



Item: AF I-5

BOT AUDIT AND FINANCE COMMITTEE

Wednesday, April 25, 2007

SUBJECT: THIRD QUARTER STATUS OF FLORIDA ATLANTIC UNIVERSITY'S 2006-2007 OPERATING BUDGET, JULY 1 – MARCH 31, 2007.

PROPOSED BOARD RECOMMENDATION

Information Only.

BACKGROUND INFORMATION

To keep the Board of Trustees fully aware of the financial condition of the University, quarterly reports on the University's operating budget will be presented. This report will present year-to-date expenditures for each of the budgetary components of the University: Educational and General; Auxiliary Enterprises; Sponsored Research/Grants and Contracts; Financial Aid; Student Government/Student Activities; Athletics; and, Concessions. Budgetary comparison with the prior year will also be presented.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: PowerPoint Presentation: Third Quarter Status of FAU's 2006-2007 Operating Budget, July 1 – March 31, 2007.

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

Phone: 561-297-3266

FLORIDA ATLANTIC UNIVERSITY 2006-2007 UNIVERSITY OPERATING BUDGET JULY 1, 2006 TO MARCH 31, 2007 THIRD QUARTER REPORT

- *Educational and General Operating Budget*
- *Student Financial Aid Operating Budget*
- *Grants and Contracts-Sponsored Research Operating Budget*
- *Auxiliary Enterprises Operating Budget*
- *Athletics Local Operating Budget*
- *Student Government-Student Activities Operating Budget*
- *Concessions Operating Budget*

THE EDUCATIONAL AND GENERAL BUDGET

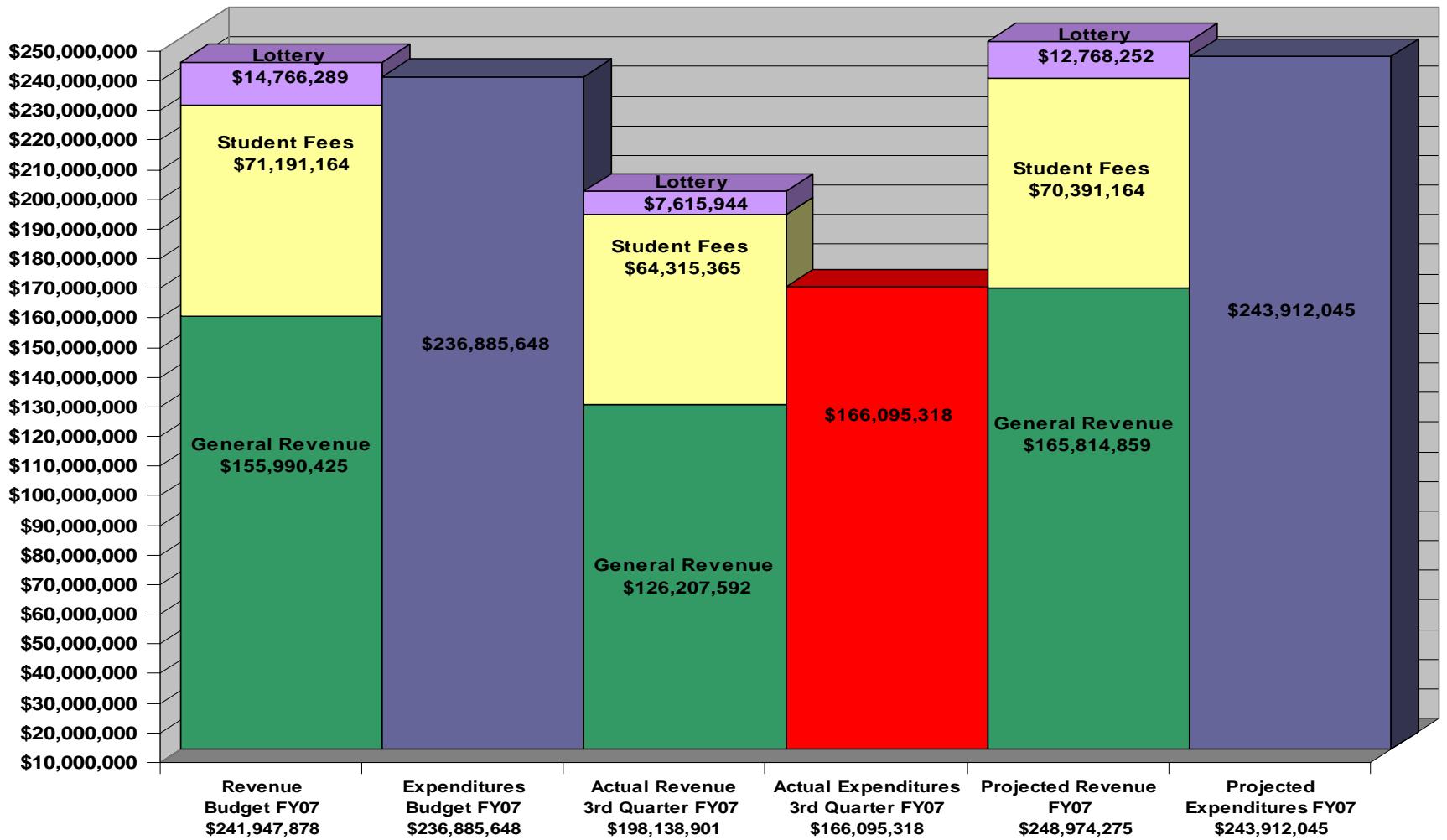
The Educational and General budget includes expenditures for instruction, research, library and learning resources, student services, plant operations and maintenance and administrative support. The budget is funded by:

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. At least 38 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.

Florida Atlantic University Educational and General Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Educational and General Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$241,947,878 Actual Revenues to March 31: \$198,138,901

Budgeted Expenses 2006-07: \$236,885,648 Actual Expenses to March 31: \$166,095,318

The total budgeted revenue for 2006-2007 is \$241,947,878. The major revenue components are general revenue (\$155,990,425), student fees (\$71,191,164), and lottery funding (\$14,766,289). Included in the initial budgeted revenue and expenses is \$1,998,037 (lottery), which has been transferred to the FAU Foundation, Inc. as part of the Challenge Grant Program. Consistent with BOG budget directions, the revenues and expenses have been adjusted downward by the \$1,998,037 Challenge Grant transfer to the Foundation. Additional budget amendments for retirement rates, salary increases and Centers of Excellence funding are reflected in the budgets. Also reflected is the transfer of Centers of Excellence funding to the Division of Sponsored Research to support the approved grants.

For the third quarter, actual revenue collections are general revenue of \$126,207,592, student fees of \$64,315,365 and lottery funding of \$7,615,944 for total revenue of \$198,138,901.

The total expenditure budget 2006-2007 is \$236,885,648. This amount reflects \$5,062,230 in student fee budget authority held in unallocated reserve. This is not a cash reserve but is authority to spend if cash is received.

Total expenditures through the third quarter were \$166,095,318, or approximately 68 percent of the total projected budget amount. Total expenditures are slightly below the spending rate of the previous year – 68 percent compared to 71 percent in 2005-06. Expense items are higher due to increases in utilities, insurance, and student financial aid support.

Educational and General Operating Budget

Analysis:

General revenue collections for the University are projected to reach their targeted amounts. With low unemployment, continuing strength in the underlying Florida economy, population-driven revenue increases, and higher levels of personal income, total revenues for the State should continue to be relatively strong. The revised State revenue estimating conference of March 12, 2007 projects a downward revision of \$303 million in revenue for 2006-07, which represents a slight decrease over the last estimate. This slow-down is largely attributed to dampened real estate activity, marginally weaker sales tax collections, and stabilized Corporate Income Tax collections. These three factors have contributed to an estimated revenue decrease of \$653 million for 2007-08. The next estimating conference for General Revenue is scheduled for July 2007.

Student fee collections and enrollments are below the funded enrollment plan for 2006-07 and are being carefully monitored. Based on summer final, fall preliminary and spring estimated enrollments, overall targets will not be achieved. Student fee collections were based upon a growth rate of approximately three percent over the prior year. Summer enrollments were up approximately one percent and Fall enrollments were down overall .2 percent compared to the same time in 2005-06. Fall 2006 headcount is 25,750 vs. 26,095 in 2005. Registration for spring semester is below the original projection – 2.0 percent above previous year. Lower community college transfers, higher admissions standards, and the continuing strong economy contribute to this reduction. Out-of-state enrollments continue to be weak at FAU and system-wide. Currently, a shortfall of approximately \$800,000 is anticipated, an improvement over the prior projections.

Lottery revenue is projected to be fully achieved. The March 2007 estimating conference increased current projections by \$3.1 million in 2006-07 and by \$5.2 million in 2007-08.

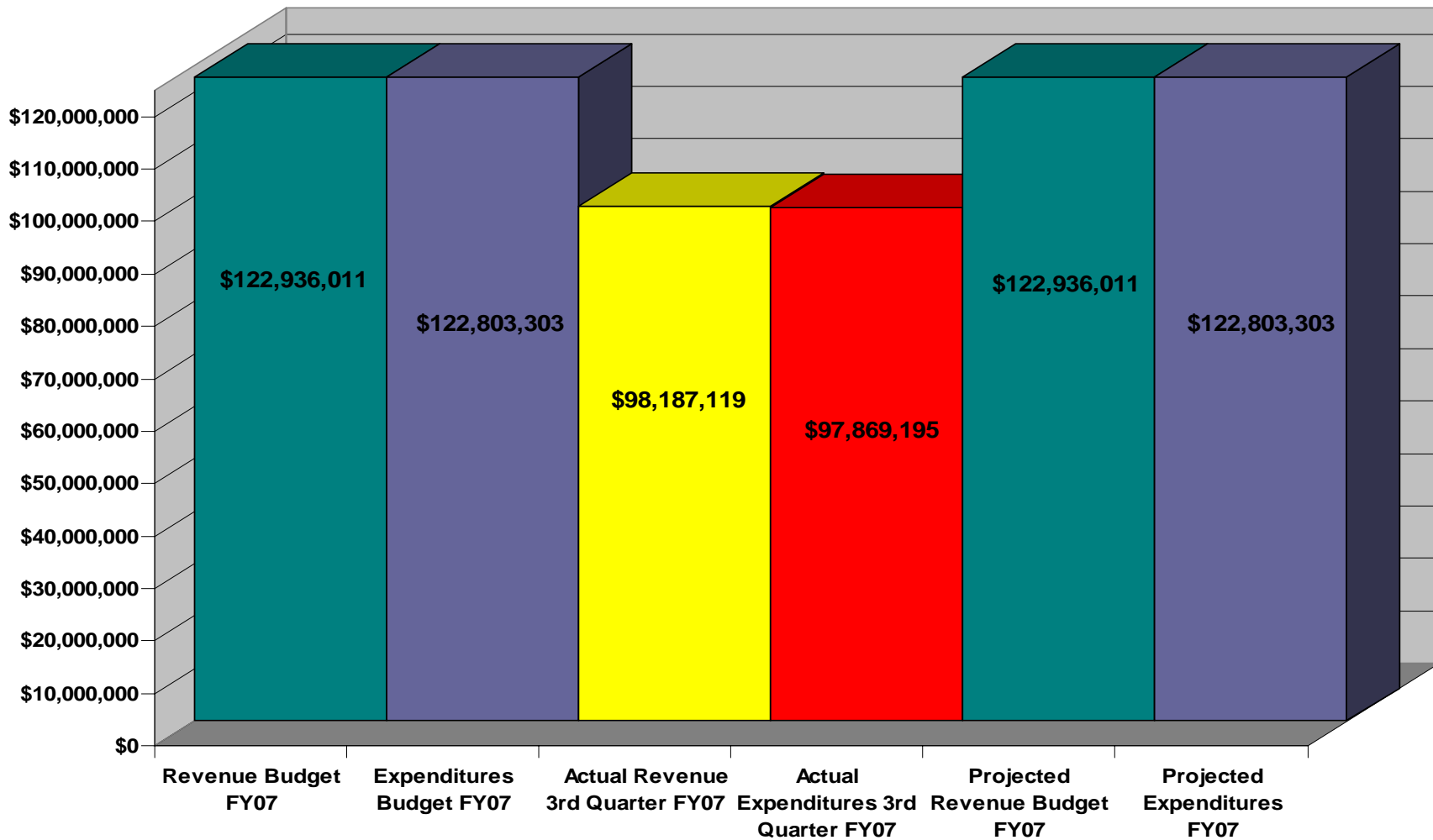
THE STUDENT FINANCIAL AID BUDGET

The Student Financial Aid budget largely represents scholarship and loan funds that are received by the University and subsequently disbursed to students. Included in the budget are funding from student financial aid fees as well as financial aid support from all sources such as federal financial aid awards (Pell, Student Educational Opportunity Grants, Perkins Loans, Stafford Loans), state financial aid awards (Bright Futures, Florida Assistance Grants), Institutional Programs (Presidential Awards, MLK Scholarships) and Private Scholarships (FAU Foundation).

Student financial aid fees are established by the legislature. Current per-credit hour financial aid fees for 2006-07:

\$ 3.68	Undergraduate In-State
\$24.41	Undergraduate Out-of-State
\$10.02	Graduate In-State
\$41.89	Graduate Out-of-State

Florida Atlantic University Student Financial Aid Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Student Financial Aid Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$122,936,011

Actual Revenues to March 31: \$98,187,119

Budgeted Expenses 2006-07: \$122,803,303

Actual Expenses to March 31: \$97,869,195

The total budgeted revenue for 2006-2007 is \$122,936,011. As of the third quarter, \$98,187,119 in revenue has been generated, or approximately 80 percent the total revenue budget. Total projected expenditures for the year are \$122,803,303. As of the third quarter, \$97,869,195 has been expended, or approximately 80 percent of total projected expenditures for the year.

Analysis:

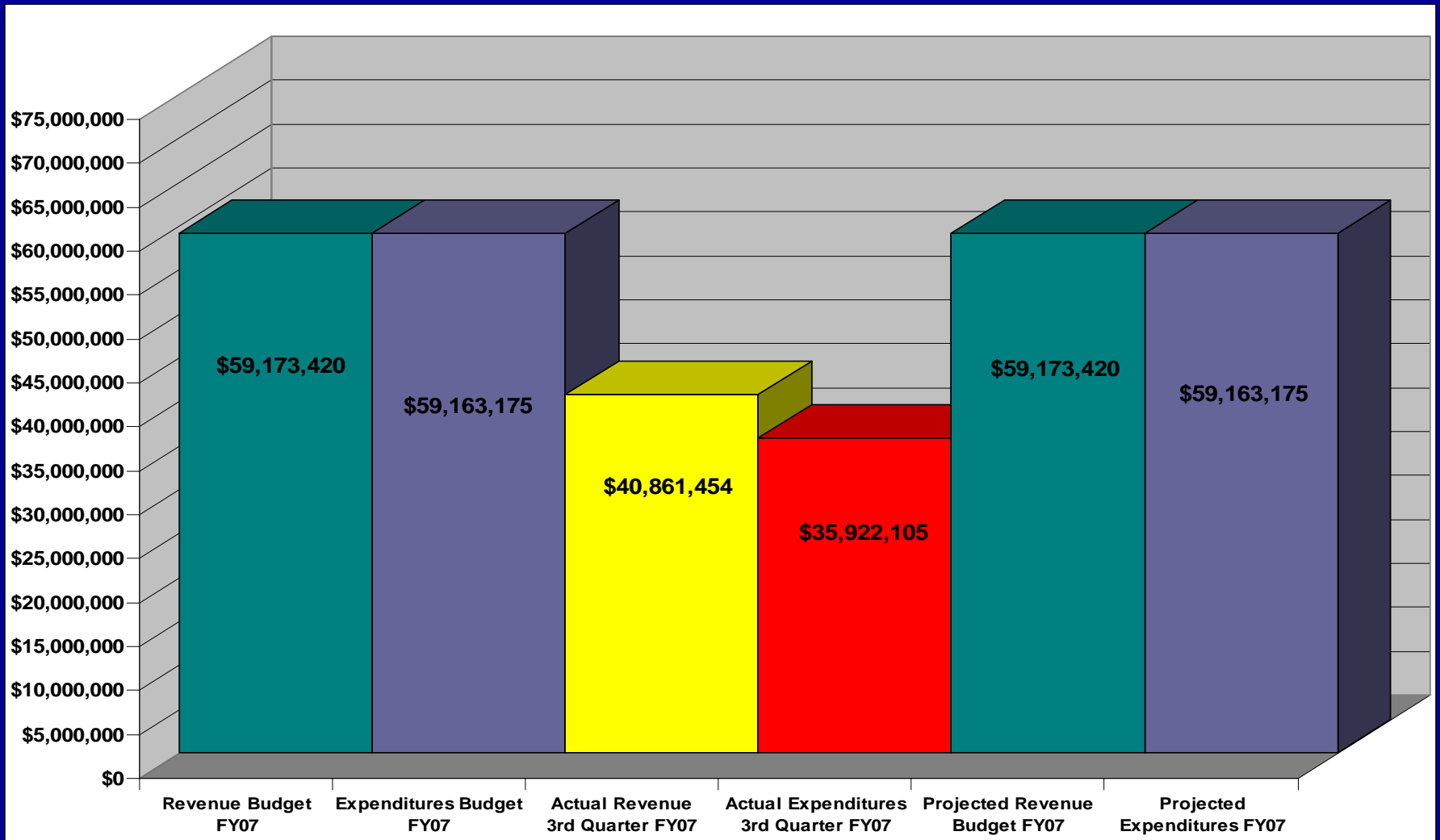
The amount of expenditures to date for 2006-07 are slightly less than the percentage spent in the prior year (80 percent for 2006-07 compared to 82 percent for 2005-06). Revenue and expenditures are believed to be on target with projections.

THE GRANTS AND CONTRACTS BUDGET

The Grants and Contracts budget consists of funding from federal agencies, state agencies, foundations and private sources that enables the University to conduct specific research projects or to provide specific services.

Expenditures for the Division of Sponsored Research, the A.D. Henderson University School and the Florida Atlantic University Foundation (payroll and clearing account) are included in the Grants & Contracts budget.

Florida Atlantic University Grants and Contracts Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Grants and Contracts Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$59,173,420

Actual Revenues to March 31: \$40,861,454

Budgeted Expenses 2006-07: \$59,163,175

Actual Expenses to March 31: \$35,922,105

The total budgeted revenue for 2006-2007 is \$59,173,420 and budgeted expenses are \$59,163,175. Total budgeted expenditures are comprised of Sponsored Research (\$49,098,755), FAU Foundation, Inc (\$5,954,753) and A. D. Henderson University School (\$4,118,667). As of the third quarter, \$40,861,454 in revenue has been generated, approximately 69 percent of the budgeted amount. \$35,922,105 has been expended, or approximately 61 percent of the total expenditure budget. A budget amendment of \$5 million for Centers of Excellence funding to support approved research grants has been made.

Of total expenditures to date, salaries and benefits total \$16,288,427 (61 percent of total expenditures); OPS of \$6,387,010 (18 percent); and expense of \$13,246,668 (37 percent).

Analysis:

Total expenditures to date are below last year's by \$3,265,681, approximately 8 percent. Revenues to date are up \$7 million over last year. Cash and Investment balances are positive and billings and receivables are being carefully monitored. Since many grants are based upon cost reimbursements, delayed receivables during the last month of the quarter are primarily responsible for the weak cash position. The Division of Research assists faculty and graduate students with the submission of hundreds of grant applications; however, not every grant application culminates in an award. FAU has had a steady increase in grant submissions and this has led to an increase in both revenues and expenditures. Revenue is not earned evenly over the course of the fiscal year. For example, two of the primary sources of award funds, National Institute of Health and National Science Foundation, make their award announcements in November and April. Furthermore, some expenditures will precede the collection of offsetting revenues.

THE AUXILIARY ENTERPRISES BUDGET

The Auxiliary Enterprises budget includes activities that support the instructional, research and service objectives of the University. Auxiliary enterprise operations are self-supporting and must generate adequate revenue to cover expenditures and to allow for future renovations and building or equipment replacement. Some auxiliaries are partially funded by student fees, including Student Health Center through the student health fee (\$5.00 per-credit hour) and Traffic and Parking through the transportation access fee.

The major auxiliary areas are:

Food Service

Housing

Bookstore

Printing/Duplicating

Telecommunications

University Theatre

Postal Services

Student Health Center

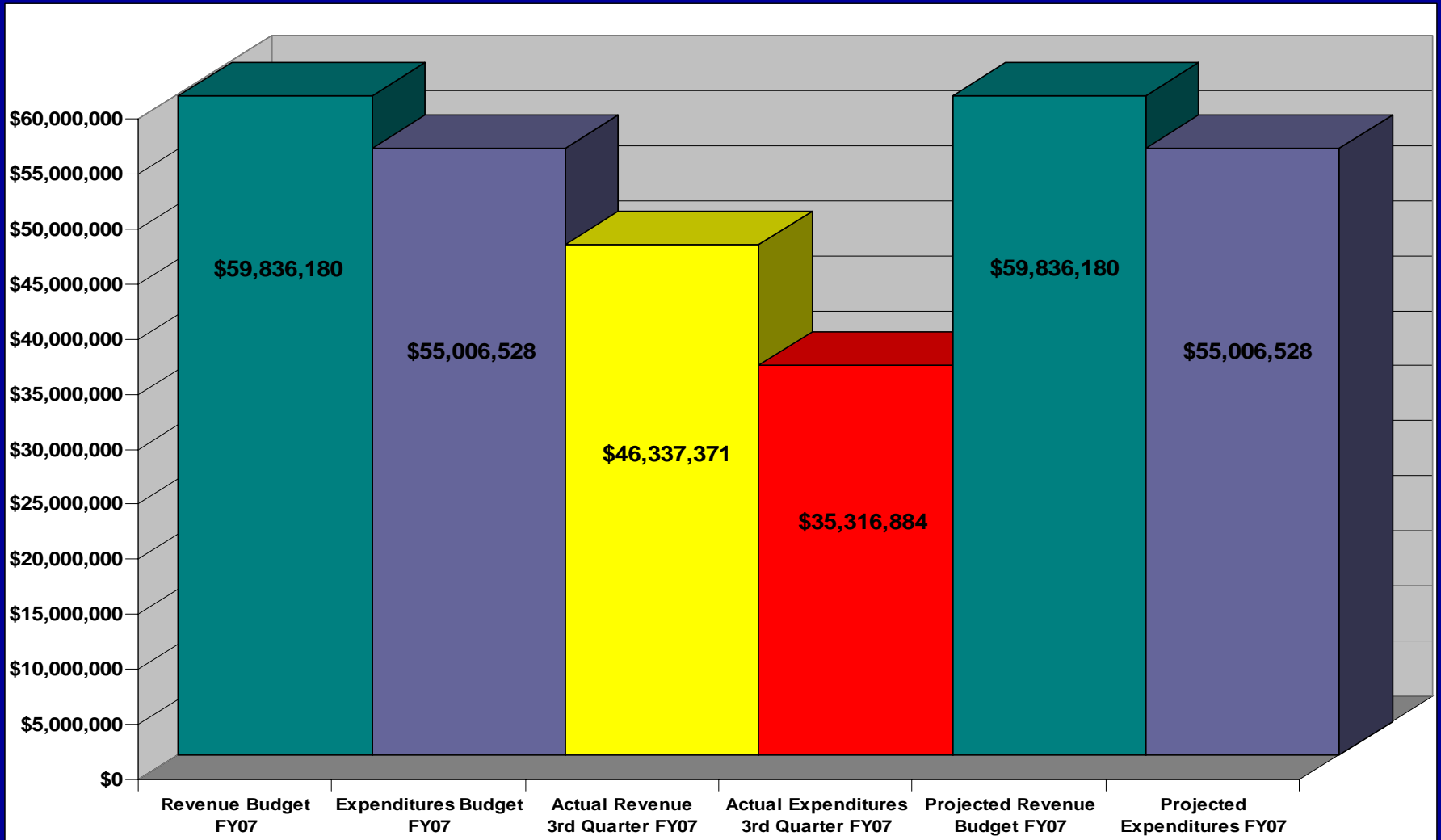
Traffic and Parking

University Center

College Continuing Education

Lifelong Learning Society

Florida Atlantic University Auxiliary Enterprises Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Auxiliary Enterprises Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$59,836,180 Actual Revenues to March 31: \$46,337,371

Budgeted Expenses 2006-07: \$55,006,528 Actual Expenses to March 31: \$35,316,884

The total budgeted revenue for 2006-2007 is \$59,836,180. As of the third quarter, \$46,337,371 in revenue has been generated, or approximately 77 percent of the total budget. Total projected expenditures for the year are \$55,006,528. As of the third quarter, \$35,316,884 has been expended, or approximately 64 percent of total projected expenditures for the year.

Analysis:

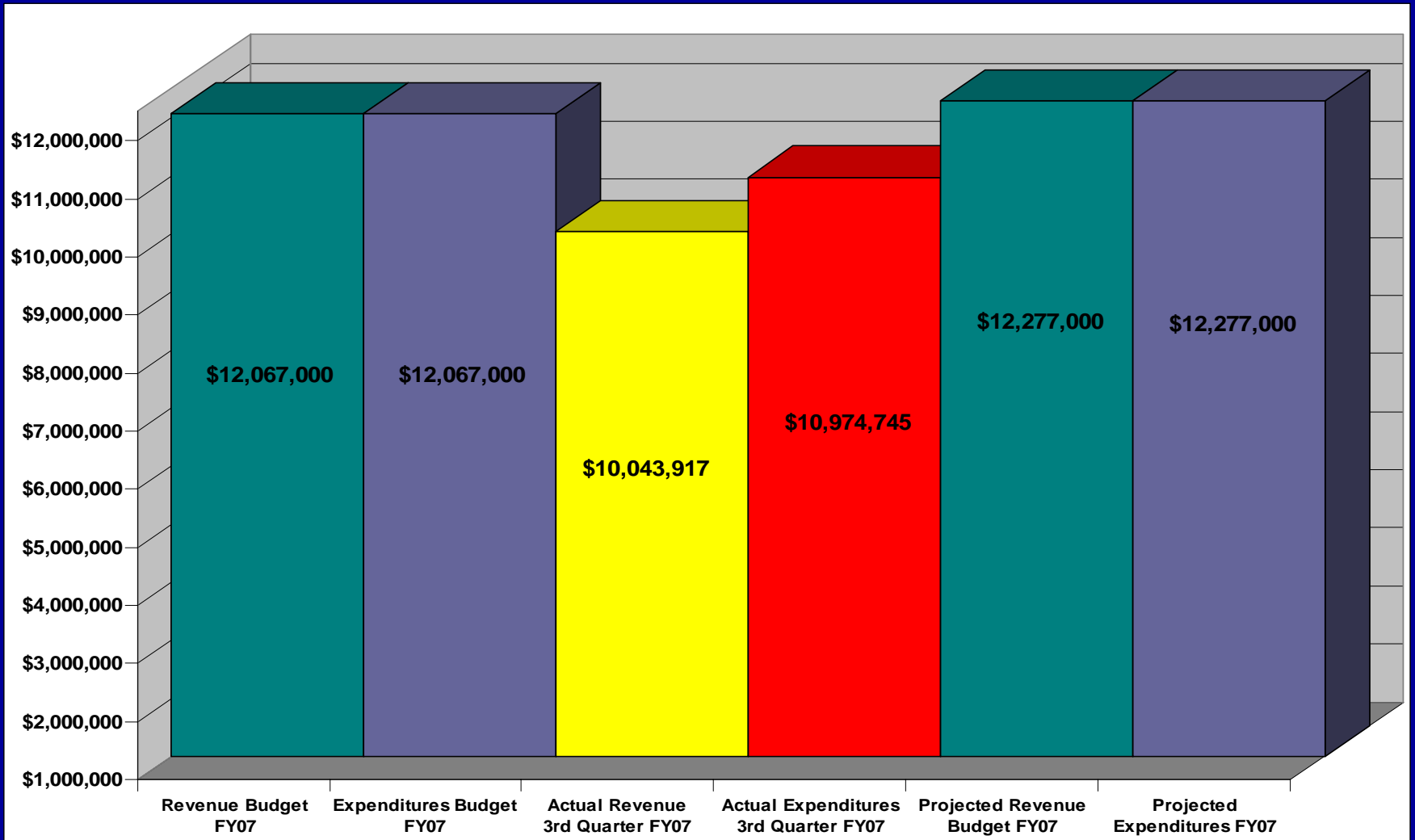
The expenditures to date for 2006-07 are slightly less than the percentage spent in the prior year (64 percent for 2006-07 compared to 67 percent for 2005-06). Revenues and expenditures for the year are believed to be on target with projections.

THE ATHLETICS LOCAL OPERATING BUDGET

The Athletics Local Operating Budget supports the University's student athletics program. Funding is generated from student athletics fees (\$13.75 per-credit hour) as well as ticket sales to athletics events, game guarantees, NCAA distributions, sponsorships and private support.

In addition to the Local Operating Budget, FAU Athletics receives \$246,000 in State Educational and General Title IX Gender Equity funding and \$1,077,815 in out-of-state waiver authority and financial aid.

Florida Atlantic University Athletics Local Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Athletics Local Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$12,067,000

Actual Revenues to March 31: \$10,043,917

Budgeted Expenses 2006-07: \$12,067,000

Actual Expenses to March 31: \$10,974,745

The total budgeted revenue for 2006-2007 is \$12,067,000. A budget amendment of \$210,000 in revenue and expenditures was approved in the first quarter. This amount was necessary to cover unbudgeted expenses that are covered by sponsored revenues. Examples of these are \$60,000 for a TV package, \$50,000 advertising sponsored by Nelligan, \$20,000 merchandise purchases and sales at games, and \$15,000 in tent rentals sponsorship.

The major revenue components after the budget amendment are athletics fees (\$8,000,000), ticket sales (\$430,000), game guarantees (\$2,075,000), NCAA/Conference distribution (\$520,000), corporate sales/sponsorships (\$300,000), corporate partnerships (\$180,000), and development (\$600,000).

Of these major revenue components, actual collections were athletics fees of \$6,899,571, ticket sales of \$343,240, game guarantees of \$1,764,750, NCAA / Conference distributions of \$563,247, corporate sales/sponsorships of \$40,427, corporate partners of \$135,150, and development funds of \$297,527.

The total expense budget for 2006-2007 is \$12,227,000 after the amendment. Payroll of \$5,763,613, program operating expenses of \$3,763,202, and scholarships of \$3,076,185 account for this total. Total expenditures through the third quarter were \$10,974,745, or approximately 90 percent of the total budgeted amount. Of total expenditures to date, 27 percent (\$2,908,219) were financial aid, 32 percent (\$3,545,980) were payroll, and 41 percent were program operations (\$4,520,546).

In addition to the local operating budget, FAU receives \$245,000 in State Educational and General Title IX Gender Equity Funding and \$1,077,815 in out-of-state waiver authority and financial aid

Athletics Local Operating Budget

July 1, 2006 to March 31, 2007

Analysis:

Athletic fee collections are projected to reach their targeted amounts and these are being closely monitored. Athletics fees were conservatively estimated at only \$73,000 above last year's projections, reflecting the annualization of last year's \$2.00 increase per credit hour on summer enrollments.

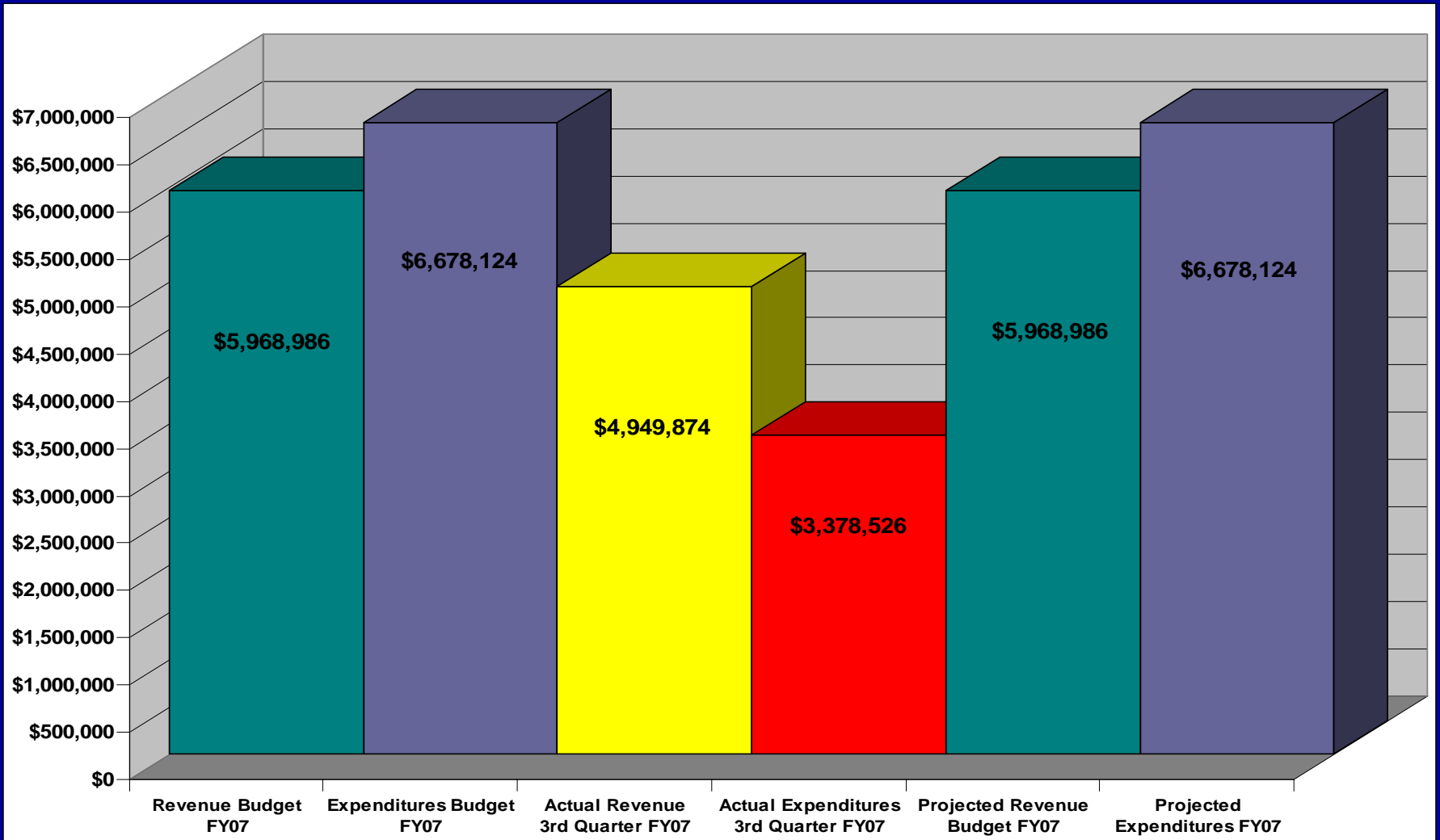
Ticket revenues are below projections due primarily to lower football ticket sales. NCAA Conference distribution revenues and game guarantees revenues are expected to be above projections. Corporate sales (sponsorships) continue to be below projections at this time and are being closely monitored; miscellaneous revenue should offset these reductions. Athletics is working with a new national corporate sponsorship company to improve sponsorship revenues. Development revenues need to be carefully monitored.

Regular meetings are taking place to monitor revenues and expenditures of Athletics. An Athletics Workshop to review current year performance and next year's projected performance was held on March 20. Based upon the workshop materials, a balanced budget for 2006-07 is projected.

THE STUDENT GOVERNMENT- STUDENT ACTIVITIES BUDGET

The Student Government-Student Activities budget supports student activities such as student government and student clubs and organizations. Also included in the budget are expenditures for the University Center and campus recreation and student wellness activities. The Student Government budget is funded primarily through the Activity and Service fee paid by students (\$10 per-credit hour) as well as other types of service fees.

Florida Atlantic University Student Government – Student Activities Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Student Government- Student Activities Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$5,968,986 Actual Revenues to March 31: \$4,949,874

Budgeted Expenses 2006-07: \$6,678,124 Actual Expenses to March 31: \$3,378,526

The total budgeted revenue for 2006-2007 is \$5,968,986. As of the third quarter, \$4,949,874 in revenue has been generated, or approximately 83 percent of the total projected revenue budget. These funds have been generated primarily by Activity and Service fees. Total projected expenditures for the year are estimated at \$6,678,124. To date, \$3,378,526 has been expended, or approximately 51 percent of total projected expenditures for the year.

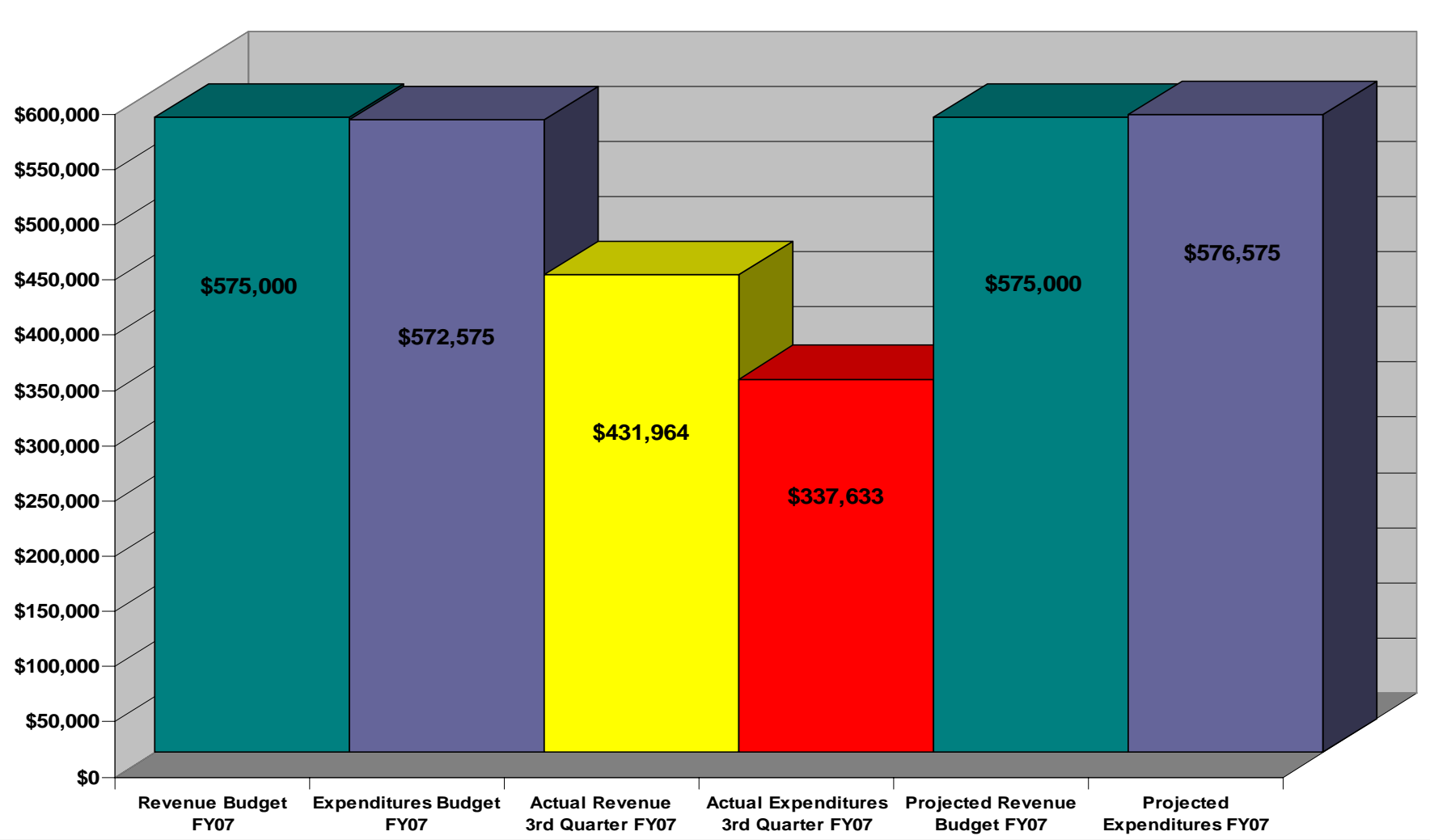
Analysis:

The expenditures to date for 2006-07 are slightly lower than the percentage spent in the prior year (51 percent for 2006-07 compared to 55 percent for 2005-06). Although projected expenditures for the year exceed revenues by \$709,138, the available cash balances will support this level of expenditure.

THE CONCESSIONS BUDGET

The Concessions Budget consists of funds from concession operations such as soft drink and snack vending machines. Expenditures from these funds support the academic mission of the University.

Florida Atlantic University Concessions Operating Budget July 1, 2006 – March 31, 2007 Third Quarter Report



Concessions Operating Budget

July 1, 2006 to March 31, 2007

Budgeted Revenues 2006-07: \$575,000

Actual Revenues to March 31: \$431,964

Budgeted Expenses 2006-07: \$572,575

Actual Expenses to March 31: \$337,633

The total budgeted revenue for 2006-2007 is \$575,000. As of the third quarter, \$431,964 has been received, or approximately 75 percent of the revenue budget, and \$337,633 has been expended, or approximately 59 percent of the total expenditure budget.

Analysis:

The amount of expenditures to date for 2006-07 is slightly greater than in the prior year (\$337,633 v. \$331,251). Revenues and expenditures for the year are believed to be on target with projections.

FLORIDA ATLANTIC UNIVERSITY OPERATING BUDGET STATUS AS OF MARCH 31, 2007 SUMMARY COMPARISONS

- *Year-to-Date Expenditures for Fiscal Year 2006-07*
- *Year-to-Date Expenditures for Fiscal Year 2005-06*

- *Year-to-Date Student Credit Hours for Fiscal Year 2006-07*
- *Year-to-Date Student Credit Hours for Fiscal Year 2005-06*

- *Year-to-Date Expenditures by Activity in Dollars for Fiscal Year 2006-07*
- *Year-to-Date Expenditures by Activity in Dollars for Fiscal Year 2005-06*

- *Year-to-Date Expenditures by Activity in Percentages for Fiscal Year 2006-07*
- *Year-to-Date Expenditures by Activity in Percentages for Fiscal Year 2005-06*

**FLORIDA ATLANTIC UNIVERSITY
OPERATING BUDGET STATUS
AS OF MARCH 31, 2007**

YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2006-07

	Operating		Remainder	% of Budget Spent	Cash & Investments
	Expenditures	Budget			
Educational & General	\$ 166,095,318	\$ 243,912,045	\$ 77,816,727	68.10%	\$ 40,321,482
Student Financial Aid	\$ 97,869,195	122,803,303	24,934,108	79.70%	1,561,352
Sponsored Research / Other Grants	\$ 35,922,105	59,163,175	23,241,070	60.72%	4,057,329
Auxiliary Enterprises	\$ 35,316,884	55,006,528	19,689,644	64.20%	37,744,442
Athletics	\$ 10,974,745	12,277,000	1,302,255	89.39%	(785,164)
Student Activities	\$ 3,378,526	6,678,124	3,299,598	50.59%	3,488,047
Concessions	\$ 337,633	576,575	238,942	58.56%	382,420
Total	\$ 349,894,406	\$ 500,416,750	\$ 150,522,344	69.92%	\$ 86,769,907

YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2005-06

	Operating		Final Budget	Remainder	% of Budget Spent
	Expenditures	Budget			
Educational & General	\$ 152,791,487	\$ 215,898,399	\$ 63,106,912	70.77%	
Student Financial Aid	\$ 98,658,319	119,553,279	20,894,960	82.52%	
Sponsored Research / Other Grants	\$ 39,187,786	58,258,912	19,071,126	67.26%	
Auxiliary Enterprises	\$ 39,570,235	58,818,913	19,248,678	67.27%	
Athletics	\$ 9,967,774	11,243,000	1,275,226	88.66%	
Student Activities	\$ 3,683,958	6,715,000	3,031,042	54.86%	
Concessions	\$ 301,251	576,575	275,324	52.25%	
Total	\$ 344,160,811	\$ 471,064,078	\$ 126,903,267	73.06%	

STUDENT CREDIT HOURS

FISCAL YEAR 2006-07 AS OF 3/31/07

Semester	Actual	Budget	Difference	% Variance
Summer (final)	95,157	97,361	(2,204)	-2.26%
Fall (final)	245,288	249,642	(4,354)	-1.74%
Spring (preliminary)	231,745	234,636	(2,891)	-1.23%
Total	572,190	581,639	(9,449)	-1.62%

FISCAL YEAR 2005-06

	Actual	Budget	Difference	% Variance
Summer (final)	94,000	96,260	(2,260)	-2.35%
Fall (final)	245,354	242,174	3,180	1.31%
Spring (preliminary)	224,326	224,326	-	0.00%
Total	563,680	562,760	920	0.16%

**FLORIDA ATLANTIC UNIVERSITY
OPERATING BUDGET STATUS
EXPENDITURES BY CATEGORY AS OF MARCH 31, 2007**

EXPENDITURES BY ACTIVITY - DOLLAR AMOUNTS

	YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2006-07				YEAR - TO - DATE EXPENDITURES FISCAL YEAR 2005-06			
	Salaries & Benefits	OPS	Expense/ Other	Total	Salaries & Benefits	OPS	Expense/ Other	Total
Educational & General	\$ 111,810,415	\$ 14,332,166	\$ 39,952,737	\$ 166,095,318	\$ 106,158,877	\$ 13,928,682	\$ 32,703,928	\$ 152,791,487
Student Financial Aid	338,877	421,130	97,109,188	97,869,195	253,463	377,947	98,026,910	98,658,319
Sponsored Research / Other Grants	16,288,427	6,387,010	13,246,668	35,922,105	16,497,470	6,671,726	16,018,590	39,187,786
Auxiliary Enterprises	8,931,700	3,513,991	22,871,192	35,316,884	8,777,255	3,260,175	27,532,806	39,570,235
Athletics	3,198,690	347,290	7,428,765	10,974,745	3,226,048	306,613	6,435,114	9,967,774
Student Activities	191,527	730,428	2,456,571	3,378,526	156,346	749,930	2,777,682	3,683,958
Concessions	-	-	337,633	337,633	-	367	300,883	301,251
Total	\$ 140,759,635	\$ 25,732,015	\$ 183,402,755	\$ 349,894,406	\$ 135,069,458	\$ 25,295,439	\$ 183,795,913	\$ 344,160,811

EXPENDITURES BY ACTIVITY - PERCENT OF TOTAL

	FISCAL YEAR 2006-07 AS OF 3/31/07				FISCAL YEAR 2005-06 AS OF 3/31/06			
	Salaries & Benefits	OPS	Expense	Total	Salaries & Benefits	OPS	Expense	Total
Educational & General	67.32%	8.63%	24.05%	100.00%	69.48%	9.12%	21.40%	100.00%
Student Financial Aid	0.35%	0.43%	99.22%	100.00%	0.26%	0.38%	99.36%	100.00%
Sponsored Research / Other Grants	45.34%	17.78%	36.88%	100.00%	42.10%	17.03%	40.88%	100.00%
Auxiliary Enterprises	25.29%	9.95%	64.76%	100.00%	22.18%	8.24%	69.58%	100.00%
Athletics	29.15%	3.16%	67.69%	100.00%	32.36%	3.08%	64.56%	100.00%
Student Activities	5.67%	21.62%	72.71%	100.00%	4.24%	20.36%	75.40%	100.00%
Concessions	0.00%	0.00%	100.00%	100.00%	0.00%	0.12%	99.88%	100.00%
Total	40.23%	7.35%	52.42%	100.00%	39.25%	7.35%	53.40%	100.00%