Agenda Item: FL 101

ISSUE: The University has benefited from the Board of Trustees development and approval of guiding principles to implement complex initiatives, such as with Consolidation. Similar governance level guiding principles are requested to inform the University’s strategic budget realignment.

PROPOSED ACTION: Approve the Guiding Principles as presented on December 8, 2020 with the understanding that these are living principles that Board will revisit to make sure they remain relevant and useful for communicating the Board's expectations in the strategic budget realignment process.

EXECUTIVE SUMMARY: As part of the University of South Florida Consolidation, the Board of Trustees developed and approved guiding principles to serve as reference points for leadership in implementing the complexities of the consolidation process at the operational level. These guiding principles were tailored to Consolidation, but remained aligned with USF’s mission, aspirations and strategic goals, which were also approved by the Board.

Consistent with this past governance practice and the deliberations of the Governance Committee on November 10, 2020, the Board is asked to develop and approve guiding principles to inform leadership’s decisions regarding strategic budget realignment. The Board’s approval of guiding principles is not intended to serve as approval of final decisions regarding strategic budget realignment, which will be presented to the Board separately through regular processes.

This is an informational item for Board consideration. Implementation of the guiding principles is contingent on Board approval on Friday.

Strategic Goal(s) Item Supports: USF Goal Nos. 2, 3 and 4
Committee Review Date: NA
Prepared by: Gerard D. Solis, General Counsel
Guiding Principles for Strategic Budgeting
December 2020

Strategic budgeting decisions should:

- Safeguard the health and safety of students, faculty, and staff.
- Sustain commitment to student success.
- Strengthen USF’s stature as one of Florida’s Preeminent research universities, USF’s top-tier ranking on Florida’s performance-based funding metrics, top-25 ranking (USN&WR), eligibility for membership in the Association of American Universities, and broad institutional excellence.
- Maintain compliance and accreditations (i.e., institutional and specialized).
- Honor shared governance by iteratively engaging faculty, staff, and students on all campuses.
- Emphasize USF’s Principles of Community (e.g., transparency, respect, fairness, and equity) and campus identities.
- Prioritize investment by balancing USF’s competitive advantages as a research university and support for the external communities we serve.
- Maximize service quality, as well as operational and financial efficiencies.
- Ensure financial stewardship to reach budget objectives (e.g., liquidity and a balanced budget), while minimizing the adverse impact on faculty, staff, and students.
- Embrace creative and innovative change.
Agenda

- Guiding Principles discussion (BoT)
- Budget planning background information
- Strategic Performance Framework and university priorities
- Strategic considerations in setting preliminary planning targets for colleges
- Recommended next steps
Eligibility for Membership in the Association of American Universities

Top 25 Public Research University

Strategic Performance Management Framework

Resource Allocation (Human, Financial, & Physical) to Academic Programs & University Initiatives

Human Resources

Financial Resources

Physical Resources

Architecture of Academic Excellence that Drives Key Performance Indicators

Facility & Professional Personnel Excellence

Academic Programs and Initiatives

Strategic Partnerships

Student Excellence: Graduate

Student Excellence: Undergraduate

Key Performance Indicators (KPI’s) that Drive Aspirations

USNWR Ranking Indicators

Florida Board of Governors Performance Based Funding Metrics

Florida Board of Governors Preeminence Metrics

Association of American Universities Indicators

Strategic Aspirations

Top 25 Public Research University

Comprehensive Institutional Excellence

Eligibility for Membership in the Association of American Universities
Benchmarking Analyses Comparing USF Against Other Universities

Analyses contain benchmarking data on:

• *U.S. News & World Report metrics*

• *Association of American Universities (AAU) metrics*
Summary of Institution-Wide Priorities for Rankings and AAU Eligibility

• **Maintain and strengthen:**
  - 6-yr graduation rate & Pell graduation rate comparisons
  - Class-size reduction initiative
  - Alumni giving

• **To elevate rankings:**
  - Enhance 6-year and Pell graduation rates
  - Enhance incoming student profile (SAT, Top 10% in high school class)
  - Enhance freshman retention rates
  - Increase number of faculty who are members of National Academies

• **Address deficiencies:**
  - Enhance reputation as reflected by peer assessment score
  - Increase average spending per student
  - Increase average faculty salary
  - Increase proportion of full-time faculty & with highest degree
  - Decrease student to faculty ratio
Leadership recommendations

1. Require each academic or administrative unit to address the onetime 6% E&G holdback to be completed within the current fiscal year, ending June 30, 2021.

2. Propose a plan for BOT approval in January 2021 to address BOG-requested $36.7M (8.5%) recurring E&G reduction. These reductions will be implemented no later than July 1, 2021.


4. The strategic plan will inform alignment of recurring revenues with investments in the university’s mission. Following approval of the strategic plan, the revenue-alignment plan will be presented to the BOT by June 30, 2021 for approval. This revenue-alignment plan will be implemented between July 1, 2021 and June 30, 2022.
A strategic plan informs leadership decision making about prioritizing and deploying resources to achieve institutional aspirations.

**A Strategic Plan …**

1. ... describes USF’s institutional-wide vision that considers the entire University
2. ... captures USF mission, long-term aspirations, core commitments, and unique sources of differentiation
3. ... should set expectations and standards for the colleges and administrative units

**A Strategic Plan is not …**

1. ... a list of projects or initiatives that will receive preferential attention
2. ... a tactical plan for colleges or administrative units
3. ... a static document that will be presented to the Board and then shelved
Pre-Consolidation Strategic Planning in process across USF campuses

USF Consolidation Planning
March 18, 2019 — March 15, 2020
(Preliminary strategic planning for One USF)

Updated Mission & Goals
BoT Approved: Sept 10

USF 2020 Accountability Plan
BoT Approved: April 6
BoG Approved: July 21

Strategic Performance Management Framework
Completed: September

President’s 2020-21 Annual Goals
BoT Approved: September 8

BoT-Approved Principles of Community
October 30, 2019 — March 24, 2020

SACSCOC Accreditation
SACSCOC Board approval: June 12, 2020
Consolidation effective: July 1, 2020
Documentation: December 2020
Site Visit: January 2021
Strategic Renewal Process Flow

Document Inputs:
• 2017-18 Campus Strategic Plans
• Consolidation & Prelim. OneUSF strategic planning
• SACSCOC Accreditation Requirements
• BOT-approved Mission, Goals, and Principles of Community
• USF 2020 Accountability Plan
• President’s 2020-21 Annual Goals
• Strategic Performance Management Framework

Advisory Task Force convenes, drafts initial Vision & Strategy Statements

Advisory Task Force advises on OneUSF SWOT & competitive analysis

Strategic Initiatives Committee Update 02/13/2021

Advisory Task Force Advises on “Vision for Opportunities” and “Sustainable Advantage”

Consult with Deans
Consult with Faculty Senate
Consult with Staff Senate
Consult with Administrative Advisory Council
Consult with External Community Partners

BOT SIC Presentation / Approval 05/25/2021
BOT Presentation / Approval 06/08/2021
BOG Presentation / Approval 06/22/2021

Deans and Unit Leads craft unit-level strategic plans
BOT BUDGET WORKSHOP

Strategic Considerations in Setting Preliminary Targets for Colleges

December 11, 2020
Step Process in Setting Strategic Budget Realignment Planning Targets

**Step 1:** Following extended dialogue Deans, RCs and VPs were asked to submit preliminary strategic E&G budget realignment plans at the 10%, 12.5%, and 15% levels in response to the BOG’s request for an 8.5% reduction in FY 2021 and a 10% reduction in FY 2022,

**Step 2:** Senior leadership met with unit leaders (Deans, RCs and VPs) to thoroughly discuss and better understand their preliminary plans,

**Step 3:** Senior leadership reviewed each unit’s current E&G base budget and considered other sources of available funding that might be strategically deployed to help achieve unit and institutional goals (e.g. auxiliary funds, unrestricted foundation funds, research F&A and RIA funds etc), and

**Step 4:** Senior leadership carefully analyzed and considered each unit’s relative strategic contributions toward achieving USF’s BOT- and BOG-approved goals for PBF, Preeminence, Top 25 USN&WR, and AAU eligibility prior to setting planning targets.
Strategic considerations for budget targets

BOT/BOG performance accountability metrics:

- Net tuition revenue
- Enrollment patterns
- Student-to-faculty ratios
- Degree productivity trends and areas of strategic emphasis
- Student retention and graduation rates

- Research and scholarly productivity
- Contribution to institutional rankings
- Faculty Awards
- National Academy members
### College Legend

<table>
<thead>
<tr>
<th>College of Arts &amp; Sciences</th>
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<tr>
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<td>TCOP</td>
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<tr>
<td>Judy Genshaft Honors College</td>
<td>JGHC</td>
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</tbody>
</table>
Net tuition revenue
Total E&G Base Budget (for 5 years by college)
Net Tuition Generated (less Waivers and Financial Aid)

Net Tuition is the Gross Tuition collected less (A) Tuition Waivers and (B) the amount of Tuition Differential that is dedicated to Need-Based Financial Aid.
Percent of E&G Base Budget from Tuition
Enrollment patterns
Total Student FTE Enrollment (Academic Year)

Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided. Lower numbers are more desirable.
Total E&G Funding per Student FTE
(All Colleges; Base Budget and AY FTE, all levels)

Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Total E&G Funding per Student FTE
(All Colleges, Base Budget and AY FTE, all levels, Excludes TCOP, MCOM & CMS)

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Student-to-faculty ratios
Student-to-Faculty Ratio (Fall)

*Based on preliminary data. Judy Genshaft Honors College is excluded because honors student headcount is included with college of degree major. Lower numbers are more desirable.
Percent of Undergraduate FTE Taught by Non-Full-Time Instructors (Fall)

*Based on preliminary data. College of Marine Science, Morsani College of Medicine, Taneja College of Pharmacy, and Patel College of Global Sustainability are excluded because they are primarily graduate; College of Nursing is excluded because it does not have any GA's as Instructors of Record; Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Degree productivity trends
Baccalaureate Degrees Awarded

College of Marine Science, Morsani College of Medicine, Taneja College of Pharmacy, and Patel College of Global Sustainability are excluded because they are primarily graduate. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Baccalaureate Degrees Awarded Per Full-Time Instructional Faculty FTE

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Graduate Degrees Awarded

Judy Genshaft Honors College is removed because it is primarily undergraduate.
Graduate Degrees Awarded Per Full-Time Instructional Faculty FTE (Excludes PCGS)

Judy Genshaft Honors College is removed because it is primarily undergraduate.
Doctoral Degrees Awarded
(Research and Professional)

Judy Genshaft Honors College is removed because it is primarily undergraduate; Patel College of Global Sustainability is removed due to no doctoral degrees awarded.
Doctoral Degrees Awarded per Full-Time Instructional Faculty FTE (Research and Professional)

Judy Genshaft Honors College is removed because it is primarily undergraduate; Patel College of Global Sustainability is removed due to no doctoral degrees awarded.
Total Degrees Awarded

Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Percent Baccalaureate Degrees Awarded in Areas of Strategic Emphasis (% is of total university baccalaureate degrees)

College of Marine Science, Patel College of Global Sustainability, Taneja College of Pharmacy, and Morsani College of Medicine are excluded because they are primarily graduate. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Percent Graduate Degrees Awarded in Areas of Strategic Emphasis (% is of total university graduate degrees)

Judy Genshaft Honors College is excluded because it is primarily undergraduate.
Student retention and graduation rates
Freshman Retention Rate (at USF)

*Based on preliminary data (to be finalized January 2021). College of Marine Science, Patel College of Global Sustainability, Taneja College of Pharmacy, and Morsani College of Medicine are excluded because they are primarily graduate. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
4-year FTIC Graduation Rate (at USF)

*Based on preliminary data (to be finalized January 2021). College of Marine Science, Patel College of Global Sustainability, Taneja College of Pharmacy, and Morsani College of Medicine are excluded because they are primarily graduate. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
6-year FTIC Graduation Rate (at USF)

*Based on preliminary data (to be finalized January 2021). College of Marine Science, Patel College of Global Sustainability, Taneja College of Pharmacy, and Morsani College of Medicine are excluded because they are primarily graduate. No data for the College of Public Health 2010 cohort. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
6-year FTIC Graduation Rate - Pell Recipients (at USF)

*Based on preliminary data (to be finalized January 2021). College of Marine Science, Patel College of Global Sustainability, Taneja College of Pharmacy, and Morsani College of Medicine are excluded because they are primarily graduate. No data for the College of Public Health 2014 cohort. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
2-year Graduation Rate - FCS AA Transfers (at USF)

*Based on preliminary data (to be finalized January 2021). College of Marine Science, Patel College of Global Sustainability, Taneja College of Pharmacy, and Morsani College of Medicine are excluded because they are primarily graduate. Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Research productivity
Total Research Expenditures


Millions

CAS  BCS  EDU  ENG  CMS  NUR  COPH  COTA  MCOB  MCOM  PCGS  TCOP

Board of Trustees Microsoft Teams Budget Workshop - Budget Workshop Materials
Total Research Expenditures Per Tenured/Tenure-Track Faculty FTE

Fall 2015  Fall 2016  Fall 2017  Fall 2018  Fall 2019

Thousands

CAS  BCS  EDU  ENG  CMS  NUR  COPH  COTA  MCOB  MCOM  PCGS  TCOP

$0  $200  $400  $600  $800  $1,000  $1,200  $1,400
Postdoctoral Appointees

Judy Genshaft Honors College is excluded as student enrollment is by college major.
Other Strategic Considerations
National Academic Program Rankings (Top 50)

U.S. News & World Report
Best Graduate Programs

2  Psychology: Industrial and Organizational
16  Public Health
18  Audiology
22  Criminology
27  Rehabilitation Counseling
28  Library and Information Studies
35  Engineering: Environmental/Environmental Health

43  Health Care Management
47  Nursing: Master’s
47  Medical: Research
48  Nursing: Doctor of Nursing Practice
49  Engineering: Industrial/Manufacturing
49  Physical Therapy

U.S. News & World Report
Best Online Graduate Programs

10  Information Technology
23  Engineering

Military Times

5  Cybersecurity
## National Academy Members

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<tr>
<th>USF College / Unit</th>
<th>N=</th>
<th>NAS</th>
<th>NAE</th>
<th>NAM</th>
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<td>MCOB</td>
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<tr>
<td>Institute for Advanced Discovery &amp; Innovation</td>
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<td>15</td>
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Other “quality” measures:

By institution:
• Pell rate
• Freshman academic profile
• Top 10% of HS class
• Student loan %/$
• Graduate employment rate and salary
• Endowment
• Alumni giving
• Peer Assessment
• National rankings

By college:
• Class sizes
• Percentage of faculty with highest degree
• Faculty salaries
• Faculty awards
• Citations
• Patents
Appendix

Additional slides
Strategic Priorities: Performance Based Funding

1. Percent of Bachelor’s Graduates Enrolled or Employed ($25,000+)
2. Median Wages of Bachelor’s Graduates Employed Full-time
3. Average Cost to the Student
4. FTIC Four-Year Graduation Rate (Full-time FTIC Students)
5. Academic Progress Rate (Full-time FTIC Retention with 2.0 GPA)
6. Percent of Bachelor’s Degrees Awarded with Programs of Strategic Emphasis
7. University Access Rate (Percent of Undergraduates with a Pell Grant)
8. Percentage of Graduate Degrees Awarded within Programs of Strategic Emphasis
9. BOG Choice: Percent of Baccalaureate Degrees Awarded Without Excess Hours (to be replaced, in 2021-2022, by (a) 2-year graduation rate for Associate in Arts Transfer students, from the Florida College System, and (b) 6-year graduation rate for FTIC students who are awarded a Pell Grant in their first year)
10. BOT Choice: 6-Year Graduation Rate (Full- and Part-time FTIC Students)
Strategic Priorities: Preeminence

A. (1) Average GPA
A. (2) Average SAT Score
B. Public University National Ranking
C. Freshman Retention Rate (Full-time FTIC Students)
D. Four-year Graduation Rate (Full-time FTIC Students)
E. National Academy Memberships
F. Science & Engineering Research Expenditures ($M)
G. Non-Medical Science & Engineering Research Expenditures ($M)
H. Number of Broad Disciplines Ranked in Top 100 for Research Expenditures
I. Utility Patents Awarded (Over Three Calendar Years)
J. Doctoral Degrees Awarded Annually
K. Number of Postdoctoral Appointees
L. Endowment Size ($M)
Strategic Priorities: Top 25 USN&WR

- SAT/ACT 25th Percentile
- SAT/ACT 75th Percentile
- Freshmen in Top 10% of High School Class
- Average First-year Retention Rate
- 6-year Graduation Rate
- Graduation Rate Performance (Actual Versus Predicted)
- Pell Graduation Rate
- Pell Graduation Comparison Rate
- Percent of Graduates Who Took Out Federal Loans
- Average Federal Loan Debt of Graduates
- % of Classes Under 20 Students
- % of Classes of 50 or More Students
- Student to Faculty Ratio
- Proportion of Full-time Faculty
- Proportion of Faculty with Highest Degree
- Average Faculty Salary
- Average Spend per Student
- Average Alumni Giving Rate
- Peer Assessment Score
Strategic Priorities: AAU Eligibility

**Phase I Indicators:**
- Competitively Funded Federal Research Support
- Membership in the National Academies
- Faculty Awards, Fellowships, and Memberships
- Citations

**Phase II Indicators:**
- USDA, State, and Industrial Research Funding
- Doctoral Education
- Number of Postdoctoral Appointees
- Undergraduate Education
Total Student Headcount (Fall only)

*Fall 2020 is based on preliminary data. Judy Genshaft Honors College is excluded because honors student headcount is included with college of degree major.
Total E&G Funding per Student FTE
(All Colleges; Base Budget and AY FTE, all levels)
(Excludes TCOP)

Judy Genshaft Honors College is excluded because counts are duplicated under colleges where the majors of honors students are located. Data are included in the underlying data tables provided.
Percent Undergraduate Tuition Waived (of Total Gross Tuition)

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Percent Graduate Tuition Waived
(of Total Gross Tuition)
Non-Full-Time Instructional FTE (Fall)

Stacked Bar: Lighter shading = Adjuncts
Solid = Graduate Assistants

*Based on preliminary data. College of Nursing, Morsani College of Medicine and Taneja College of Pharmacy are excluded from the GAs because they do not have any GAs as Instructors of Record.
Graduate Degrees Awarded Per Full-Time Instructional Faculty FTE

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Total Degrees Awarded per Full-Time Instructional Faculty FTE

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Federal Research Expenditures

Millions


CAS  BCS  EDU  ENG  CMS  NUR  COPH  COTA  MCOB  MCOM  PCGS  TCOP
Federal Research Expenditures per Tenured/Tenure-Track Faculty FTE
Objectives

Provide additional transparency into the origins of the needed reductions

- Operating budget
- Investments needing recurring funding

- Sharing additional background
  - “Days of Cash”
  - Discretionary vs. Non-discretionary balances
  - Carryforward background
  - Timing

- Next steps in budget process
The Genesis of the Budget Reductions
Part 1: Operating Budget
A Balanced 2020-21 E&G Operating Budget
(in millions)

Sources

- Student Fees TF
  - $284.2
  - 40%

- State Appropriations
  - $434.2
  - 60%

Expenses

- Salaries & Benefits
  - $490.9
  - 68%

- Other Personnel Services - OPS
  - $36.7
  - 5%

- Other Expenses
  - $190.8
  - 27%

Other Expenses include:
- Financial Aid
- Contractual Services
- Utilities
- Other Operating Expenses

$718 Million E&G Budget
Passed by the Board on August 19, 2020
First Reduction – State Holdback

Secretary of State
Ron DeSantis
Governor
June 25, 2020

Wisconsin released my recommended budget for Fiscal Year 2020-2021 last November. Florida’s economic recovery was at an all-time low, revenues were declining, and our state was in a recession and Florida was struggling with the economic and health impacts caused by COVID-19 Global pandemic.

Now, as we move forward with a budget that reflects our priorities and the needs of Floridians, we have an opportunity to take a different approach to our budgeting process.

The recently released 2020-2021 General Appropriations Act includes $408.3 million in State Holdback funds. These funds are intended to be used to support the operations of state agencies and provide for a 6% reduction in state spending for each agency in Fiscal Year 2020-2021.

This means that Florida will see a 6% reduction in state spending, which is equivalent to $25.9 million of budgeted funds.

$25.9 Million of Budgeted Funds - Gone

State Appropriations $408.3
6% State Holdback $25.9
57%
39%

Student Fees TF $284.2
4%

$25.9 Million of Budgeted Funds - Gone
Board of Governors LBR Instructions

1. The total for reduction issues submitted in the Schedule VIII-B must total to the 8.5 percent target reduction amount provided by OPB (i.e., the annualization amount may NOT be counted toward the 8.5 percent target).

2.5% = Another 10.8 Million of Budgeted Funds - Gone

Source: 2021-22-LBR-Instructions_8.5-Reductions.pdf (flbog.edu)
In essence, we have all the recurring obligations, but with $36.7 million less funding.

Paying $718 million of obligations this year with $681 million dollars.

Clarification:
The gap caused by the 8.5% cut in state funds equals 5% of the E&G budget as a whole.
(8.5% x 60% approx 5%)
### Summing Up the Reductions

<table>
<thead>
<tr>
<th>Source of the Budget Shortfall</th>
<th>Amount</th>
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<tbody>
<tr>
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<td>$25.9</td>
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<td>Subtotal – Effect of 8.5% shortfall</td>
<td>$36.7</td>
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*This is how the total first year reduction target was set.*
Part II:
Investments Needing Recurring Funding
Investments Needing Recurring Source

- Salary Support, T&P, Budget Cut $10.7
- Academic and Student Support $5.1
- IT Costs and Licensing $6.3
- GA Increases $2.1
- Library Costs $1.1
- Branding, Marketing $2.4
- Health, St Pete Sarasota, Other Costs $15.3
- Foundation, Alumni Support $10.1
- Facilities Repairs And Other $3.7

Total recurring expenses needing recurring sources = $56.9 million
Timeline on the Investments (millions)

- Foundation
- Marketing, IT, Class Size, Financial Aid
- SUS Budget cut, Salary increase, Repairs, GA’s, T&P
- Archivum – student, custodial, T&P, License Costs

Recap includes Tampa Only. Tampa of $44.6, plus health, SP, Sarasota and other of $12.3 = $56.9.
Summing Up the Reductions

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<tr>
<td>Investments needing recurring sources</td>
<td>56.9</td>
</tr>
<tr>
<td>Total reductions needed to balance budget</td>
<td>$93.6</td>
</tr>
</tbody>
</table>
Part III: Progress
Investments Needing Recurring Source

- Salary Support, T&P, Budget Cut $10.7
- IT Costs and Licensing $6.3
- Academic and Student Support $5.1
- Library Costs $1.1
- GA Increases $2.1
- Branding, Marketing $2.4
- Health, St Pete Sarasota, Other Costs $15.3
- Foundation, Alumni Support $10.1
- Facilities Repairs And Other $3.7

Total recurring expenses needing recurring sources = $56.9 million
## Summing Up the Reductions

<table>
<thead>
<tr>
<th>Source of the Budget Shortfall</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Florida – 6% holdback</td>
<td>$25.9</td>
</tr>
<tr>
<td>Board of Governors – Additional 2.5%</td>
<td>10.8</td>
</tr>
<tr>
<td>Subtotal – Effect of 8.5% shortfall</td>
<td>36.7</td>
</tr>
<tr>
<td>Investments needing recurring sources</td>
<td>56.9</td>
</tr>
<tr>
<td>Total reductions needed to balance budget</td>
<td>$93.6</td>
</tr>
<tr>
<td>Recurring sources identified</td>
<td>(26.1)</td>
</tr>
<tr>
<td>Net reductions remaining</td>
<td>$67.5</td>
</tr>
</tbody>
</table>
Sharing More Background
Understanding Carryforwards
**Hypothetical Creation of E&G Carryforwards**

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Budget</th>
<th>Year End Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>Salaries</td>
<td>90</td>
<td>85</td>
</tr>
<tr>
<td>Expenses</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>100</td>
<td>90</td>
</tr>
<tr>
<td>Net</td>
<td>$0</td>
<td>$10</td>
</tr>
</tbody>
</table>

Carryforward is the accumulation of many years!

Not all Carryforward is Centrally held!
Carryforward Requirements/Rules/Risks

Requirements:
• Required 7% Reserve
• Start-ups
• Direct appropriations

Rules:
• Annual Carryforward Budget
• Must be non-recurring (current law)

Risks:
• Viewed as excess and offset
• Business risks – lack of liquid reserves
• Bond ratings – days cash on hand
Carryforwards – Many Names and Purposes

Described As:

• Carryforwards
• Fund Balances
• Reserves
• In private sector, akin to retained earnings

Purposes:

• Statutory reserve
• Start-ups
• Emergencies
• Accumulation for major purchases (say ERP systems)
• Investment in initiatives
• Address timing issues
Additional Background
Topic 1: Days of Cash…..

“Per Financial Statements - $733 million of cash”
“Days of Cash”

- Critical in maintaining our bond ratings
- Represents our only source of funds to meet unknowns
- Once used, it is gone.

BUT – ALL FUNDS ARE NOT DISCRETIONARY!!
But, All Funds are Not Discretionary

- Auxiliary: $228
- Research & Construction: $127
- E&G: $285
- Self Insurance: $71
- Financial Aid: $22
But, All Funds are Not Discretionary

Constraints Include:
- Faculty RIA Balances
- Startup
- Other Research Commitments
- Construction Funds
But, All Funds are Not Discretionary