

BOT BUDGET WORKSHOP
March 5, 2020

Workshop Agenda

FLORIDA **A&M** UNIVERSITY
Board of Trustees

BOT Budget Workshop

Thursday, March 5, 2020

8:30 a.m.

Florida A&M University, Grand Ballroom

AGENDA

- | | | |
|-------|---|--|
| I. | Welcome | Trustee Moore |
| II. | Roll Call | Dr. Lynn B. Turner |
| III. | Workshop Overview and Board Policy | Trustee Moore |
| IV. | University Funding | Dr. Alan Robertson |
| V. | State Budget Recommendations | Dr. Alan Robertson |
| VI. | Senate Bill 190 Summary and Impact | Dr. Alan Robertson |
| VII. | New Budget Process | Dr. Alan Robertson and
Dr. Maurice Edington |
| | a. 2020-2021 Budget Priorities | |
| | b. Performance-Based Funding and Metrics | |
| | c. Quarterly Reviews | |
| | d. Carry Forward Spending Plan / Campus Renovations vs Remodeling | |
| VIII. | Questions | |
| IX. | Adjournment | Trustee Moore |

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Supplemental Document

Glossary of Terms

Glossary of Budget and Finance Terms

More information regarding these terms may be found in [Florida Statutes 1009.24](#) and the Board of Governors Tuition and Fee Regulations ([Chapter 7](#))

Education and General (E&G)

The Education and General (E&G) budget consists of State appropriated General Revenue, Educational Enhancement (Lottery) funding, and Student Tuition and Matriculation payments. Incremental funding is provided by the following primary mechanisms: Performance-based funding, tuition increases, and special legislative appropriations. State appropriated funding is no longer based on enrollments. E&G funds are used for general instruction, research, public service, plant operations and maintenance, student services, libraries, administrative support, and other enrollment-related and stand-alone operations of the university.

Activity and Service

The Activity and Service budget consists of funds from the student Activity and Service (A&S) fee to support student government operations, student activities such as clubs and organizations, student centers, and recreational sports for all campuses.

Auxiliary Enterprises

The Auxiliary Enterprises budget consists of university business operations that are self-supporting through user fees, payments and charges; no General Revenue Support. These budgets include: Academic Auxiliary programs, Housing, Parking and Transportation, Student Health Services, and other auxiliaries such as commissions on food services and bookstore sales, rentals, and interdepartmental services. Each institution may determine whether its auxiliary services will be self-supporting on an individual or collective basis, except for athletics, which shall be a self-supporting entity.

Board Approved Fees

Board Approved Fees are fees specific to the university and have been approved by the Board of Governors (Regulation 7.003(23)). Every five years, the Board of Trustees is required to review the fee to determine if the fee has met its intended outcomes. Current Board of Governors approved fees include:

Test Preparation Fee (Law Schools) – FIU and FAMU

Bonded Projects (Capital Funding)

Generally, includes housing and parking garage debt. Can be bonded through the State Division of Bond Finance or via a university DSO

Capital Improvement Trust Fund Fee (CITF) (Capital Funding)

Funded by student fees to support student related projects. Funds are collected by the university and transmitted to the State to pay for debt service. Remaining funds are returned to university after receiving legislative authorization. A portion of the fee may be used for university child care centers.

Carryforward

The accumulated ending Education and General (E&G) fund balance. Carryforward can be used for operating activities such as, but not limited to, a contingency for unfunded enrollment growth, potential budget reductions, anticipated increases in university operations, and prior year encumbrances. Interest or investment earnings on carryforward are used for operating activities. At any time, the unencumbered available balance in the E&G fund of the university board of trustees approved operating budget falls below seven (7) percent of the approved total, the president shall provide a written notification and explanation to the Board of Governors (Regulation 9.007). Carryforward funds cannot be used for new construction.

Concessions

The Concessions fund contains all the commission-based revenues from beverage and pouring, snack vending, as well as student housing laundry machines. The commission revenues are used to support the purchase of food and refreshment items at university-wide events, faculty and staff recruitment, commencements, training, lecture series, board of trustees, student housing socials and convocation events. Funds shall not be expended for the construction or reconstruction of buildings except as provided under s. 1013.74 F.S.

Contracts and Grants

The Contracts and Grants (C&G) 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 non-research services. The C&G budget also includes direct support organization reimbursements for use of university resources.

Expenditures to support research grants include: a) direct costs such as salaries, wages, and benefits of research personnel, materials, supplies, travel, equipment, and rental of space that are directly attributed to the research project, and b) Indirect Costs such as building and equipment use and depreciation, physical plant and maintenance, hazardous waste disposal, libraries, general administration costs (legal, purchasing, accounting), janitorial services, and utilities.

Developmental Research Schools

These are a category of public schools affiliated with a state university college of education as provided by F.S. 1002.32. Currently, FSU, FAMU, UF and FAU operate DRS schools.

Direct Support Organizations; DSO's

Per Florida Statute 1004.28 (1)(a), "University direct-support organization" means an organization which is:

1. A Florida corporation not for profit incorporated under the provisions of chapter 617 and approved by the Department of State.
2. Organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of a state university in Florida or for the benefit of a research and development park or research and development authority affiliated with a state university and organized under part V of chapter 159."

Similar to Auxiliary Enterprises, DSO's must be self-supporting; the key distinction is that DSO's are formally incorporated.

Faculty Practice

Faculty Practice Plans collect and distribute income from faculty billings for patient services to the UF, FSU, USF, FAU, UCF, and FIU Medical Clinics to cover the cost of medical services.

Gifts (Academic or Capital Funding)

Another source of academic or capital funding is philanthropy. Philanthropic gifts usually come with donor restrictions on the use of the funds.

Intercollegiate Athletics

The Athletics Operating budget supports the university's student athletics program. Funding is generated from student athletics fees as well as ticket sales to athletics events, game guarantees, NCAA distributions, sponsorships and private support. Intercollegiate Athletics is also supported by Title IX funding, waivers and scholarships, and a statutory tax on ticket sales to support women's sports.

Local Funds

Local funds is a term used to describe a grouping of university operating units that, prior to the devolution of the state universities from the State's central accounting system (FLAIR), were allowed to deposit operating revenues into local bank accounts as opposed to the State Treasury. These units include Student Activities, Financial Aid, Concessions, Intercollegiate Athletics, Technology Fee, Board-Approved Fees, and university Self-Insurance Plans.

Performance-Based Funding

Performance-based funding is a mechanism by which the Florida Board of Governors (BOG) allocates state appropriations to the state universities. The BOG Performance Funding Model (PFM) includes 10 metrics that evaluate institutions on a range of issues. Eight of the 10 metrics are common for all universities; one is selected by the BOG for the university and one is selected by the Board of Trustees. The Performance-based Funding Model has been in effect since fiscal year 2014-15.

Public Education Capital Outlay (PECO) (Capital Funding)

Funded by the Gross Receipts Tax, which is a 2.5 percent levy on the gross receipts of electric, gas and telecommunications as well as a portion of the Communications Services tax. This tax is devoted entirely to the Public Education Capital Outlay and Debt Service Trust fund. PECO is established in the Florida Constitution and must be used for K-20 Capital projects, including the state universities. The Legislature appropriates PECO annually. PECO distributions are administered by the Florida DOE.

Self-Insurance Programs

These are revenues received by the university from entities and individuals protected by the self-insurance program for medical schools, including the Faculty Practice Plans. These programs at UF, FSU, USF, UCF, FIU, and FAU are directed by the respective self-insurance councils and the captive insurance companies (these companies underwrite the risks of its owner and the owner's affiliates). These activities are supported by premiums charged to the insured individuals and entities (primarily medical faculty and institutions). There shall be no funds appropriated to a self-insurance program (Chapter 1004.24(3) Florida Statutes).

Special Legislative Appropriations

These are legislative appropriations tied to specific university requested or member projects. Funding is based upon the university's Legislative Budget Request and may be recurring or non-recurring.

Student Financial Aid

The Student Financial Aid budget consists of funding from student financial aid fees, support from federal and state financial aid awards, institutional programs, and private scholarships. The financial aid fee may not exceed 5 percent of the combined total of the tuition and out-of-state-fee. A minimum of 75 percent of the fee shall be used to provide student financial aid based on absolute need. Examples of other sources of student financial aid are: Federal Pell Grants, Florida Bright Futures Scholarship Program, university scholarships, Florida Student Assistance Grant, Federal Work Study, and First-Generation Scholarships.

Student Loans

The Student Loans Budget is comprised of loans from federal and private sources. Federal sources include Stafford and Plus, and private sources include Sallie Mae, Discover, and the PNC Financial Services Group Inc. The university acts as an agent with respect to these funds.

Technology Fee

The Technology Fee budget consists of funding from the technology fee which is assessed at 5 percent of resident base tuition. The fee revenues are used to enhance instructional technology resources for students and faculty.

Tuition Increase Funding

The Florida Legislature establishes undergraduate tuition and authorizes the Board of Governors to establish graduate and professional tuition, as well as non-Florida resident tuition. Tuition differential beyond the base tuition for undergraduate Florida residents, up to 15 percent, is currently being implemented by each university with the exception of Florida Polytechnic University. A minimum of 30 percent of the tuition differential fee must be used to provide need-based financial aid to undergraduate students. The ability to request an increase in the Tuition differential fee beyond existing levels was eliminated effective fiscal year 2014-15 (per Chapter 1009.24(16) F.S.) with the exception of those universities designated as Preeminent by the Board of Governors (may request an increase not to exceed 6 percent per year for tuition and tuition differential fee combined). The Board of Governors approves tuition for market rate programs subject to parameters established by the Florida Legislature and Board Regulation 8.002.

University Treasury Operations

Treasury operations revenue consists of earnings from the university's investment portfolio. Earnings include interest income, realized gains and unrealized gains or losses.

The annual Legislative Budget Request Instruction Manual glossary indicates that non-recurring means "expenditures or revenues that are not expected to be needed or available after the current year."

It is important to note that while the state may grant budget authority for a given amount of funding, the University plans its expenditures on the basis of the tuition and fees it is most likely to collect.

Unless otherwise expressed by law, E&G funds are to be used for E&G operating activities only. These expenses include but are not limited to, general instruction, research, public service, plant operations and maintenance, student services, libraries, administrative support, and other enrollment-related and stand-alone operations of the universities.

An E&G non-recurring expenditure is defined as an expenditure that is not expected to be needed or available after the current fiscal year. Non-recurring expenditures have distinct elements:

- Time-limited in nature, where an end date to a given contract or activity is known
- There is no promise or guarantee of future funding
- May cross multiple years, but the above two provisions apply
- May address financial challenges resulting from external factors (examples could include federal government shutdown, drop in state revenue resulting in a mid-year reduction)

Some examples of non-recurring expenditures include, but are not limited to:

1. Summer Appointments
2. OPS Appointments
3. Adjunct Faculty Appointments
4. Visiting Faculty Appointments
5. Limited / Time Specific Employment
6. DROP Employees
 - If there is an overlap for cross-training. Focus on the position. For example, if a CFO enters DROP or announces his / her retirement, that should not make the position non- recurring as someone will replace him or her (or the university could reorganize)
 - If the position (position responsibilities) is being eliminated or reassigned
7. Start-Up Funds
8. Repairs and Maintenance
9. Equipment Purchases
10. Student Financial Aid Payments
11. Travel
12. Office Supplies
13. Bonus / Temporary Payments
14. Utilities Expense (such as a mid-year, unexpected increase, that wasn't built into the original budget)
15. Consultant Fees
16. One-Time / Annual Contracts (case-by-case determination by each university)
17. Rentals (short-term)
18. Transportation (such as transportation cost for site visits, additional buses required on a short-term basis, etc.)
19. ERP Updates
20. Demolition
21. Leases (case-by-case determination by each university)

Florida A&M University

Expenditure Guidelines

OVERVIEW

- A. General Guidelines** – As a general rule, all expenditures must for appropriate goods and/or services necessary to carry out the mission of the University. To be an allowable expenditure, a clear business purpose must exist. Items which are of a personal nature rather than directly benefiting the University will not normally be allowed. Examples of such items are as follows:

Personal Items

- Portable heaters
- Fans
- Refrigerators
- Stoves/Microwaves
- Coffee Pots and Supplies
- Holiday greeting cards
- Gift Cards

Food/Beverage/Entertainment

- Alcoholic Beverages
- Food items
- Lavish or extravagant entertainment
- Employee gatherings (parties, baby Showers, birthday, celebrations, etc)

Other

- Personal journal subscriptions
- Lobbying

Office Décor

- Wall hangings/Picture frames
- Various decorations

Travel

- First/Business class travel

Donation

- Gifts/donations to outside individual or employee
- Political contributions/donations
- Charitable Contributions

Memberships

- Private club memberships

B. Allowable Expenditures Based on Fund Source

1. Educational and General (Funds 101, 102, 103, 104, 119, 120, 127, 128)

E&G Funds must be expended in accordance with the State Department of Financial Services, Division of Accounting and Auditing

(http://www.myfloridacfo.com/aadir/reference_guide/Reference_guide_for_state_expenditures.pdf).

Expenditure of state funds must be authorized by law and the expenditure must meet the intent and the spirit of the law. In cases where the items for payment is generally used for the personal convenience of the employee (portable heaters, fan, microwave, refrigerators, etc) and which generally are not necessary in order for the University to carry out its statutory duties, the department must provide justification for the purchase of these items. Also, E&G funds cannot be expended to satisfy the personal preference of an employee (for example, a University may not purchase more expensive office furniture or equipment than is necessary to perform its official duties because the employee prefers a more expensive item).

2. Auxiliary Funds (Funds 110, 116)

Funds generated by auxiliary departments are not considered appropriated and, therefore, are not subject to expenditure guidelines set forth by the State Department of Financial Services, Division of Accounting and Auditing. Auxiliary funds may be expended for any goods/services necessary to fulfill the mission and programmatic needs for which the auxiliary was established. Auxiliary departments must maintain documentation for audit purposes for all expenditures. The following goods and/or services may not be purchased with auxiliary funds under any circumstances.

- Alcohol
- Congratulatory telegrams
- Entertainment of visiting dignitaries
- First Class travel
- Flowers and telegraphic condolences

3. Student Activity (Fund 117)

The Student Activity and Service Fee shall be expended for lawful purposes to benefit the student body in general. This shall include, but shall not be limited to, student publications and grants to duly recognized student organizations, the membership of which is open to all students at the University without regard to race, sex, or religion. The fund may not benefit activities for which an admission fee is charged to students except for student government sponsored concerts.

4. Concession Fund (Fund 117)

Pursuant to F.S. 1011.91(2), all monies received from vending machine collections (generally referred to as the Concession Fund) by a University shall be expended in accordance with budget as approved by the Board of Trustees. Documentation for expenditures from this fund shall provide adequate information for pre-audit and post-audit review, including adequate description and purpose of the expenditure, and shall support a bona fide University purpose.

5. Sponsored Programs (Fund 203, 204, 206, 207, 208, 209)

Sponsored projects/contracts and grants fund are generally more restrictive in that the expenditure must generally meet the budgetary requirement of the project. These projects may also specify payments that would not otherwise be allowed such as payment to research participants and certain items of personal nature that are necessary as part of the sponsored project, such as food and clothing items. Funds shall not be used for entertainment and food expenses unless specifically allowed by the sponsored program. The University will continue to use the expenditure guidelines set forth by the Department of Financial Services, Division of Accounting and Auditing,

6. Research Overhead (Fund 203)

Pursuant to Section 1004.22, F.S., which states that "Moneys received for overhead or indirect costs and other moneys not required for the payment of direct costs shall be applied to the cost of operating the division of sponsored research. Any surplus moneys shall be used to support other research or sponsored training programs in any area of the university."

The following goods and/or services may not be purchased with research overhead funds (F&A).

- Alcohol
- Congratulatory telegrams
- Flowers and Telegraphic condolences
- Entertainment of visiting dignitaries/candidates
- First Class Travel

Florida A&M University
Expenditure Guidelines by Source of Funds

Description	E&G	Auxiliary	Athletics	Concession	A&S	Grants
Office/Work Space:						
Business Cards - Department Approved	Y	Y	Y	N	Y	Y
Congratulatory	N	N	Y	Y	Y	N
Decorative Items - Lamps, Statues, pictures, clocks	N	N	N	N	N	N
Flowers (Other than Commencement)	N	N	N	Y	Y	N
Meals or Refreshments:						
Inter-institutional committees, advisory boards	N	Y	Y	Y	Y	N
Expenses for Employee's Spouse if attendance is required	N	N	N	Y	N	N
Alcoholic Beverages	N	N	N	N	N	N
Catering for University functions	N	Y-1	Y	Y	Y	N
Institutional Meetings, Seminars	N	Y-1	Y	Y	Y	N
Meals related to training and organizational development	N	Y-1	Y	Y	Y	N
Meals for bona fide university purpose other than candidates and spouse	N	N	Y	Y	N	N
Meals for job candidate, spouse	N	N	Y	Y	N	N
Meal gratuities (not to exceed 15% of bill)	N	Y-1	Y	Y	N	N
Refreshments	N	Y-1	Y	Y	Y	N
Staff Meetings	N	N	N	N	N	N
Staff Development:						
Books and periodicals for job related duties	Y	Y	Y	Y	Y	Y
Conferences and Conventions	Y	Y	Y	Y	Y	Y
Departmental Awards not to exceed \$100	Y	Y	Y	Y	Y	N
Plaques, Awards and other Token of Recognition (not to exceed \$100) for Employees and Volunteers (approved by HR)	Y	Y	Y	Y	Y	N
Educational or Leadership Courses that Primarily Benefit the Employee	N	N	N	N	N	N
Institutional Membership (not personal in nature)	Y	Y	Y	Y	Y	Y
Subscriptions	Y	Y	Y	Y	Y	Y-2
Promotional Items:						
Mugs, Pens, Bags, Folders (Must be cleared through Purchasing)	N	Y	Y	Y	Y	N
Holiday Cards	N	N	N	N	N	N
Invitations to University functions	N	Y-1	Y	Y	Y	Y-2
Rental of space for promotion of University events	N	Y-1	Y	Y	Y	Y-2
T-Shirts (identification purpose only)	N	Y-1	Y	Y	Y	Y-2
Florida or Other Bar Dues and Fees:						
Professional License Fees (CPA, Bar Dues, etc)	N	N	N	N	N	N
Drivers License Fee	N	N	N	N	N	N
Notary Commission and Seal for Benefit of University	Y	Y	Y	Y	Y	Y
Commencement/Graduation:						
Catering/Food Purchases	N	N	N	Y	N	N
Rental of space for commencement	Y	Y	Y	Y	Y	N
Printing/Supplies/Related Costs	Y	Y	Y	Y	Y	N
Travel costs	Y	Y	Y	Y	Y	N
Diploma Cover	Y	N	N	Y	N	N
Perquisites (must be approved by Human Resources):						
Uniforms, shoe allowance, etc	Y	Y	Y	N	Y	N

Y-1 From collected fees such as Continuing Education, Camps, etc

Y-2 From Research Overhead for furthurance of research or Grant allows