

**The Florida State University Board of Trustees Meeting
FSU Alumni Center
Tallahassee, Florida
January 18, 2008**

SUMMARY MEETING MINUTES: BUDGET WORKSHOP

Members Present: Trustees Derrick Brooks, Susie Busch-Transou, June Duda, Manny Garcia, Andrew Haggard, James Kinsey, Harold Knowles, Richard McFarlain, Joe O'Shea, Leslie Pantín, Jim Smith and Jayne Standley were present. Trustee David Ford participated by phone.

1. Call to Order and Welcome

Chairman Jim Smith welcomed everyone to the Board of Trustees meeting. He welcomed Jim Kinsey, a new Board member from Ft. Myers, to the Board. He also welcomed Board of Governors' members Ms. Sheila McDevitt and Dr. Stanley Marshall. Chairman Smith also congratulated Joe O'Shea for being named as a Rhodes Scholar.

2. Approval of Minutes

Trustee Busch-Transou made a motion to approve the minutes of the September 13, 2007 meeting. The motion was seconded by Trustee Garcia and passed unanimously.

3. Consent Items – One Motion

Trustee Garcia made a motion to approve the consent items. Trustee Duda seconded the motion, which passed unanimously. The following items were approved:

- Approval of Student Government Bills for Fall 2007
- 2008 Equal Opportunity & Non-Discrimination Statement Report
- Affirmative Action Plan
- Ethics in Business Scholarship Program Procedures
- State University Commercialization Assistance Grant Program Delegation Approval
- Student Loan Practices Code of Conduct
- University Response to Students of Concern

4. Material and Supplies Fee for 2008-2009

Dr. Abele explained the material and supplies fees for 2008-2009. The fees are part of a rotating review cycle of financial review of fees to make sure that students are not being overcharged and to look for ways to make bulk purchases to reduce costs. He said that Human Sciences, Nursing, and Visual Arts, Theater, and Dance came up this year. In a few cases fees have been lowered, raised and deleted. The fee is

established by dividing the cost by the number of students. Trustee Busch-Transou made a motion to approve the 2008-2009 material and supplies fee. The motion was seconded by Trustee Duda and passed unanimously.

5. Local Fees 2008-2009 (Activity & Services Fees, Athletic Fees, Health/Counseling & Student Affairs Facility Fee)

Dr. Mary Coburn, Vice President for Student Affairs, explained the local activity & services fees, and athletic fees. There is a committee that is composed of 50% students and 50% faculty/staff that review local fees, which are the activity and services fees, the health fee, and the athletic fee, and determine if any increases are merited. Units that receive the funds from those fees do a presentation to the committee, and there is a limit to how much those fees can be raised. Dr. Coburn said that the fees could only be raised by five percent (5%) per year. This year the fees may be raised a maximum of \$1.05 per credit hour. It is a cost to continue increase to cover increase utilities, materials, minimum wage increases for the areas funded by the activity and services fee, student government, the student union, campus recreation, Thagard, Student Union, the counseling center, and athletics. The committee decided to approve the \$1.05 increase in the proportions that are outlined in the Board materials. The increases include an additional .46 for activity and services fee, .40 for the health fee, and .29 for the athletic fee. Dr. Coburn asked for the approval by the Board.

Trustee Pantín made a motion to approve the 2008-2009 Local Fees for Activity & Services Fees, Athletic Fees and Health/Counseling Fees. Trustee Duda seconded the motion, which passed unanimously.

Dr. Coburn said that the second proposed fee concerns the new facility fee being proposed to primarily build a new Thagard Student Health Center. It would be called a Health and Wellness Center, and would combine Campus Recreation, Health and Fitness activities with traditional services in Thagard Student Health Center with counseling for a new Health and Wellness Center. If other funds are available other services would be included. She said that the Thagard Student Health Center was built in 1966 for 15,000 students. It is currently very crowded. Over 60,000 patients a year are seen in the Thagard Student Health Center. A traditional pharmacy like CVS would fill 200 prescriptions in a day. In Thagard there are often more than 500 prescriptions issued per day. Dr. Coburn indicated that the goal is to shift the emphasis of student health toward wellness and prevention. The intention is to provide fitness activities in the same center where the physical therapist could take a student to exercise equipment and show them how to exercise and strengthen where they have had an injury. She said that the plan would be to expand the cardio and exercise facilities in the Leach Center. Sometimes there are 6,000 students a day in the Leach Center, so last night there were eight students in line to use just one cardio machine. This fee would fund the new health and wellness center to be a blend of wellness and healthcare. Additionally, the fee would fund an expansion of the Union. Dr. Coburn introduced Mr. Clifford Counts, Vice President of the Student Government Association to address the proposal.

Mr. Counts said that the Student Government Association is very concerned about

the overcrowding at Thagard Health Center and the need for student healthcare on campus. He said that he has heard many stories from students and that the concern is that Thagard is too small for a university of this size. Mr. Counts indicated that the students would also like to see pressure taken off of the Leach Center, which is also overcrowded during peak hours. He said the main purpose of a wellness component is to provide a space for our students who are rehabilitating from illness or injury. The final part of the proposal is to expand the Oglesby Student Union, which is overcrowded. He said that last year there were 15,000 reservations that were unmet because of space requests. Mr. Counts said that he and Mr. O'Shea solicited and received endorsements from large organizations across campus supporting the proposed fee. Additionally, there was a resolution supporting the proposal that the Student Senate approved overwhelmingly.

After some discussion, Trustee Haggard made a motion to approve the Local Fees 2008-2009 for the Student Affairs Facility Fee. The motion was seconded by Trustee Pantín and passed unanimously.

6. FSU Budget - Overview

Dr. Abele optimistically discussed the strength of the faculty, staff, and students at Florida State University. He pointed out the enormous investment in campus facilities. Dr. Abele said that anyone who has interacted with faculty, read promotion and tenure folders, and interacted with students has seen the incredible increase in quality and commitment. There are only thirty-two Rhodes Scholars selected nationally, and at Florida State University there have been two over the last three years. He listed several other University academic accomplishments as well.

Background on State Financial Outlook

Dr. Bob Bradley, Vice President for Planning and Programs, provided an overview of the state financial outlook. He said the summary is that it is bad, and it is getting worse. Dr. Bradley opened by stating that the State of Florida is an enterprise that spends over \$70 billion a year. It has well over 100,000 employees; if you count temporary employees it is over 200,000 employees. How does the state of Florida categorize its monies? They put in all their monies into the treasury. They are required to do that by the Constitution unless they are given an exemption. There are three types of monies in the state treasury. Basically there is the General Revenue fund. Then there are hundreds of trust funds, and each one of those trust funds has earmarked. Dr. Bradley said there is a budget stabilization fund that was put in the Constitution in the early 90's, and it was mandated for revenue shortfalls and emergencies. He said that the fund has never been used and has about \$1.3 billion.

Campus funds are discussed in two ways, either recurring funds or non-recurring funds. Recurring funds mean that we anticipate that the income stream supporting those funds will not go away. We will get those funds from that tax source year after year, but there is a series of other revenues that are called non-recurring funds. Recurring funds are operating dollars that recur from year-to-year. Non-recurring dollars are used for one-time projects like buying equipment and fixed capital outlay. In the Constitution there is now a provision relating to recurring and non-

recurring dollars. Specifically, the Legislature has to vote by more than three fifths if they're going to use a substantial amount of non-recurring dollars for recurring purposes. You cannot move fixed capital outlay or nonrecurring funds to pay for operating expenses. Dr. Bradley said that the Public Education Capital Outlay (PECO) Trust fund includes monies derived primary from the sales of bonds backed by the gross-receipts tax and the communication services tax. He also said that the University has approximately \$2.5 billion in General Revenue that is are the major discretionary revenues. Dr. Bradley said he would concentrate on the General Revenue funds because that is the largest source of University funding.

General Revenue in the state of Florida is very sensitive to the taxes that make up where its source. It is very sensitive to the changes in the economy. In Florida, the General Revenue fund comes primarily from taxes on consumption. The source of general revenue in Florida is very unusual. Almost 75% of the General Revenue fund comes from the sales tax. Dr. Bradley said that as the sales tax goes typically so goes the general revenue of the state of Florida. You have other taxes like the documentary stamp tax that have fluctuated enormously. Historically, they would generate \$800 million in Florida. But the real estate bubble that occurred over the last several years generated over \$3 billion. He said that the documentary stamps funding source has fallen like a stone in Florida. However, most of the revenues come from the sales tax. Between fifteen and twenty percent of the sales tax are paid for by tourists, and so if tourism changes, the state loses sales tax. If there is a recession, sales tax revenues are lost.

Dr. Bradley said there are a series of consensus estimating conferences. It might surprise you to know how many there are. So there's a series of conferences going underway where sets of professionals, one from the House, one from the Senate, one from the Governor's office, and one from a Joint Committee in various topical areas. He said that since August 2007, the General Revenue Estimating Conference lowered the estimate was lowered to \$26,502,000,000. A billion dollars was lost in a few months. That means there was a billion dollars less than general revenue. In November, when the Governor's Budget Recommendations were being developed, it had shrunk further, another billion dollars, to \$25,481,000,000. Since the legislative session was over the state has lost two billion dollars. The Legislature met in special session and reduced the budget.

Dr. Bradley indicated that the University funds have been reduce and are facing further reductions in funds. In a recession that General Revenue funds will usually fall by five (5) percent or more. Historically what happened until the year 2000, is that typically there was some redress to that fall. In other words, the Legislature usually came in and worked with the revenues a little, raised taxes, raised fees, raised tuition, and did something to put raise additional funds. He said that what is unusual about this time is that the decline is faster and further than most declines. It is already eight (8) percent and there is strong a possibility of more reductions. Revenues have dropped under previous administrations but what is different is that the net revenues in General Revenue, recurring revenues, have actually gone negative.

Dr. Bradley explained why although the Universities are so important that they are vulnerable to cuts because they compete against other General Revenue (GR) funded

programs such as public schools, health care for the poor, prisons, children's programs, developmental disabled programs and courts. He said that there are 15 agencies with 95 percent of the General Revenue funds. Reducing those agencies' budgets by \$2 billion pains every one of those agencies. They complain that the easiest place to cut is higher education, because historically they have raised tuition and offset GR.

Dr. Bradley said that every Legislature and every Governor is faced with this problem. The Legislature could reopen the appropriation process. They could: 1) use nonrecurring revenues to offset the cuts, 2) implement recurring cuts, 3) deploy Budget Stabilization Funds (\$1.4 billion), 4) Implement some revenue solutions and 5) do a combination of solutions such as hike University tuition and raise taxes.

When the Legislature passes its budget every year, the Governor's office puts together a start up budget, and he does not give all the money to the agencies all at once. The money is released throughout the year, usually by quarter. The Governor's office cannot give you as much as you thought you were going to get and hold the money. The normal way to do it is that the Governor's office would take the release plan to the Legislative Budget Commission, who would approve it, and they would hold the money that way and the Legislature doesn't have to go on record as cutting budgets. Dr. Bradley concluded by predicting that there would be additional budget reductions in the next year.

FSU Budget - Continued

Overview of University Financial History and Budget Reductions

Mr. Ralph Alvarez, Associate Vice President for Budget/Planning and Financial Services, made a lengthy presentation and overview of Florida State University's budget. He showed the revenue sources, University Financial history, revenue limitations, operating budget reductions frequency over time, and proposed 2007-2008 University operating budget reductions.

7. University Budget Reductions

Mr. John Carnaghi, Senior Vice President for Finance and Administration discussed the impact of the proposed University reductions. He said that in Finance and Administration alone there would be serious ramifications on overall campus operations.

Dr. Abele expressed concern that the budget reductions would have a profound negative affect on the University's national rankings in a competitive global environment.

Commonly Asked Budget Questions

President Wetherell discussed the 50 commonly asked budget questions pertaining to University budgets and reduction decisions. He thanked the faculty members for their continued advocacy with the Legislature and urged them to examine proposals before the Tax and Budget Reform Commission designed to add new revenue to the State economy.

Chancellor Rosenberg was recognized by the Chair and thanked the FSU Board of Trustees for their advocacy on behalf of higher education in Florida.

Trustee Pantín made a motion to authorize the action plan presented in the budget workshop and to allow staff to make adjustments to the operating budget as necessary. Trustee Duda seconded the motion, which passed unanimously.

8. Other Items

Open Forum for Board Members Discussion

Trustee Kinsey expressed his appreciation for being a part of the Board as its newest member.

Governor Sheila McDevitt, who attended the entire meeting, thanked the Board for the invitation and offered to advocate for the University system with the FSU trustees. Chairman Smith thanked her for her participation in the meeting.

9. President's Report

President Wetherell concluded the meeting by reminding the Board about the Heritage Day celebration that would begin that afternoon.

10. Adjournment

The meeting adjourned at 3:13 p.m.

The Florida State University Board of Trustees approved the minutes on June 13, 2008.