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MEMORANDUM

TO:

FROM: Cindy Bontrager
Assistant Vice President, Budget Planning

DATE: May 23, 2011

RE: FY 2012 Annual Budget Preparation

Enclosed are the FY 2012 annual budget base allocations for your area(s) and the preparation guidelines. Please complete the redistribution of your FY 2012 annual base budget from this information.

An Overview of FY 2012 Budget Issues:

Base Budget Reallocations

Final legislative action reduced K-State's FY 2012 state general fund (SGF), including Research and Extension and College of Veterinary Medicine, by 1.92% or \$3.2 million to a funding level of \$161.3 million. The base reductions include lapsing of SGF for classified longevity payments (\$418,113), an across-the-board SGF reduction of 1.193% (\$1,959,220) and targeted SGF reductions to reduce cell phone contract expenditures by 20% (\$28,422), 5% reduction in IT expenditures (\$218,454), expenditures for bottled water and office supplies (\$4,820) and a global reduction of administrative savings (estimated at \$530,000). The reductions will not be distributed to the units but will be absorbed from the Main Campus, K-State Salina and Veterinary Medicine tuition rate increase.

The Legislature supported the Governor's recommendation to fund \$5 million to the Department of Commerce for grants in animal health research at Kansas State University. The University will be required to provide a one-to-one funding match. The Legislature also supported the Governor's recommendation to fund \$1 million to the Department of Commerce for Engineering Expansion at the University of Kansas, Kansas State University and Wichita State University. The University is required to provide a three-to-one funding match. The Legislature also imposed a 2.5% employee surcharge on state employees as part of the premium paid by state employees. More information on this item will be distributed once we receive direction from the State.

The budget initiative process during fall 2010 identified FY 2012 strategic reductions totaling \$2,564,000 from the President and Provost units with most of the reduction from eliminating the balance of the targeted excellence funds. An additional \$382,346 general use funds will be reduced from the Athletics department. These funds will be used to replace the federal stimulus funds that were allocated in FY 2010 since the federal stimulus funds will not continue in FY 2012.

In addition a 3.96% Main Campus, 4.27% K-State Salina and 5% Veterinary Medicine tuition rate increase is being proposed that will produce \$6.6 million. These funds will be used to cover a 15% group health insurance increase, other fringe benefit adjustments, handbook required salary increases for faculty promotions and the professorial performance awards, student financial assistance, utilities budget and additional Veterinary Medicine faculty. Please note that the Board of Regents will have first reading of the FY 2012 tuition proposal on May 19th and make final approval of the tuition proposal on June 16th.

Unclassified Salaries:

No general use FY 2012 salary increases for unclassified staff, graduate teaching assistants, graduate research assistants and graduate assistants are being proposed. **Unclassified salary increases will be allowed to fund promotions, professorial performance awards or university distinguished professorships as required by the Kansas State University Handbook. These increases will be funded from central funds and are included on the allocation forms. Other unclassified salary increases will be considered if they address imminent retention issues and changes in roles and responsibilities. Grant funded salary increases may be considered for graduate research assistants and research assistants where the salary was built in the budget with a documented increase. These requests for increases will be reviewed by all of the Vice Presidents on May 19th and the units will be notified if their increases are approved by May 23rd. These funding increases will be funded by the unit or from external grants and contracts.**

The appropriate amount for faculty promotions has been added to the FY 2012 allocation for Main Campus colleges. Salary increases for promotion to full professor and associate professor will be a minimum of 11% and 8% respectively of the average salary of all university faculty members. The FY 2012 promotion increments for faculty members are:

Associate Professor to Full Professor.....	\$7,930
Assistant Professor to Associate Professor	\$5,770

Faculty promotion increases are to be effective at the beginning of the contract period. A worksheet detailing these amounts is included in the allocation materials.

The professorial performance awards will continue in FY 2012. The total award amount of \$5,770 will be allocated in full this year. Included in your allocation materials is a listing of the individuals that should receive the professorial performance awards. There will be no Targeted Faculty Salary Enhancement funding distributed in FY 2012.

Classified Salaries:

Classified salaries received **NO** cost of living or step increase in FY 2012. The longevity bonus amount of \$50 will continue with the minimum amount of \$500 for 10 years of service and a maximum amount of \$1,250 for 25 years of service. The longevity increase has been recalculated for each eligible classified position. The full base funding for longevity is included in your FY 2012 allocations. Remember that the 2008 Legislature discontinued the longevity program effective with the new employees hired after 6/15/08. The longevity payment will continue with current employees hired prior to 6/15/08 unless the Legislature revokes the authorizing statute in future legislative sessions.

The 2011 Legislature removed the classified under-market salary plan funding of \$8.5 million each year for FY 2012 and FY 2013. The Legislature did request that an updated study of the under-market pay be completed in FY 2012. For FY 2012, the cost of classified reclassifications will be covered from rehire savings and central administration. However, because of extremely tight financial conditions, we give no assurance that we can fully fund reclassifications in FY 2013.

Students:

The minimum wage continues at \$7.25/hour. There is no increase to the student allocations.

OOE:

There is no increase for Other Operating Expenditures.

Graduate Teaching Assistant Tuition Waiver Allocations:

The tuition waiver allocation has been increased by the graduate resident tuition rate increase (3.96%) recommended to the Board of Regents. As has been the practice for several years, we will expect that colleges and other areas stay within the amount allocated for GTA tuition waivers or cover overdrafts from their funds. **If a college adds any additional GTA FTEs, both the salary and the GTA waiver (equivalent to 9 graduate resident credit hours each semester) must be funded by the college.**

Special Allocations: SRO and Institutional Support Fee:

The SRO and Institutional Support Fee allocations did not receive any increases except for those allowed such as the additional \$50 added for classified longevity bonus and fringe benefit rate adjustments.

Employer Fringe Benefit Rates - FY 2012:

We are still waiting to learn the final fringe benefit rates for FY 2012. The State releases the actual rates about mid-June each year. We will notify you if the actual rates differ from our estimate. A table showing our best estimate of FY 2012 fringe benefits rates is included in the allocation materials. *The State will continue the employer death and disability moratorium from April 2012 to June 2012 for seven pay periods in FY 2012. The death and disability percent that is included in the retirement rate is budgeted at the full 1%. The State will recall the savings generated from the moratorium from the state general fund next fiscal year. They will also sweep the savings from the other funds.*

Time Line for Preparation of the FY 2012 Annual Budget:

An updated time line for the preparation of the FY 2012 Annual Budget is included in the attachments. The Pay-Rate Change panel (On-Line area of the budget system) will be available on Thursday, May 19, 2011 for data entry. We request that the nominal unclassified salary increases be entered in the system by merit, promotion and professorial performance award. The action reason code for merit is (MER), the promotion code is (PRO) and the professorial performance award is (PPA). We appreciate the effort involved to itemize the increase amounts.

The pay-rate change panel (On-Line area) will close to users at 5pm on **Friday, June 10, 2011**. The unclassified salaries will be copied to PeopleSoft to begin processing pay in the new fiscal year. Included in this packet are the due dates for the materials that are to be returned to the Budget Office such as the balancing spreadsheets, the position listing with changes that cannot be made in the on-line entry area and any other information regarding how the budget allocation was realigned.

I invite you and your staff to contact me or Budget Office staff at extension 2-6767 as questions arise regarding the FY 2012 annual budget development. Thank you for your assistance in completing the FY 2012 base budget.

Enclosures: