

# MEMORANDUM

**TO:**

**FROM:** Cindy Bontrager  
University Budget Director

**DATE:** May 18, 2009

**RE:** FY 2010 Annual Budget Preparation

Enclosed are the FY 2010 annual budget base reductions and nominal allocations for your area(s) and the preparation guidelines. Please complete the redistribution of your FY 2010 annual base budget from this information.

## **An Overview of FY 2010 Budget Issues:**

### **Base Budget Reductions**

Final legislative action reduced K-State's state general fund (SGF), including Research and Extension and College of Veterinary Medicine, by \$17,915,550 or 9.62% in FY 2010. In addition, on July 1, 2009 .25% will be lapsed from SGF for an estimate of \$429,000 and total longevity SGF funding will be lapsed for an estimate of \$692,000.

Attached to this memorandum is your unit's FY 2010 base budget reduction amount. The academic colleges, Student Life area, President's area and some of the Provost's departments are reduced by 7% SGF or 3.68% of general use funds including tuition. The Vice President for Administration and Finance, Division of Continuing Education and the Information Technology departments are reduced by 10% SGF or 5.25% of general use funds.

These targeted reductions generate \$13.8 million from state general funds. The remaining \$4 million budget reduction and the approximate costs increase of \$5 million that is incurred for fringe benefit increases and the salary increases mandated by the university handbook are planned to be covered from a 3.9% tuition increase, federal stimulus funds allocated by the Board of Regents and a state general fund allocation for the classified market equity. The one-time lapses estimated at \$1.1 million will be funded from one-time reductions to targeted central reserves. The Board of Regents will have first reading of the FY 2010 tuition proposal on May 21<sup>st</sup> and final approval of the proposal in June.

### **Unclassified Salaries:**

The Legislature provided **NO** funding for salary increases this fiscal year for unclassified staff, Graduate Teaching Assistants, Graduate Research Assistants and Graduate Assistants in FY 2010. Therefore for FY 2010 there are no unclassified salary increases allowed except for the following rare exceptions: 1) to comply with specific requirements of external grants and contracts as determined on a case by case basis; 2) to fund promotions, professorial performance awards or university distinguished professorships as required by the Kansas State University Handbook; and 3) other exceptions as approved by the Provost. All unclassified salary increases should be approved through the Provost Office except for those provided for in the university handbook itemized in item 2).

The appropriate amount for faculty promotions has been added to the FY 2010 allocation for Main Campus colleges. Salary increases for promotion to associate professor and full professor will be a minimum of 8% and 11% respectively of the average salary of all university faculty members. The FY 2010 promotion increments for faculty members are:

Associate Professor to Full Professor.....	\$7,625
Assistant Professor to Associate Professor .....	\$5,545

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

The Professorial Performance Awards will continue with 19 new awards for FY 2010 including the College of Veterinary Medicine and Research and Extension. The total award amount is \$5,545 that will be allocated in full this year. In the first year there were 136 awards approved and they will receive their final year allocation of \$1,745. There were 32 full professors approved last year and they will receive their final year funding for an amount of \$2,650. Included in your allocation materials is a listing of the individuals that should receive the Professorial Performance Awards. Due to the difficult economic situation, there will be no Targeted Faculty Salary Enhancement funding distributed in FY 2010.

**Classified Salaries:**

Classified salaries received **NO** cost of living or step increase in FY 2010. 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. *Please note that the Legislature will lapse the longevity funding on July 1, 2009. The full base funding for longevity is included in your FY 2010 allocations. Central administration plans to fund the one-time lapse from targeted central reserves. 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 2008 Legislature approved implementation of a new state classified employee pay plan for all state employees and appropriated \$8.5 million state-wide to provide below market salary adjustments for each year through FY 2012. The funding was NOT reduced during the 2009 session and we anticipate funding in FY 2010 to continue this program. At this point in time we have not received any official information from the state and have not made any adjustments to the classified positions for market equity. The State Employee Oversight Commission is scheduled to meet sometime within the next few weeks to approve the job codes that will be adjusted at least 5%. Once we receive the information, we will upgrade the appropriate positions to the increased pay grade and will notify you when that process is completed.

For FY 2010, 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 2010.

**Students:**

Considering the federal government's actions to increase the minimum wage, it has been decided to increase the minimum wage on campus from \$7.00 to \$7.25 effective June 14, 2009. Student allocations increased by 3.6%.

**OOE:**

There is no increase for Other Operating Expenditures.

**Graduate Teaching Assistant Tuition Waiver Allocations:**

The GTA tuition waiver allocation has been increased by the graduate resident tuition rate increase (3.9%) 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 additional GTA FTE and salary dollars, the GTA waiver is required to be increased by the corresponding FTE that was increased by an average of 9 student credit hours each term for one full time equivalent.

**Special Allocations: III/LASER, SRO and Institutional Support Fee:**

The III/LASER designation has been removed from your funding and has been integrated into your regular operating budgets. The SRO and Institutional Support Fee allocations did not receive any reduction nor receive any increases except for those allowed such as the additional \$10 added for classified longevity bonus. Student salaries are increased by 3.6% to increase the minimum wage to \$7.25.

**Employer Fringe Benefit Rates - FY 2010:**

We are still waiting to learn the final fringe benefit rates for FY 2010. 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 2010 fringe benefits rates is included in the allocation materials. *The retirement rate that includes the death and disability percent has been reduced by .42% to account for the moratorium imposed by the Legislature. The State will continue the employer death and disability moratorium through November 2009 or the first eleven pay periods in FY 2010. The state general funding for the moratorium has already been removed from the base budget. But the State will recall the savings generated from all other funds by the moratorium sometime next fiscal year.*

**Time Line for Preparation of the FY 2010 Annual Budget:**

An updated time line for the preparation of the FY 2010 Annual Budget is included in the attachments. The Pay-Rate Change panel (On-Line area of the budget system) will be available on Monday, May 18, 2009 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 12, 2009**. 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 reduction balancing worksheets, moving of positions 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 2010 annual budget development. Thank you for your assistance in completing the most challenging base budget we've developed in a long time.

cc: