



Budget Development Guidelines

FY 2011-2012

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Overview of Budget Process

The purpose of this document is to describe the budget process and the fiscal strategy for FY 2011-2012. Specific guidelines, definitions and timelines are provided to assist in the development of each department's budget.

The Shared Governance Strategic Planning and Budget Advisory Committee (the Committee) will be involved in the budget review and recommendation process. The Committee has been working for much of the current fiscal year to develop a revised or new strategic plan. The process is not expected to be complete at the time budgetary recommendations will need to be made for FY12. The Committee may need to look beyond the existing strategic plan to the general direction the revised or new plan is taking in order to incorporate the broad participative approach of Shared Governance.

Budget units will include all departments within the general fund or auxiliary funds. Each budget manager will be required to provide input necessary to develop the annual budget for the area(s) under his or her control using these guidelines. The Banner self service budget query process is a useful tool that can be used to pull historical budget data necessary for this process. Managers who are not familiar with the use of Banner or who need assistance in the development of their budget(s) should seek assistance from the Business Office or a colleague who has experience in working with Banner and/or developing budgets.

A sizable portion of the University budget is fixed or otherwise controlled by contractual obligations that cannot be easily altered in the short term. This fact and other budget constraints need to be recognized and considered in the budget development process.

At the time of this writing, there is no close indicator as to the level of State appropriations coming to LSSU for FY 2011-2012. It is known that the State of Michigan needs to address severe deficits and, while we think we can rule out an increase in funding, the likely reductions range anywhere from zero to twenty percent. Last year our budget was based on a 3.1% reduction and the actual base appropriation reduction was 2.8%. As appropriations are the largest unknown and uncontrollable quantity in this early stage of the budgeting process, multiple scenarios may need to be developed tied to this variable.

In this process, under all scenarios, it is the intent of the University to balance the challenges of mitigating tuition increases with resource prioritization in a manner which will best support the mission of the University.

In addition to the uncertainties of state funding and the challenges of mitigating tuition rate increases, the budget development process must also recognize the results of past operations.

Following is a recap of operational reserves as of June 30, 2010, the most recent completed fiscal year. Bracketed amounts are deficit fund balances.

Fund Balance:	
General fund	\$ (1,100,946)
Capital Reserve Fund	(246,530)
Auxiliary R&R Fund	127,924
Housing Reserves	79,762
General Athletics Fund	<u>(654,246)</u>
Total Operational Deficits	<u>\$ (1,794,036)</u>

It is in the best interest of the University to eliminate these operational deficits as soon as practical and then establish adequate reserves. Recognizing that the country, and particularly the State of Michigan, has been going through one of the worst economic periods in recent history, it is not realistic to expect a significant reduction of the deficit in FY 2011-2012. One goal of the University is to stop the negative trend by planning balanced operations for FY 2011-2012. Total operational deficits were reduced by almost \$550,000 in FY 2010-2011, primarily due to favorable market adjustments, savings due to a mild winter, and careful monitoring of budgets.

The parameters for planning next year's budget have been developed based upon past fiscal performance and projections of assumed and known fiscal information. In general, unless contractual agreements indicate otherwise, projections should be based on no specific increases for salaries, wages and benefits. Known cost obligations, utilities, debt service and other fixed costs will be projected based on prior year's expenditures unless a more accurate projection is available. While prior year expenditures can be used as a guide of normal spending, it is not to be assumed that needs remain consistent. This assumption may result in decreased spending for some departments and properly justified requests for increases for others. In addition, academic departments will outline plans for projected CSSM carryover monies.

Budget Development Process

A Shared Governance document was issued on February 19, 2010 that created various committees including a Strategic Planning and Budget Committee (The Committee). The Committee is charged with assessing, developing, and monitoring the University's strategic plan as well as prioritizing resource needs throughout the University. This committee allows for broad institutional participation and transparency. The activities of this committee can be reviewed on its web site www.lssu.edu/sharedgovernance/budgetplanning.

The Budget Managers will initially provide requested information based on approved staffing needs and basic operating funds needed to maintain the department at the current level (also referred to as the baseline budget). Budget managers are expected to follow these guidelines and instructions in submitting budget information.

The Vice President for Finance, or designee, will gather budget information, ensure the budget information received follows the guidelines, and prepare the draft consolidated and combined budgets for presentation to the Committee

The Committee will review the first draft of the consolidated and combined budgets and make recommendations which may include increasing or decreasing funding for certain areas. The Committee will allocate funds for top priority strategic initiatives identified in the strategic plan and quantify the amount of funds available for other strategic initiatives, if any. If funds are available, the Committee will develop a priority ranking tied to the strategic plan for funding strategic initiatives at the department level.

If funds are available, Budget Managers will be invited to prepare a budget enhancement request to be reviewed by their Vice President or the President, as applicable. The Vice President/President will forward the requests to the Committee where they will be evaluated based on the priority ranking determined by the Committee. The Committee will make a preliminary decision as to what requests will be funded and distribute the results to those submitting the requests. After receiving the preliminary results from the Committee, Budget Managers, with the approval of their Vice President/President, may make a request for a hearing in support of their request.

Budget presentation requests will be coordinated by the Committee. The hearings will be attended by the Vice President for Finance and as many members of the Committee who are able to attend each hearing. In addition, other constituents having an interest in a particular budget request may be invited to hearings either by the Committee or the Budget Manager. The schedule will be designed to accommodate every budget manager's request.

At the conclusion of the budget hearings, the Vice President for Finance will compile the information gathered in budget submissions, budget hearings, and recommendations from the Committee. A draft of the General Fund and Auxiliary budgets will be submitted to the Committee for final review and the Committee will complete their recommendations. The final draft, incorporating all recommendations of the Committee, will be delivered to the President by the Provost for approval and made available to the Board of Trustees to allow time for review prior to the April 29, 2011 Board meeting.

Budget Enhancements and Budget Reductions

Budget reductions are expected to be made in some areas to enable highly prioritized initiatives to be funded. It is expected that budget managers will take advantage of every opportunity to lower expenditures by identifying efficiencies in their initial baseline budget request. Budget enhancements will not be considered with the initial baseline budget.

Transfers

Transfers of CSSM budgets within academic budget units may occur with the approval of the appropriate dean or vice president (as relevant). Transfer of CSSM budgets within general fund non-academic budget units may occur with the approval of the appropriate vice president.

Requirements of Budget Managers

Auxiliary budget managers will prepare a budget for the department(s) under his or her control using the example Budget Presentation at the end of these guidelines or something comparable. Following are explanations of relevant line items:

Revenue-Total revenues expected. You do not need to budget this by line item revenue detail, total revenues will be adequate. However, you need to identify opportunities for increased revenues and the basis of those projections.

Salary/Wages-The position list must be presented by person for all permanent and non-permanent approved positions. For the FY11 Projected Actual column, list all current employees and their current salary. For the FY12 column, list the employees and their projected salary for next year. Also, list any approved new hires and the expected salary as well as indicate positions being eliminated. Since salaries constitute the largest portion of our budget, consider opportunities to save money by more efficient use of personnel and technology

Fringe Benefits-The business office will use a fringe benefit rate estimated at 48.5% if a department cannot demonstrate a different rate based on past history and reasonable expectations.

Student salaries-Total dollar amount requested for student salaries and assumptions of work study versus regular salary lines.

Overtime/Temps-Total dollar amount requested for employee overtime and/or the use of temps.

Special Comp-Total expected charges for special salary charges. These are most commonly physical plant charges to auxiliary units.

CSSM- Operating expenses requested for the budget unit. Provide a list of the major categories of expenditures. Budget managers should not automatically assume the same level of funding as prior years.

Transfers-Identify total transfers, both in to and out of the budget unit. Specify whether the transfer is to (from) the general fund or some other budget unit.

General Fund budget managers will prepare a budget for the department(s) under his or her control using the above guidelines **or** submit the simpler questionnaire also shown at the end of these guidelines. The Excel format is preferred but budget managers with little budget experience or any needing assistance may complete the questionnaire instead and the Business Office will complete the budget in the Excel format for review with the Budget Manager.

Assumptions and Projections

The University budget is an operating plan based upon assumptions made about the University's overall environment, about the State and the level of fiscal support it will provide, the students and their interest to continue attending the University and operating considerations for each instructional and support program at the University.

In developing the 2011-2012 budgets, the following projections are to be considered:

Revenue Assumptions

Our revenue assumptions are extremely difficult to project particularly with the condition of the State economy.

We are assuming that:

- 1) State Appropriations are expected to remain flat in the best case scenario or decrease as much as 20% at the worst case.
- 2) Tuition rates will be allowed to increase a minimum of the rate of the 2010 annual inflation which will be slightly over 1%. Ideally, we would hold tuition to this level if appropriations are not reduced. Realistically, tuition would need to increase from 3% to 11% to operate at the same level as in 2010 with decreased appropriations between 5% and 20%. The main factors to be considered in setting tuition rates, in addition to anticipated appropriations reductions, will include an evaluation of what expense eliminations can be made while still allowing the university to carry out its mission and to remain competitive with other public universities in Michigan.
- 3) Student enrollment appears to be stable or slightly increasing from last year for new students, according to early indicators. We are cautiously assuming flat enrollment at the 2010 level for budgeting purposes.
- 4) Student retention appears stable.
- 5) Room and Board rates have not been finalized but rate increases greater than the rate of inflation will need substantial justification.

Expense Assumptions

- 1) The current Faculty Association agreement calls for no increases for the FY 2011-2012 year. In addition, there are no negotiated increases for the support group or planned increases for administrative professionals.
- 2) Adjunct instructor rate will be \$625 per credit hour.
- 3) Overload instruction rate will be \$839 per credit hour.
- 4) Student salaries will not increase. The minimum wage remains at \$7.40 per hour.
- 5) CSSM budgets will be based on the need of each department and will be prioritized in alignment with the University's strategic plan. Spending at prior year's level cannot be automatically assumed. Academic departments will need to submit a plan for carryover monies.
- 6) Utilities are estimated to be at approximately the same level budgeted for FY 2010-11. Negotiated rates continue to be favorable and energy efficiency initiatives continue.
- 7) Financial Aid is expected to increase in proportion to the anticipated increase in tuition rates.
- 8) Inter-fund transfers will be expected to remain the comparable to FY 2010-11 unless a strategic initiative identified and recommended by the Strategic Planning and Budget Advisory Committee during the review process calls for an adjustment.
- 9) Housing and food service transfers to fund internet services and furnishings reserves are Board approved and should continue to be budgeted at 6% of revenues; 3% to support Internet costs and 3% to be transferred to Housing Furnishings Reserve.
- 10) Housing and food service transfers to a reserve and replacement account were Board Approved in FY11 at 5% of revenues to address deferred maintenance issue. The Housing Auxiliary transfer for deferred maintenance is yet to be determined.

2011- 2012 Budget Development Calendar

January 17, 2011	The Vice President for Finance will provide a draft of 2011-2012 budget development guidelines and budget development instructions to the Committee for review and comment.
January 24 - 25, 2011	The Committee will comment on the budget development guidelines and instruction and the Vice President will revise these documents as recommended and issue to all budget managers.
By February 18, 2011	Budget information requested from the budget managers is due to the Vice President for Finance as soon as possible but no later than February 18, 2011.
February 28, 2011	The first draft of the General Fund and Auxiliary budgets will be submitted to the Committee.
By March 14, 2011	The Committee will make recommendations for changes to the first draft, and determine funding available for strategic initiatives. If funds are available, the committee will fund top strategic priorities identified in the strategic plan as well as determine funding available for strategic initiatives at the department level.
March 15, 2011	If funds are available at the department level, the Committee will invite budget managers to submit enhancement requests. The budget managers will be provided the amount of funds available and the priority ranking which will be used in evaluating the requests.
March 25, 2011	Requests for budget enhancements are due to the Committee
March 28, 2011	The Committee will prioritize requests received based on the strategic plan and available funds. Results will be distributed to those submitting a request. Budget managers may request a budget hearing to support their request at this time.
March 29 - 31, 2011	Budget hearings will be scheduled.
April 1 - 8, 2011	Budget hearings will be held.
April 11 & 18, 2011	Compilation of General Fund and Auxiliary budgets will be reviewed by the Committee and recommendations will be finalized and forwarded by the Provost to the President for his approval.
April 22, 2011	Draft budgets will be made available to the Board of Trustees for review.
April 28 - 29, 2011	Budgets will be presented to the Board of Trustees for approval.

2011-2012 Budget Development Form Instructions

Part I - Budget

Revenues

Departments should report all estimated revenue from all sources.

Salaries

The first line in this section should correspond with the position list section below. It is most important that you list all of department personnel in the position list and the FTE for the position. However, you do not need to fill in the dollar amounts of these positions unless you want to. The business department will communicate with human resources to accurately fill in the dollar amounts of permanent positions.

Be sure to only include approved new hires and to indicate personnel changes such as non-renewals, sabbaticals, retirements, etc.

The budget manager should complete all other salary sections completely, taking care to consider student wages, overtime/temps, or special work including all stipends.

Fringes

Auxiliary Departments should override this field with an estimated actual for FY12 based on FY11 projected actual plus 0.05%.

If a good estimate is not available use the default rate are estimated at 48.5% for FY12. although that is still subject to change.

CSSM

CSSM is older governmental terminology that LSSU has continued to use over the years but it really just means "operating expenses" and, for our purposes, includes everything except labor costs.

The current level of CSSM spending is assumed to be normal ongoing operations, not necessarily the same dollar spending as in the previous year. You should adjust for anticipated price or rate changes (up or down) and significant changes in growth (or decline) of a department. One-time or occasional equipment purchases should be excluded.

New equipment that is absolutely necessary to the operation of a department should be included and fully explained.

Transfers

Transfers are used between funds and, at the budget manager level, will only be used by the auxiliary fund budget managers. For example, General Athletics will show a transfer in from the General Fund and generally show transfers out of General Athletics to specific athletic auxiliary funds.

Part II - Position List

List each permanent employee in the department by name and their position. Give the full time equivalent (FTE) for each employee. For example a full-time employee would be a FTE of 1, a half-time employee would have a FTE of .5.

Part III - Budget Justification

New positions or increase in any salary line need approval at the VP level to be considered.

Fully explain any significant changes from the prior year.

General Instructions

Modify the line items as needed and use as many lines as you need to complete your budget and budget justification.

The budget managers should send the completed file electronically to the Vice President for Finance, Sherry Brooks, at sbrooks1@lssu.edu.

Per the Budget Calendar - Please submit your budgets by February 18, 2011.

If you have any questions or need assistance, call Sherry Brooks at ext. 2216

**Lake Superior State University
General Fund Budget Information Request Questionnaire
For Fiscal Year 2011-2012**

Fund: _____ **Org:** _____

Submitted by: _____ **Date:** _____

Following are questions needed to prepare the FY11-12 General Fund Budget. Feel free to answer questions on this form, using as many pages as needed, or submit additional worksheets as you deem necessary. Please answer each question completely.

- (1) What are your anticipated staffing changes from FY11 to FY12 including additions or deletions. Give reasons for changes, if any, including names (if known) of affected employee(s).

- (2) For Academic Units, do you anticipate increases/decreases in adjunct faculty or overload from FY11 to FY12? If so, please explain change.

- (3) Do you anticipated increases or decreases in CSSM spending from FY11? Please explain any changes.

- (4) For Academic Units, What is your estimated CSSM Carryover? What is the planned purpose for these funds?

- (5) If your department generates income (other than tuition or course/program fees), what changes in revenue do you anticipate from FY11 to FY12? Please explain any increase/decrease expected.

Please submit budget information electronically to sbrooks1@lssu.edu. If you have questions, please call Sherry Brooks at 635-2216 (ext. 2216) or use the above e-mail address.

The DUE DATE for submitting this budget information is February 18, 2011