MEMORANDUM

TO: Provost Garnett Stokes
    Senior Vice President John Carnaghi
    Vice President Robert B. Bradley
    Vice President Mary Coburn
    Vice President Tom Jennings
    Vice President Kirby Kemper
    Vice President Liz Maryanski
    Vice President Sally McRorie

FROM: President Eric Barron

SUBJECT: 2012-13 Educational and General (E&G) Allocations

DATE: July 20, 2012

Enclosed are the President and Vice President allocations for fiscal 2012-13; Carryforward balances are displayed separately. Budget matters and decisions were discussed with the Vice Presidents and the President this week.

Major Internal Allocation Changes and Items to be Distributed Later

There are no internal recurring cuts to the Vice Presidents for 2012-13, in contrast to 2011-12 reductions of $12,975,000 that were necessary due to additional legislative reductions.

As noted in the attached 3-Year Plan discussed at the July 11 UBAC meeting, in 2012-13, after making up the $8.1 beginning recurring funds gap, we have additional recurring funds of $14.4 million and tentative spending issues in the same amount.

Our 2012-13 non-recurring legislative reduction of $65.8 million ($300 million in total for the SUS) will be made up as previously discussed: $30.0 million Academic Affairs central reserve; $28.3 million university central reserve; and $7.5 million College of Medicine (COM).

The allocations do not yet contain the following, which will be distributed later:

- Salary fringe benefits, costs-to-continue increases/decreases.
- Summer 2012 faculty to OPS conversions (July to August 2012 portion).
- Performance funding--were we to qualify for a portion of the non-recurring SUS $15 million appropriation.
- The non-E&G, non-recurring contributions to central funds assigned in previous years remain as "due from" at this time: $2.0 million VP Research and $1.0 million Student Affairs, as noted in the 3-Year Plan.
**Tentative and Final Budget Approvals 2012-13**

Our recommendations for tuition increases and the tentative 2012-13 budget were approved by our BOT at the Sarasota meeting on June 8. Final BOT budget and tuition increases approvals will take place at the September 7 meeting, which will be a teleconference meeting without the customary committee meetings.

The primary change to the E&G budget since the June BOT meeting was BOG approval of 13% for undergraduate tuition differential on June 20, instead of the 15% we requested as approved by our BOT on June 8.

**3-Year Flexible Financial Plan**

Attached

**Legislative Session Overview and Tuition Revenues**

Due to re-districting (required every ten years) the legislature was in session from January 10 to March 9, two months earlier than usual.

**Decreases in appropriations**

For the first time ever, SUS carryforward balances were used to distribute legislative reductions. Institutional estimates of carryforward balances were used to pro-rate $150 million (50%) of the $300 million SUS non-recurring cuts; $100 million was distributed based on level of state support and $50 million on projected (not actual) tuition increases. Our total share of the non-recurring reduction is ($65.8) million.

Other decreases appropriated: ($918,190) for expected fee assessments to (and collections from) students who have excess credit hours towards their degree, even if the calculated figures and dollars are very questionable; and ($3,111,315) for reduced state contributions for ORP and the state’s Investment retirement plans.

**Increases in appropriations/tuition revenues**

The legislature restored $2,823,515 of our cuts from last year. The same amount was provided in 2011-12 but was labeled non-recurring.

Increases were provided for: $1,530,975 for PO&M and $3,300,000 million for Magnet Lab.

Two non-recurring appropriations of $300,000 each were provided for two special programs: *Crop Protection* and *Integrated Technology*.

Projected tuition increases, net of waivers, will add $20.6 million to gross revenues. This is inclusive of approximately $4,000,000 in additional revenues from an increase in budgeted student fundable credit hours to 1,080,022 from 1,043,768 last year.

**Governor’s Veto**

The Governor vetoed the Tuition Preeminence bill.
Major Policy/Statutory Changes

Beginning July 1 (first reflected in the July 13, 2012 pay date), the retirement contribution by the state for employees in ORP and the state’s Investment plan are changing to lower percentages. The ORP state contribution was changed from 7.92% of pay to 5.64%, or 2.28 percentage points less. A commensurate annual amount saved in employer costs was deducted from our E&G appropriation.

The legislature removed the target student FTEs by university by student level from the annual appropriations bill. The BOG is still required to submit enrollment plans to the legislature even with the lack of any legislative enrollment funding in the last six years.

Special Committees

Four special committees have been formed: BOG On-Line University Task Force, BOG Facilities Funding Task Force, BOG Commission on Florida Higher Education Access and Degree Attainment and Governor’s Blue Ribbon Task Force.

Non-Recurring Internal Allocations

These issues and amounts are listed in the enclosed 3-Year Plan; a total of $11.1 million.

Salary Budget and Conversion Policy

Salary budget, including fringe benefits, is shown in the allocations. This presents a complete picture of the total resources/budget by area; however, “position rate management” is the primary control used for the salary budget category at the department and Vice President levels.

Staff salaries and employer fringe benefits: salaries and employer fringe benefits related to vacant positions are not available for conversion to non-salary budget categories by the units. Faculty salaries and employer fringe benefits: fringes related to vacant positions are not available for conversion; faculty salaries are available for conversion to non-salary budget categories as well as for adding to the summer faculty salaries allocation.

Savings from staff and faculty salaries and benefits noted above are and not available for unit conversion use (approximately equivalent to 3% of all filled and vacant salaries and benefits) are centrally budgeted and planned for, as usual, at the University level, in order to fund overall salaries and benefits, terminal and overtime pay, and parental leave (UFF Faculty). Any excess savings are assigned to the non-recurring central reserve. Limited exceptions to these polices are provided for various reasons, normally of a contractual nature, primarily Magnet Lab, FAMU/FSU College of Engineering, and the Challenger Center.

The polices above do not apply to COM. In general, COM has conversion control over all of its funds by virtue of a separate legislative appropriation and corresponding internal policy.
Waivers (Graduate and Undergraduate)

Academic Affairs Waiver Policies:

a. *Graduate*: 54.78% of graduate tuition and out-of-state fee assessments are budgeted for waivers (Law does not participate in this program).

b. *Graduate*: In addition to the above, graduate tuition waivers are funded from direct charges to C&G, auxiliary, and other non-E&G budgets, based on the payroll stipends in those non-E&G budget entities.

c. *Undergraduate Out-of-State Fee*: A new control is established based on credit hours. A maximum total of 3,483 credit hours may be waived (3,483 x $481.48 = $1,676,995).

d. *Undergraduate Out-of-State Fee*: In addition to the above, the relatively new recruiting program begun in 2009-10 provides for a portion of out-of-state students to receive up to a 50% discount of the out-of-state fee.

e. Out-of-state waivers are available for certain students from contiguous states.

The Florida State University Panama City campus is authorized to offer a special out-of-state tuition rate to residents of Georgia and Alabama counties whose borders are within 50 miles of the Florida border of FSU Panama City’s service area. These students will pay in-state tuition plus $20.

**New Position Numbers**

If new positions are needed and are not shown in the allocations, please contact Gail Friedrich at 644-4203 to obtain position numbers related to your allocation.

**FSU Employee Courses**

The university continues to pay for the state-fundable courses/credit hours taken by FSU employees. The funding source for this program is from: a) portion of university overnight investments earnings, and b) a portion of general university investment earnings. We need to review the funding source and funding level for this program during this year.

**Tuition Increases**

The Legislature appropriated no increase in undergraduate resident tuition. The BOT, on June 8 approved our proposals for: undergraduate tuition differential, out-of-state fees and graduate tuition. BOG, on June 20, approved (changed) our undergraduate tuition differential increase to 13% instead of the 15% approved by our BOT on June 8. The impact was a reduction in revenues of approximately $1.5 million.
Faculty and Staff Salary and Graduate Assistant OPS Annual Increases

Once again, there are no state-funded increases this year (last funded in 2006-07 at 3% across the board). Faculty promotions will be paid from central resources; estimated costs are in the 3-Year Plan. We are working with the unions on a few compensation items. General salary increases, even if we have the funds, would potentially generate a significant political risk during these unusual economic times.

Health Insurance Benefits

Employee and employer premiums will remain at the current level.

Enrollment History and Projections

Final enrollments as well as the projected figures included within the Annual Work Plan submitted to the BOG on May 22 are enclosed. The Work Plan out-year figures show slight increases but are contingent on obtaining additional state support. State support for additional SUS enrollment growth was last provided in 2007-08.

The existing statutory provisions for over or under-enrollment continue: A university that is 5% below the plan for two consecutive years will incur a permanent state support budget reduction. The financial impact of tuition collection shortfalls or over-collections is the responsibility of the institution.

The legislature removed the target student FTEs by university by student level from the appropriations bill.

The budget is based on 1,088,020 fundable student credit hours, as noted in the 3-Year Plan.

Selected Strategic Planning Discussions and Plans for Next Year and Beyond

Among others, the following topics will continue to be of emphasis in the future:

- Providing access to high quality academic programs that improve baccalaureate retention and graduation
- Improving graduate and professional education by attracting and retaining outstanding faculty and students
- Fund raising and funding sources for additional Foundation operational costs
- Utility costs
- Funding sources for annual salary increases and collective bargaining
- State’s economy/recovery
- Tuition increases (particularly after BOG action on tuition differential requests)
- In-state/out-of-state student mix and impact on tuition revenues and the budget
- Discounting of the undergraduate out-of-state fee up to 50% for selected students
- The adopted 5-Year Strategic Plan
• The 3-Year Flexible Financial Plan
• Health insurance state support, and health plan changes
• Maintaining enrollment and fundable credit hours
• Further analysis on the operational and budget impacts of the internal changes made to Financial Aid beginning in 2011-12
• SACS Accreditation, preparing for 2014
• Panama City Campus funding

Internal Budgetary Guidelines
Enclosed

Beginning of Year Allocations History by Vice President
A summary of historical beginning allocations by Vice President and major budget category is enclosed.

Tuition Differential
There are statutory and BOG spending and reporting requirements for these resources. Tuition differential revenues were allocated to Academic Affairs since the beginning of differential in 2008-09. However, in the 3-Year Plan, for 2011-12 and 2012-13, additional differential revenues were dedicated to assist in balancing recurring revenues to recurring allocations.

In 2013-14 additional tuition differential budgeted revenues will be allocated to Academic Affairs.

Carryforward Policy
We need to discuss and revisit the purposes, uses, and levels of carryforward needed at various organizational levels. We have allowed the retention of year-end non-salary balances since June 30, 2004. We have experienced increasing and large balances and for the first time ever the legislature tied carryforward balances to a non-recurring cut for next year.

State General Revenues (GR) for 2013-14
The next several years may continue to be very challenging for a number of reasons related to accountability and resources. It is probable that the state budget will have significantly more recurring general revenue to work in 2013-14 as discussed with UBAC on July 11. An additional $1.6 billion in revenues is currently estimated by the Center for Economic and Demographic Research (EDR).

2012-13 versus 2013-14 Legislative Budget Request (LBR)
This year, unlike last year, institutions were not asked by BOG to submit their Legislative Budget Request as part of the Annual Work Plan, which was submitted May 22, 2012.
For the 2013-14 LBR the Chancellor/BOG are still working with the Presidents, Provosts and others on an alternative LBR submission process. No details are available at this time.

In Summary
We will continue working as a team on the University budget and related matters, while continuing to maximize the available resources of this great institution.

Thank you in advance for all the assistance in this coming year.

EB/RA/gg

Attachments (Summary Allocations, Division Allocations, Three-Year Financial Plan, FSU’s Five-Year Enrollment Plan, and Internal Budgetary Guidelines)

cc: Members, University Budget Advisory Committee
    Dr. Pamela Coats    Dr. Sandy Lewis    Dr. Clifford Madsen
    Dr. Alma Littles    Dr. Tim Logan     Dr. Jayne Standley
    Mr. Ralph Alvarez    Ms. Anne Blankenship
    Mr. Michael Lake