million for maintenance, repairs and renovation, and again if our percentage holds, FAU's allocation may be \$ 2.3 million.

RESEARCH, SCHOLARSHIP, AND MATCHING FUNDS--We are extremely pleased to see non recurring funds for World Class Scholars, Centers of Excellence, programs to train high wage/high skill jobs (SUCEED), and Science and Engineering Economic Development Programs. Courtelis Facilities matching funds and the major gifts matching program also are included in the budget.

MEDICAL PARTNERSHIP PROGRAM—The Governor's budget includes the much needed \$4.7 million recurring funding for our Medical Education Partnership.

SALARY INCREASES FOR EMPLOYEES—The Governor's budget includes funding to award employees a 2.44 % salary increase effective October 1, 2007.

Please let me know if you have any questions. Have a great weekend!! JENNIFER

MEMORANDUM

TO: Members, Board of Governors
FROM: Mark B. Rosenberg, Chancellor
DATE: February 2, 2007
RE: Governor Crist's 2007-08 Budget Recommendation
cc: Members, University Boards of Trustees
SUS Presidents
Staff, Board of Governors Office

Governor Crist released his 2007-2008 recommended budget today. Attached are 2 files: 1) an executive summary of the BOG University request compared to the Governor's recommendation, and 2) an executive summary of the BOG General Office request compared to the Governor's recommendation.

The following are highlights of the proposed budget. If you have any questions, please feel free to contact Tim Jones (850-245-9397) regarding the operating budget or Chris Kinsley (850-245-9607) regarding the fixed capital outlay budget.

Operating Budget Summary: The Educational & General budget would increase 6.7% over the current year base appropriation. This excludes the \$80 million for the World Class Scholars, Centers of Excellence, and Science and Engineering Research & Development Programs.

- **Access to Higher Education - \$101.2 M**
 - This will fund 6,738 new FTE students entering the state university system this fall. Of the \$101.2 million, \$72.2 million is from state funds and the balance (\$28.9 million) from tuition paid by the students. This would fund new growth at 100% of the Board's funding model. (BOG Request – 10,153 FTE students including over-enrollments plus new growth; \$151 M (\$108 M state funds & \$43 M tuition))
- **FIU Medical School Implementation - \$5.5 M** (same as BOG request)
- **UCF Medical School Implementation - \$4.7 M** (same as BOG request)
- **FAU/UM Medical Partnership - \$4.7 M** (same as BOG request)
 - \$2.6 million continues the phase-in of this program and \$2.1 million replaces non-recurring funds received in 2006-07.
- **Major Gift Matching Program - \$45 M** (nonrecurring) (same as BOG request)
- **Tuition** – no tuition increase for resident undergraduate students. (consistent with BOG current policy)
- **SUCCEED - \$8.85 M** (nonrecurring) (BOG on record as supporting SUCCEED funding)
 - Continues the funding provided in 2006-07 for awards to be made through a competitive application process to train students for high skill/high wage jobs.

- **Salary Increases** – universities are included in administered funds for a 2.44% increase effective October 1.
- **21st Century Act**
 - World Class Scholars - \$20 M (non-recurring)
 - Centers of Excellence - \$40 M (non-recurring)
 - Science & Engineering Research & Economic Development Programs - \$20 M (non-recurring)

Fixed Capital Outlay Summary:

- **\$386 million** from PECO for projects on the BOG approved 3-year list. Proviso states that funds shall be allocated to first year projects as specified in the State University System 3-year PECO project list approved by the BOG. (This is **\$84 million, or 18%**, less than the **\$470 million** approved on Jan. 25th by the BOG. The \$84 million is redirected towards K-12 Class Size Reduction)
- **\$47 million** from PECO for maintenance, repair and renovations
- **\$14 million** for Courtelis Facilities matching

Other Items of Interest:

- **Stem Cell Research Grant Program - \$20 M**
 - Competitive grants would be available for medical research. Institutions and universities could explore possible treatments and cures for degenerative diseases such as Alzheimer's and Parkinson's diseases and spinal cord injuries.
- **Bright Futures - \$372 M**
 - Includes an increase of \$25.7 M. This program will serve approximately 159,000 students.

Mark B. Rosenberg
 Chancellor
 Board of Governors
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State University System of Florida
2007-2008 Budget Request and Governor's Recommendation
Educational and General, Executive Summary
February 2, 2007

	<u>Approved LBR</u>	<u>Governor Recommendation</u>
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92 TF - Student Fee Trust Fund (student tuition)

2007-08 BUDGET REQUEST SUMMARY AS OF 2/2/07

MAJOR ISSUE	FAU	BOG	GOVERNOR	HOUSE	SENATE	NOTES
BOT APPR. REV. BUDGET	\$ 241,947,848	\$ 241,947,848	\$ 241,947,848	\$ 241,947,848	\$ 241,947,848	
LESS CHALLENGE GRANT	\$ (1,998,037)	\$ (1,998,037)	\$ (1,998,037)	\$ (1,998,037)	\$ (1,998,037)	
BOG APPROVED REV BUD	\$ 239,949,841	\$ 239,949,841	\$ 239,949,841	\$ 239,949,841	\$ 239,949,841	
NON-RECURRING	\$ (5,950,000)	\$ (5,950,000)	\$ (5,950,000)	\$ (5,950,000)	\$ (5,950,000)	UM-FAU; FL ISR, CEN. DIS
BOT/BOG RECURRING BUD	\$ 233,999,841	\$ 233,999,841	\$ 233,999,841	\$ 233,999,841	\$ 233,999,841	
SALARY INCREASE 10/1/06	\$ 3,841,609	\$ 3,841,609	\$ 3,841,609	\$ 3,841,609	\$ 3,841,609	
RETIREMENT INC. 7/1/06	\$ 1,019,448	\$ 1,019,448	\$ 1,019,448	\$ 1,019,448	\$ 1,019,448	
HEALTH INC. 7/1/06	\$ 353,278	\$ 353,278	\$ 353,278	\$ 353,278	\$ 353,278	
RISK MGT INC 7/1/06	\$ (36,623)	\$ (36,623)	\$ (36,623)	\$ (36,623)	\$ (36,623)	
TOTAL 2006-07 BUDGET	\$ 239,177,553	\$ 239,177,553	\$ 239,177,553	\$ 239,177,553	\$ 239,177,553	
COST TO CONT SALARY INC	\$ 1,280,538	\$ 1,280,538	\$ 1,280,538	\$ 1,280,538	\$ 1,280,538	
COST TO CONT HEALTH INC	\$ 1,059,834	\$ 1,059,834	\$ 1,059,834	\$ 1,059,834	\$ 1,059,834	
COST TO CONT PO&M	\$ 399,413	\$ 399,413	\$ 399,413	\$ 399,413	\$ 399,413	
CASUALTY INS PREM DEFICIT	\$ 48,702	\$ 48,702	\$ 48,702	\$ 48,702	\$ 48,702	
NEW SPACE PO&M	\$ 6,878	\$ 6,878	\$ 6,878	\$ 6,878	\$ 6,878	
RATIO OF IN-OUT STATE GR	\$ 1,791,418	\$ 1,791,418	\$ -	\$ -	\$ -	
RATIO OF IN-OUT STATE TF	\$ (1,791,418)	\$ (1,791,418)	\$ -	\$ -	\$ -	
ACCESS-ENROLL GROWTH	\$ 4,715,498	\$ 4,715,498	\$ 4,715,498	\$ -	\$ -	REV. TO 324 FTE
FAU/UM MEDICAL PARTNER	\$ 2,600,000	\$ 2,600,000	\$ 2,600,000	\$ -	\$ -	
FAU/UM MEDICAL PARTNER	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000	\$ -	\$ -	
ANNUALIZATION 2006 TUITIO	\$ 272,000	\$ 272,000	\$ 272,000	\$ 272,000	\$ 272,000	3% UG IN-STATE SUM
UG TUITION INCREASE 2007	\$ -	\$ -	\$ -	\$ -	\$ -	
GRAD/OUT TUIT INC 2007	\$ -	\$ -	\$ -	\$ -	\$ -	
STUDENT FIN AID ASSIST	\$ -	\$ 113,226	\$ -	\$ -	\$ -	SYSTEM ISSUE
NURSING WORKFORCE	\$ -	\$ 202,500	\$ 202,500	\$ -	\$ -	SYSTEM ISSUE
ENGINEERING PATHWAY	\$ -	\$ 370,000	\$ -	\$ -	\$ -	SYSTEM ISSUE
GRADUATE ASSIST RECR	\$ -	\$ 593,250	\$ -	\$ -	\$ -	SYSTEM ISSUE
NATIONALLY COMPET SAL	\$ -	\$ 1,907,658	\$ -	\$ -	\$ -	SYSTEM ISSUE
TEACHING SUPPORT- <i>SUCCEED</i>	\$ -	\$ -	\$ INCL--TBA	\$ -	\$ -	NON-RECURRING
RECRUIT/RETAIN GRAD STU	\$ 1,556,250	\$ 1,556,250	\$ -	\$ -	\$ -	
CENTER TEACHING EXCEL	\$ 800,000	\$ 800,000	\$ -	\$ -	\$ -	
EXPAND LIBRARY	\$ 1,100,000	\$ 1,100,000	\$ -	\$ -	\$ -	
STU FINAN AID-DIVERSITY	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	\$ -	
TECHNOLOGY RESOURCES	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	
PARTNER CAMPUS MISSION	\$ 1,080,124	\$ 1,080,124	\$ -	\$ -	\$ -	
FL INSTITUTE ADVAN TEACH	\$ 3,188,320	\$ 3,188,320	\$ -	\$ -	\$ -	
MEMORY WELLNESS CNTR EX	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -	
MAJOR GIFTS	\$ 1,230,000	\$ 1,230,000	\$ 1,230,000	\$ -	\$ -	
TOTAL	\$ 263,815,110	\$ 267,001,744	\$ 253,092,916	\$ 242,244,918	\$ 242,244,918	
OTHER ISSUES						
WORLD CLASS SCHOLARS			\$ 20,000,000			NON-RECURRING
CENTERS OF EXCELLENCE			\$ 40,000,000			NON-RECURRING
SCI, ENG RESEAR, ECON DEV			\$ 20,000,000			NON-RECURRING
SALARY INCREASES			\$ TBA			2.44% OCT. 1, 2007

Sun Sentinel Article of February 10, 2007

Tax revenue falling below projections

Gov. Crist reconsidering state budget

By Jason Garcia
Tallahassee Bureau
Posted February 10 2007

Tallahassee · Florida budget writers were handed grim news Friday, with a new report showing state tax collections falling far short of expectations.

In response, Gov. Charlie Crist's office acknowledged it has begun to weigh changes to the \$71.2 billion budget the governor submitted to the Legislature last week -- a spending plan that would include higher teacher pay, stem cell research and a host of other high-profile initiatives.

"We are starting to look at our options," Jerry McDaniel, the head of Crist's budget office, told members of the House Policy and Budget Council.

McDaniel added that Crist could tap into reserves or make cuts if revenue continues to slide. "He's prepared to do that," McDaniel said.

The report showed that January general revenue collections fell \$108 million short of estimates. The plunge in sales tax receipts was especially dramatic, falling almost \$71 million.

For the past three months, general revenue collections are nearly \$160 million below projections.

Amy Baker, the coordinator for the Office of Economic and Demographic Research, attributed the drop in sales taxes to a "spillover effect" from a slumping housing market.

With fewer new homes being built and sold, sales of everything from shingles and sheet metal to washers and dryers are suffering, she said. "[That] is having some feedback into sales taxes," Baker said.

The news comes less than three months after a panel of economists downgraded the state's cash forecast by \$466 million for the 2007-08 fiscal next year, which will begin July 1. That drop was attributed to declining revenue from a tax on real estate transactions.

That economists' panel, which attempts to forecast tax revenue up to two years in advance, will meet again in March, when they are likely to lower their projections even further.

Friday's report was based on actual tax collections, not projections.

Still, Crist and the Legislature are expected to have some extra money available to them as they cobble together a budget during the Legislature's annual session, scheduled to begin next month.

House Budget Chairman Ray Sansom, R-Destin, said the Legislature still likely would be able to squeeze in some new or expanded initiatives.

Crist, for instance, has recommended legislators increase spending in a number of areas, including \$295 million for teacher bonuses, \$20 million for stem cell research and \$32.5 million for upgraded voting equipment.

"I think we can fit it into the budget," Sansom said.

Jason Garcia can be reached at jrgarcia@orlandosentinel.com or 850-222-5564.

FLORIDA ATLANTIC UNIVERSITY OPERATING BUDGET COMPONENTS--2007-08

FILE: 2007-08 FAU operating BUDGET summary

	FAU
Program/Funding Issues	
2006-07 E&G EXPENDITURE OPERATING BUDGET APPROVED BY FAU BOT JUNE 2006	236,885,648
2006-07 E&G Additional Budget Authority for Student Fees if Collected	5,062,230
2006-07 E&G REVENUE BUDGET AUTHORITY APPROVED BY FAU BOT JUNE 2006	241,947,878
2006-07 E&G CHALLENGE GRANT TRANSFER TO FAU FOUNDATION	(1,998,037)
2006-07 E&G Appropriations	\$239,949,841
2006-07 Non-Recurring Appropriations (UM-FAU; FL ISRAEL; CENTER DISASTER RECOVER)	(\$5,950,000)
2006-07 Adjusted Recurring E&G Base	<u>\$233,999,841</u>
Annualizations, Technical, and Ongoing Obligation Issues	
2007-08 New Space (estimated)	\$6,878
Ratio of in-State / Out-of-State Students - GR	\$1,791,418
Ratio of in-State / Out-of-State Students - TF	(\$1,791,418)
October 1, 2006 3 percent salary increase	\$3,841,609
Retirement Rate Increase 7/1/2006	\$1,019,448
Health Insurance Increase July 1, 2006	\$353,278
Risk Management Insurance Reduction	(\$36,623)
Annualization of 2006-07 Tuition Increase--Summer Adjustment (Fall, Spring in base)	\$272,000
Cost to Continue the October 1, 2006 Salary Increase	\$1,280,538
Cost to Continue Phased in Space--PO&M	\$399,413
Cost to Continue Health Insurance Increase	\$1,059,834
Casualty Insurance Premium Deficit	\$48,702
Subtotal	<u>\$8,245,077</u>
Access to the Future	
Access to Higher Education - 15,500 (10,061 FTE)--FAU is 324 FTE (197 ug/127 grad)	\$4,715,498
Tuition Increase - 0% UG Resident recommended by Governor	\$0
Student Financial Assistance--Student Financial Aid	\$0
21st Century Infrastructure	
Nursing Workforce - Year 2	\$202,500
Engineering Pathway to Success--effective teaching math/sci to attract students to engineer.	\$0
Graduate Assistants Recruitment & Retention--additional \$750 per graduate assistant	\$0
Digital Instructional Resources for STEM	
Nationally Competitive Salaries	\$0
Major Gifts Matching Funds for Instr, Res & Libr	\$1,230,000
SUS Medical Education Initiative	
Regional Medical Partnership w/UM - FAU	\$2,600,000
Subtotal	<u>\$8,747,998</u>
University Issues Supporting the SUS Strategic Plan	
Goal: Access to and production of degrees	
Outreach and University Access Initiatives--Student Financial Aid to Increase Diversity	\$2,000,000
Student Tracking, Retention, and Grad Succ Init--Center for Teaching Excellence/Stu Succes	\$800,000
Enhancing Core Educational Enterprises	
Goal: Meeting statewide professional & wf needs	
Meeting Workforce Needs in Education--FIAT-- FL Institute for Advancement of Teaching	\$3,188,320
Meeting Workforce Needs in the HC & LS Fields--UM-FAU Medical Partnership	\$2,100,000
Meeting WF Needs In STEM & Other Targ Areas	
Goal: Building world-class acad prog & outreach research capacity	
Recruiting and Retaining AC Fac & Grad/Prof Stu--Recruit & Retain world class grad student	\$1,556,250
Energy Efficiency and Energy Alternatives Res	
Health Care Research	
Environmental, Climate, and Agricultural Research	
Domestic Security Initiatives	
Other World Class Academic Program & Res Init-Library \$1,100,000;Technology \$1,000,000	\$2,100,000
Goal: Meeting community needs and fulfilling unique institutional responsibilities	
Health Care Research and Service Initiatives--Expand Memory and Wellness Center	\$200,000
Focused University and Community Needs--Cost of Branch Campus Strategic Missions	\$1,080,124
Subtotal	<u>\$13,024,694</u>
Total Issues	<u>\$30,017,769</u>
Total 2007-2008 LBR	<u>\$264,017,610</u>

FAU Enrollment Growth Funding for 2007-2008*

60	Lower Level FTE
137	Upper Level FTE
127	Graduate FTE
<u>324</u>	Total FTE

Components by Funding Model

Instruction and Research	\$	3,626,808
University Support	\$	366,201
Library Resources	\$	52,429
Technology Infrastructure	\$	40,313
Branch Campus Funding	\$	31,787
Student Financial Aid	\$	63,530
Waivers	\$	360,680
Student Services	\$	173,750
	\$	<u>4,715,498</u>

* Based upon FAU's revised enrollment plan, from 504 FTE to 324 FTE