



Athletics Update

PRESENTED BY

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Background Information on Auxiliary Funds

- Consistent with SUS institutions, Florida Agricultural and Mechanical University, uses the term “auxiliaries” to represent a number of revenue generating activities¹.
- Since auxiliaries/educational business activities are primarily revenue-generating business type activities, their spending authority is controlled by available cash.
- Pursuant to BOG Regulation 9.013 FAMU has determined that the auxiliaries will be self-supporting on a **collective basis, except for athletics**. As such, the non-Athletics auxiliary funds are maintained in a single bank account.

¹ Based on review of auxiliary policies of the University of Florida, Florida International University, Florida Atlantic University, Florida State University, and University of North Florida





Findings and Approach for Determining Auxiliary Funds used to Support Athletics

- No records are available to indicate which specific fund was used to fund athletics expenses during 2008-2012 as individual transactions were not recorded as payables.
- The 2013 and 2014 Auditor General Operational Audits noted auxiliary funds were used to provide for Athletics Expenses.
- Available cash balances from 2008-2015 were reviewed for 89 auxiliary funds
- In order to determine the amount to be replenished to each auxiliary fund, reasonable estimates were calculated based on a pro-rata allocation method from available cash balances from revenue generating auxiliaries during each year from 2008-2015 and a comparison of cash balances available to transfer as of the date of the analysis, excluding funds with bond requirements.





Allocation of Pooled Auxiliary Balances Used to Fund Athletics Deficits 2008-2015

Fund	Fund ID/Dept. ID/Account No	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	Total
University Bookstore	116/603150/112000	30,116	19,417	108,505	76,227	258,412	-	-	-	492,677
University Commons	116/603170/112000	2,048,500	174,740	860,041	710,874	722,655	-	-	-	4,516,811
Auxiliary/Agency Investment Earnings	116/603191/112000/143000	-	-	-	-	-	3,491	606,589	54,089	664,169
Multipurpose Center	116/635010/112000	-	1,220	16,618	13,757	38,648	-	-	-	70,244
Copy Center	116/603410/603411/112000	152,031	-	-	-	-	-	-	-	152,031
FAMU Child Care Center	116/604480/112000	125,021	12,669	-	-	-	-	-	-	137,690
University Libraries/Copy	116/630010/112000	-	-	1,891	3,592	10,413	-	-	-	15,895
Auxiliary Reserves	116/603190/112000	-	-	-	-	-	-	-	-	-
Transcript Fee	116/604370/112000	102,587	-	-	-	-	-	-	-	102,587
Procurement Contracts	116/603405/112000	119,158	515	2,368	1,819	8,031	-	-	-	131,891
Health Clinic	116/604790/112000	1,394,208	-	-	-	-	-	-	-	1,394,208
Total		3,971,621	208,562	989,422	806,269	1,038,160	3,491	606,589	54,089	7,678,203
Cumulative Totals			4,180,183	5,169,605	5,975,874	7,014,034	7,017,525	7,624,114	7,678,203	

Funds noted in **RED** are identified as disallowed sources of funds to support Athletics based on BOG Regulation 9.013, Florida Statute 1011.47(1), and Florida Statute 1011.43.





Legal Opinion

The Office of the General Counsel has reviewed both the Florida Statutes and the Regulations of the Board of Governors of the State University System of Florida as they relate to the authorized use of funds by university auxiliary enterprises and by university direct support organizations.

Authorized use of Auxiliary Funds

- According to Florida Statute 1011.47(1) “. . . ***auxiliary enterprises are business activities of a university which require no support from the General Revenue Fund***, and include activities such as housing, bookstores, student health services, continuing education programs, food services, college stores, operation of vending machines, specialty shops, day care centers, golf courses, student activities programs, data center operations, and intercollegiate athletics programs.”
- Regulation 9.013 of the Board of Governors of the State University System of Florida states in relevant part: “***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.***”
- Florida Statute 1011.43 relating to earnings on the investment of university funds states: “***Each university is authorized to invest available agency and activity funds and to use the earnings from such investments for student scholarships and loans.*** The university board of trustees shall provide procedures for the administration of these scholarships and loans by regulations.”





Legal Opinion

Authorized use of Funds by Direct Support Organizations:

- Pursuant to Florida Statute 1004.28(1)(a)2 a Direct Support Organization is: “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 . . .”. The Board of Governors Regulation 9.011(1) mirrors the purposes of direct support organizations when it states:
- “Such support organizations shall be organized and operated to serve the best interests or missions of the university, including a university’s research, education and service missions, and may receive, hold, invest, and administer property and make expenditures to or for the benefit of the university or for the benefit of a research and development park or research and development authority affiliated with a university.”





Legal Opinion

With the exception of providing scholarships to student athletes from the earnings on the investment of auxiliary funds, the use of funds from non-athletics auxiliaries to support athletics is inconsistent with Board of Governors Regulation 9.013.





Proposed Structure for Repayment to Auxiliary Funds

Amount to be repaid	\$7,014,034
Interest rate 0%	

Periods	University Support from Direct Support Organization	Athletics Direct Repayment	Total
1	\$186,000.61	\$0.00	\$186,000.61
2	\$226,239.14	\$0.00	\$226,239.14
3	\$269,593.54	\$0.00	\$269,593.54
4	\$269,593.54	\$51,742.36	\$321,335.90
5	\$269,593.54	\$113,507.98	\$383,101.52
6	\$269,593.54	\$187,252.94	\$456,846.48
7	\$269,593.54	\$275,317.23	\$544,910.78
8	\$269,593.54	\$380,500.54	\$650,094.08
9	\$269,593.54	\$506,152.86	\$775,746.40
10	\$269,593.54	\$656,283.18	\$925,876.73
11	\$269,593.54	\$835,689.61	\$1,105,283.15
12	\$269,593.54	\$899,412.13	\$1,169,005.67
Total	\$3,108,175.16	\$3,905,858.84	\$7,014,034.00





Recommendations/Options

1. Record related payable of \$7,014,034 from Athletics to the identified funds.
2. Obtain support from DSOs to replenish cash deficits in accordance with Florida Statute 1004.28(1)(a)2
3. Establish repayment plan with initial payment beginning in fiscal year 2016-2017 for a term extending 12 years.





Corrective Actions/Prevention Plan

1. Implement 3 year budget and cash balance review process to include:
 - A. Year 1 – monthly reviews with BOG representative/President/CFO/AD/Chair of Athletics Committee.
 - B. Year 2 – monthly reviews with budget office and CFO and quarterly reviews with President/CFO/AD/Chair of Athletics Committee.
 - C. Year 3 – monthly reviews with budget office and CFO and quarterly reviews with President/CFO/AD/Board Chair.
2. Require CFO and President approval of auxiliary transfers to athletics to ensure only allowed sources are used.
3. Restrict release of approved annual Athletics budget to 75% based on prior year's history of collected amounts until adequate revenues are realized.
4. Monthly reconciliation of p-card purchases, open purchase orders, and vendor invoices
5. Reduce team travel expenses
6. Implement aggressive fundraising campaign from Athletics and DSO groups
7. Request Board of Governors to conduct a study of SUS institutions on use of auxiliary funds and other funds to support Athletics
8. Review and update operating guidelines for auxiliary enterprises to establish reporting and accountability requirements
9. Track Expenses for spirit groups in separate auxiliary fund based on established budgets

