

August 27, 2010

**TO:** LSU System Chancellors and Equivalents

**SUBJECT:** 2010-2011 Operating Budget

The LSU Board of Supervisors is scheduled to consider the FY 2010-2011 operating budget at its August 27, 2010 meeting. Funding levels reflected in your planned operating budgets and the forms to be completed have been forwarded to your chief financial officers. In addition, an August 11<sup>th</sup> due date for the return of all budgets and related material has been established. This will give system staff time to review the proposed budgets and the opportunity to prepare documents required for the board mail out on August 19, 2010.

### **Chancellor Narratives**

Each chancellor is requested to prepare a narrative written on campus letterhead that provides a summary of his proposed FY 2010-2011 budget. This narrative should address the following:

1. Steps taken to mitigate reductions to the core academic mission of the campus.
2. Actions taken in the development of budgets to enhance future revenues from enrollment management activities, external grant funding, patient care, and other activities that positively impact other self-generated revenues.
3. Reallocations of existing resources to achieve operational improvements and to fund priority items, especially in view of the anticipated FY 2011-12 budget reduction.

Chancellors proposing to furlough employees need to address the temporary nature of this action and furnish considerable detail on the process and expected timeframe in which furloughs would be replaced with permanent cuts or increased revenues.

### **Auxiliary Enterprises**

As in the past, a detailed summary report on each of auxiliary enterprise should include:

1. Fund balances (estimated) as of June 30, 2010, and the planned uses and actual encumbrances stated separately.
2. Debt service by each auxiliary component.
3. All variations between last year's report and actual uses of the balances.

A specific action plan designed to restore profitability should be submitted for each auxiliary that lost money during FY 2009-10. If the auxiliary also lost money in FY 2008-09, please provide an additional analysis explaining why last year's plan to restore profitability was insufficient.

## **Appropriated Line Items**

If your campus received a separate "line item" appropriation as part of its recommended funding level for FY 2010-11 or is budgeting other significant new revenues such as approved tuition increases associated with the Regents 3-4-5 tuition plan or with the GRAD Act, please complete the enclosed Planned Uses of New Funds form for each such item. For revenue associated with increased tuition you will need to fully disclose amounts being added for need based aid for resident students, and how much is being used to retain faculty. Finally, for any remaining tuition funds please identify the specific initiatives supported by the funds.

## **Authorized FTE Employees**

As you are aware, this year's appropriation letter that was received from the Division of Administration included an upper limit on the number of authorized positions for all campuses, hospitals, and other specialized units. While it's likely that the System will be able to transfer FTE position authority among the various units, it will likely be difficult to obtain an overall increase in the total FTE Table of Organization (TO) assigned to us.

However, some relief may be available for those campuses participating in the Grad Act. Under the authority for granting certain operational autonomies that is provided in the Grad Act, the Regents are in the process of seeking approval from the Division of Administration for exemptions to the TO limitation for positions paid from grants and contracts, and for positions associated with direct patient care. If the Division of Administration approves, this should provide considerable flexibility to the System in dealing with the TO ceiling,

## **System Assessments to Campuses and Hospitals**

Your operating budget should be based upon the LSU System maintaining the assessments to the campuses and hospitals at the FY 2009-10 level.

## **LSU System 2010-2011 Salary Guidelines**

### **Faculty**

The state has not appropriated funds for a pay increase for the faculty for FY 2010-11. While it is expected that a limited number of promotions in rank may be appropriate, general merit increases to faculty will not be provided in accordance with Executive Order BJ 2010-5. In the event salary adjustments become necessary during the year in response to documented outside offers, the campus must provide full justification in accordance with the Bylaws and System policy.

### **Administrative and Professional Staff**

Specific funds for salary increases for administrative and professional employees also were not appropriated from the state. In accordance with Executive Order BJ 2010-5 merit increases to administrative and professional staff will not be provided during FY 2010-11. In addition, the Civil Service Commission adopted a rule suspending merit increase authority for classified employees for the period July 1, 2010 through June 30, 2011. However, in accordance with the Bylaws and System policy, the System will review and consider action on a limited number of promotions, equity adjustments, and other salary adjustments, which campuses and hospitals justify in writing as essential. As a result of continuing budget pressures and limitations on filling vacant positions, it may be necessary to expand a small number of job assignments that could require modest salary readjustments. These changes need to be fully documented and defensible.

### **Board Approval**

Board Bylaws (Art.VII, Sec. 8 D4) and *Uniform Personnel Actions Policy* should be consulted for all compensation actions that require Board approval and, insofar as practicable, separated from those requiring only Presidential approval.

### **Context**

Given the extraordinary circumstances under which LSU System institutions are operating, it is important to recognize that every budget action will receive careful scrutiny from our Board and from many external constituencies. While the detail requested in this note will require substantial effort by the institutions, the detail provided will serve us well in the ongoing conversation about higher education funding that is expected for at least the next two fiscal years.

Many thanks, in advance, for your help with this process.

John V. Lombardi  
President

cc: System Officers  
Chief Financial Officers