MEMORANDUM

TO: Provost Garnett Stokes
    Vice President Kyle C. Clark
    Vice President Mary Coburn
    Vice President Tom Jennings
    Vice President Gary Ostrander
    Vice President Liz Maryanski
    Vice President Sally McRorie

FROM: President Eric Barron

SUBJECT: 2013-14 Educational and General (E&G) Allocations

DATE: September 11, 2013

Enclosed are the President and Vice President allocations for fiscal 2013-14: Budget matters and decisions were discussed with the Vice Presidents in late June.

Major Internal Allocation Changes and Items to be Distributed Later

On May 20, 2013 the Governor signed the State Budget; however, not before he vetoed approximately $368 million dollars of which $159.1 million were General Revenue Funded. Listed below are the new GR funding items for FSU along with the items that were vetoed:

E&G (items funded)

Recurring items

- 2012-13 Health Insurance Annualization $2,214,360
- 2012-13 Annualization of PO&M $632,101
- Unfunded Actuarial Liability – Retirement $7,431,766
- Normal Cos: – Retirement $10,834
- PO&M New Facilities $834,792
- General Revenue – Fund Shift $(5,387,793)
- Education Enhancement Trust Fund – Fund Shift $5,387,793
- Preeminent State Research Universities $15,000,000
- Veterans Center $500,000
Non-recurring items

- Florida Health Equity Research Institute $400,000
- Housing for American Legion Boys & Girls State $98,000
- Leon County Civic Center Operations $5,000,000

E&G (items vetoed)

- Cloud/Virtualization $5,000,000
- Center for Reading Research $2,500,000
- Critical Maintenance (PECO) $5,000,000

E&G College of Medicine (items funded)

Recurring items

- 2012-13 Health Insurance Annualization $40,114
- 2012-13 Annualization of PO&M $200,570
- Unfunded Actuarial Liability – Retirement $650,342
- Normal Cost – Retirement $948

E&G College of Medicine (items vetoed)

- Residency 13 slots $2,600,000

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

- Summer 2013 faculty to OPS conversions (July to August 2013 portion).
- Incentive Funding BOG Gap Analysis (SB1076) - $15 million system wide has been set aside by the BOG—yet to be determined what FSU may qualify for.
- State University Performance Based Incentives - $20 million system wide has been set aside by the BOG—yet to be determined what FSU may qualify for.

Tentative and Final Budget Approvals 2013-14

Our recommendations for tuition increases for the College of Law and the College of Medicine and the tentative 2013-14 budget were approved by our BOT on June 7. Final BOT budget approvals will take place at the September 13 meeting.

Legislative Session Overview and Tuition Revenues

For the first time in several years, the legislature came into the session with a surplus of funds. The House and Senate members voted out a record $74.5 billion spending plan for fiscal year 2013-2014.
Major Policy/Statutory Changes

Beginning July 1 (first reflected in the July 12, 2013 pay date), the retirement contribution by the state for employees in the state’s Investment plan (FRS) was changed from 5.18% of pay to 6.95%. The ORP state contribution was changed from 5.64% of pay to 7.34%, or 1.7 percentage points more. A commensurate annual amount in employer costs was added to our E&G appropriation.

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.

Unused staff salaries plus fringe benefits for all pay plans (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 the College of Medicine. In general, the College of Medicine 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.

**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.

**Tuition Increases**

The Legislature appropriated a 3% tuition increase in undergraduate resident tuition. On May 20, 2013 the Governor signed the budget and vetoed the tuition increase of 3%. In accordance with s. 1009.24 (4) (b) F.S., in the absence of resident undergraduate tuition set by the General Appropriations Act, resident undergraduate tuition per credit hour shall increase at the rate of inflation, which has been certified by the Office of Economic and Demographic Research as 1.7%. The Fall 2013 credit hour fee will be $105.07. The BOT, on June 8 approved our proposals for graduate tuition increase for the College of Law and Medicine and allocated half of the 1.7% resident tuition to financial aid.

**Faculty and Staff Salary and Graduate Assistant OPS Annual Increases Provided for in the General Appropriation Act**

Faculty, Staff, and Graduate Assistants will receive a pay increase as follows effective October 1, 2013 (collecting bargaining still in process): 1) for employees with a base rate of pay of $40,000 or less on September 30, 2013, an annual increase of $1,400, 2) for employees with a base rate of pay greater than $40,000 on September 30, 2013, an annual increase of $1,000; provided however, in no instance shall an employee’s base rate of pay be increased to an annual amount less than $41,400, 3) for part-time employees, the annual increase shall be pro-rated by FTE based on the annual rate of pay on September 30, 2013. The University will receive funds effective October 1, 2013, from the funds in specific Appropriation 1950A. Funds are provided to grant each eligible employee of the State University System whose position is funded by Educational & General funds a competitive pay adjustment contingent upon all other eligible University employees receiving the competitive pay adjustment. Unlike prior years, this year the Legislature made salary increases to E&G funded employees contingent upon comparable salary increases to non-E&G funded employees. In addition to this, funds are provided (35% of employees) for discretionary one-time lump sum bonuses of $600 to eligible permanent employees to be paid out June 30th 2014 as provided in s. 110.1245 (2), Florida Statutes.
Health Insurance Benefits

Employee premiums will remain at the current level. Employer coverage will remain the same for the period of July 1, 2013 through March 31, 2014. For the coverage April 1 through June 30, 2014, premiums shall increase effective March 1, 2014, from $537.74 to $591.52 per month for individual coverage and from $1,149.14 to $1,264.06 for family coverage.

Enrollment History and Projections

Final enrolments as well as the projected figures included within the Annual Work Plan submitted to the BOG on May 22 are enclosed. We reported to the Board of Governors that we plan to grow 2% per year at the graduate level but we plan to keep undergraduate enrollment nearly constant. We expect that we will see a slight reduction in AA transfers and an increase in lower division transfers (second semester freshmen). Finally, we anticipate a continued growth in distance, hybrid and technology-enhanced classes.

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 general revenue budget reduction. The financial impact of tuition collection shortfalls or over-collections is the responsibility of the institution.

The budget is based on 1,071,656 fundable student credit hours, (Undergraduate in-state 903,400, and Graduate in-state 168,256 = 1,071,656). Out-of state fundable credit hours total 79,821 (Undergraduate out-of-state 40,304, and Graduate out-of-state 39,517 = 79,821).

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
- Maintaining and improving our national ranking, paying close attention to key measures
- 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
- 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
• Flexible Financial Plan (3-5 years)
• 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
• Transferring the Animation and Digital Arts program to Tallahassee
• 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. 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 2012-2013.

2014-15 Legislative Budget Request (LBR)
The 2014-2015 Legislative Budget Request Guidelines approved by the Board of Governors required universities to submit requests by August 1, 2013. At the time of submission, the Board of Governors requested submission of only two components: 1) Shared System Resource initiatives and, 2) non-recurring initiatives.

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/ML

Attachments: (I. Summary Allocations, II. Division Allocations, III. FSU's Five-Year Enrollment Plan, and Internal Budgetary Guidelines)

cc: Members, University Budget Advisory Committee
    Dr. Allan Clarke    Dr. Gary Tyson    Dr. Clifford Madsen
    Dr. Alma Littles    Dr. Tim Logan    Dr. Sandra Lewis
    David Coburn

    Ms. Anne Blankenship
    Mr. Eric Algoe
    Mr. Michael Lake