



To: John Lombardi, President
From: Michael Martin, Chancellor
Date: April 2, 2009
Re: Proposed FY10 Budget Reduction

Attached is our response to the March 16th request from your staff to complete a “summary of budget reduction” workbook based on the guidelines you set forth. Please be aware that this plan for addressing our cuts in state appropriations is a work-in-progress and will change as more information is provided both externally and internally. The attached document includes our current plan within the context of the following:

- No additional revenues have been included from sources that would need approval from entities external to the LSU System.
- The reduction included here is \$49,075,700 which represents (1) the FY 2008-09 mid-years cuts in state general fund direct appropriation of \$10,251,717 and statutory dedicated – Over collection fund of \$62,750, (2) the FY 2009-10 cuts in state general fund direct appropriation of \$34,786,547, statutory dedicated – Over collection fund of \$1,192,250, and the statutory dedicated – SELF fund of \$1,376,378, (3) the FY 2009-10 unfunded mandates, as defined by the LSU System Office, of \$1,058,193, and (4) the LSU System Office Performance Fund of \$347,865.
- Unfunded mandated cost for civil service merit increases were excluded.

During the process of outlining scenarios for cuts in state appropriations, LSU’s primary goal is to continue to provide the quality and quantity of instruction our students need to graduate on schedule while meeting all grant and contract obligations as we seek new instruction, research, public service, and economic development opportunities. We will continue to work with the faculty, staff, and student leadership to determine strategies, impacts, and consequences while keeping the broader campus informed and, if necessary at some point, involved in the implementation of the cuts. We will continue to use the following guidelines and criteria we established in January:

- We will continue to assert that investments in Louisiana’s land-, sea-, and space-grant institution and the Flagship University are essential in shaping a brighter long term social-economic future for all the State’s citizens.
- If required to implement these cuts, we will attempt to:
 - a) preserve and protect the University’s academic, mission driven, excellence oriented core
 - b) maintain momentum in adapting and implementing the Flagship Agenda
 - c) retain sufficient flexibility to pursue programmatic “targets of opportunity”
 - d) seek every possible cost saving efficiency in both academic and non-academic functions, including inter-institutional partnerships and collaborations

- e) pursue new sources of revenue including successfully completing the Forever LSU Campaign
- f) protect jobs for critical personnel and long serving employees.

As you are aware, we will be discussing with faculty, students, and staff certain academic structural changes which will better align the University to complete the Flagship Agenda and be more nationally competitive. Material cost saving are not expected in FY 2009-10 but the University will be more effective and efficient within our core mission in the long term.

Let there be no doubt, reduction in our state appropriation at this level will have profound adverse impacts on LSU, its students, its faculty and staff, the citizens it serves and its future as Louisiana's Flagship University. These adverse impacts will include but not be limited to the following:

- higher costs and more limited access for qualified students
- reductions and/or elimination of programs and units
- increased class size and more limited class choice
- elimination of both faculty and non-faculty jobs resulting in layoffs and possible furloughs
- deterioration of campus facilities and infrastructure
- reduction or elimination of services and activities
- significant reductions in LSU's ability to contribute to economic diversification and development in Louisiana
- threaten accreditation and loss of national rank / stature
- constrained ability to recruit and retain world class faculty
- reduction in the capacity to compete for extramural funding
- reductions in financial aid and assistance to students
- reductions in our service to the community through our many engagement activities and programs

Or put more directly, cuts at this level will set back the progress of this institution by decades. The citizens of Louisiana, both current and future, will be denied the major, nationally recognized Flagship University which they need and deserve.

The other powerful reality that must be considered in the budget cut process is the significant economic multiplier of LSU activities. This plan includes the elimination of some 400 jobs in the University's workforce which will reverberate through the community and beyond. Loss of employment and revenues at LSU will have adverse effects which will transcend the obvious damage done directly to Louisiana's Flagship University.

We look forward to your comments.

LSU System
Response to Budget Cuts

Campus **Louisiana State University**

Source:	EXISTING OPERATING BUDGET 2008-2009*						BUDGETED 2009-2010					
	UNRESTRICTED	% OF TOTAL	RESTRICTED	% OF TOTAL	TOTAL	% OF TOTAL	UNRESTRICTED	% OF TOTAL	RESTRICTED	% OF TOTAL	TOTAL	% OF TOTAL
State Funds:												
General Fund Direct	224,431,857				224,431,857	0.28	189,297,445	1.00		0.00	189,297,445	0.25
Statutory Dedicated	15,257,880	1.00	0	0.00	15,257,880	0.02	12,689,252	1.00	0	0.00	12,689,252	0.02
Higher Education Initiatives Fund					0						0	
Support Education in Louisiana First (SELF)	10,205,630	1.00		0.00	10,205,630	0.01	8,829,252	1.00		0.00	8,829,252	0.01
Tobacco Tax Health Care Fund					0						0	
Calcasieu Parish Fund					0						0	
Calcasieu Parish Higher Education Improvement Fund					0						0	
Pari-Mutiel Live Racing Facility Gaming Control Fund					0						0	
Southern University Agricultural Program Fund					0						0	
Equine Fund	750,000	1.00		0.00	750,000	0.00	750,000	1.00		0.00	750,000	0.00
Fireman Training Fund	2,900,000	1.00		0.00	2,900,000	0.00	2,900,000	1.00		0.00	2,900,000	0.00
Two Percent Fire Insurance Fund	210,000	1.00		0.00	210,000	0.00	210,000	1.00		0.00	210,000	0.00
Health Excellence Fund					0						0	
La. Educational Quality Support Fund (LEQSF)					0						0	
Proprietary School Fund					0						0	
Overcollections Fund	1,192,250	1.00		0.00	1,192,250	0.00	0				0	
Funds Due From Management Board or Regents:												
Other (List Below)					0						0	
Funds Due to Institutions:												
Other (List Below)					0						0	
Other (List Below)					0						0	
Total State Funds	239,689,737	1.00	0	0.00	239,689,737	0.30	201,986,697	1.00	0	0.00	201,986,697	0.26
Interagency Transfers:												
Medicaid					0						0	
Uncompensated Care					0						0	
Hospital Contracts (List Below)					0						0	
Lab School	6,099,986	1.00		0.00	6,099,986	0.01	6,099,986	1.00		0.00	6,099,986	0.01
Other Total (List Below)	4,634,402	1.00		0.00	4,634,402	0.01	4,634,402	1.00		0.00	4,634,402	0.01
Total Interagency Transfers	10,734,388	1.00	0	0.00	10,734,388	0.01	10,734,388	1.00	0	0.00	10,734,388	0.01
Self-Generated Funds:												
Student Fees:												
General Registration Fees	98,084,167	1.00		0.00	98,084,167	0.12	98,084,167	1.00		0.00	98,084,167	0.13
Non-Resident Fees	33,514,038	1.00		0.00	33,514,038	0.04	33,514,038	1.00		0.00	33,514,038	0.04
Academic Excellence Fees	14,684,440	1.00		0.00	14,684,440	0.02	14,684,440	1.00		0.00	14,684,440	0.02
Operational Fees	4,709,792	1.00		0.00	4,709,792	0.01	4,709,792	1.00		0.00	4,709,792	0.01
Other Total (List Below)	10,781,430	0.35	20,250,000	0.65	31,031,430	0.04	10,781,430	0.35	20,250,000	0.65	31,031,430	0.04
Total Student Fees:	161,773,867	0.89	20,250,000	0.11	182,023,867	0.23	161,773,867	0.89	20,250,000	0.11	182,023,867	0.24
Hospital - Commercial/Self-Pay					0						0	
Physician Practice Plans					0						0	
Sales and Services of Educational Activities	10,012,296	0.81	2,300,000	0.19	12,312,296	0.02	10,012,296	0.81	2,300,000	0.19	12,312,296	0.02
State Grants and Contracts		0.00	41,000,000	1.00	41,000,000	0.05		0.00	41,000,000	1.00	41,000,000	0.05
Organized Activities Related to Instruction					0						0	
Athletics Other than Student Fees		0.00	75,800,000	1.00	75,800,000	0.09		0.00	75,800,000	1.00	75,800,000	0.10
Auxiliaries (Excluding Athletics)		0.00	75,152,835	1.00	75,152,835	0.09		0.00	75,152,835	1.00	75,152,835	0.10
Endowment Income**		0.00	2,150,000	1.00	2,150,000	0.00		0.00	2,150,000	1.00	2,150,000	0.00
Gifts, Grants, and Contracts		0.00	111,000,000	1.00	111,000,000	0.14		0.00	111,000,000	1.00	111,000,000	0.14
Other Self-Generated Funds	18,751,071	0.42	26,000,000	0.58	44,751,071	0.06	18,751,071	0.42	26,000,000	0.58	44,751,071	0.06
Total Self-Generated Funds	190,537,234	0.35	353,652,835	0.65	544,190,069	0.67	190,537,234	0.35	353,652,835	0.65	544,190,069	0.71
Federal Funds:												
Federal Stimulus Funds					0						0	
Federal Program Admin.					0						0	
Medicare					0						0	
Grants:					0						0	
Pell		0.00	11,600,000	1.00	11,600,000	0.01		0.00	11,600,000	1.00	11,600,000	0.02
Other (List Below)					0						0	
Total Federal Funds	0	0.00	11,600,000	1.00	11,600,000	0.01	0	0.00	11,600,000	1.00	11,600,000	0.02
Interim Emergency Board												
Other (List Below)					0						0	
Total Revenues	440,961,359	0.55	365,252,835	0.45	806,214,194	1.00	403,258,319	0.52	365,252,835	0.48	768,511,154	1.00

*Existing Operating Budget is as of Feb 1, 2009 (after Midyear Cut)

FY 2009-2010 Budget Reduction Plan

Unit/Activity/Program Being Reduced	Amount of Reduction	Description of Reduction	Employees Furloughed	Employees Laid Off	Vacant Positions Eliminated
Administrative Offices/Departments:					
Increase the University's surcharge to auxiliary enterprises and remove general fund subsidies from ancillary units	3,700,000	LSU's auxiliary enterprises were established as entities to provide goods and services to students, faculty, and staff for a fee which would be sufficient to cover their operating costs as well as their capital needs. These units do not currently receive any state general fund direct appropriations. LSU has taken this independent business model to the level where a 3% surcharge is collected annually from each auxiliary to "pay for" services provided to them such as payroll, purchasing, human resource management, and police support. In order to protect the primary mission of the University, the current 3% surcharge will be raised to 5%. Examples of units impacted as a result of this type of decision are Residential Housing, Student Health Center, LSU Union, Athletic Department, and Parking, Traffic & Transportation. Additionally, LSU has several ancillary units for instructional and support purposes that operate with subsidies from the university. These subsidies will be removed and the units will now have to cover these financial obligations. Examples of units that may be impacted as a result of this type of decision are the LSU Laboratory School and the Child Care Center. Due to the existing business models used by our auxiliary and ancillary units, we expect they will pass along this increased cost of operation to their customers (students, faculty, staff, and/or the public) through an increase in fees and/or the products they sell.			
Cut general fund support to academic support units	4,100,000	This cut will require certain academic support entities to implement new fees for their services or to increase their existing fees to students, faculty, staff, and/or the general public. Because of the nature of some of these entities and their fixed cost of operation, it is very possible they cannot generate the revenue needed and will close. Examples of units that may be impacted as a result of this type of decision are the LSU Museum of Art, Rural Life Museum, Hilltop Arboretum, LSU Press, Southern Review, Louisiana Library Network, Alumni Association and the Fire & Emergency Training Institute.		10	
Eliminate selected undergraduate scholarships	3,500,000	This cut decision would eliminate three "scholarships": the Bengal Legacy Scholarships for Non-Resident Sons and Daughters of LSU Graduates, the Board of Supervisors Scholarships, and the Louisiana Freshmen Merit Award. The Bengal Legacy recipients receive an exemption from seventy-five percent of the non-resident fee. Basically, if the non-resident student is the child of a graduate of any LSU System school, they are entitled to this award. The Board of Supervisors scholarship is awarded at the discretion of individual members of the LSU Board of Supervisors. Students receiving a TOPS award are not eligible for consideration of this scholarship in the fall and spring semesters. The Louisiana Freshmen Merit Award is a one-time award given to students with a minimum 3.0 high school grade point average and scoring in a given ACT range (27-29). The elimination of any scholarship will have a detrimental impact on students eligible for the awards and may have a negative impact on enrollment.			
Cut general fund support to student support services	2,100,000	This cut will require these student support entities to implement new fees for their services or to increase their existing fees to students. Because of the nature of some of these entities and their fixed cost of operation, it is possible they cannot generate the revenue needed and will close. Examples of units that may be impacted as a result of this are the Student Recreational Center, International Cultural Center, African American Cultural Center, Women Center, Career Services, and Greek Life.			
Cut the operating budgets of non-academic units	7,128,000	It is unfortunate to use terms such as "academic unit" or "non-academic unit" since each individual employed and each operating budget dollar is used for our core mission of instruction, research, and public service. Our organizational structure has divided the university into units directly engaged in our core mission (academic) and those indirectly engaged (non-academic). However, the academic units cannot operate or survive without the non-academic units. For example, the academic units cannot operate without a payroll office, an admissions office, or custodial employees. Each non-academic unit provides services to academic units to enable them to focus entirely on instruction, research, and public service. It would be incorrect to assume cuts to non-academic units will have no impact on the core mission of the University as well as the quality and quantity of it. This cut decision will eliminate certain vacant positions, filled positions, and support funds (supplies, equipment, etc.) in non-academic units. The impact of these cuts will be felt not only within the impacted unit but also across the campus. Services across the campus will be reduced; it may take longer for a student to be admitted, receive financial aid, register for classes, for vendors to be paid, repairs to be made, and buildings to be cleaned. These cuts will have an immediate detrimental impact on the quality and quantity of LSU's instruction, research, and public service.		110	30
Total Proposed Reductions	20,528,000		0	120	30

FY 2009-2010 Budget Reduction Plan

Unit/Activity/Program Being Reduced	Amount of Reduction	Description of Reduction	Employees Furloughed	Employees Laid Off	Vacant Positions Eliminated
Academic:					
Cut statutory dedication appropriation to AVATAR and Truancy	1,192,250	The initial AVATAR funding, resulting from a joint collaboration between the Baton Rouge Area Chamber, Baton Rouge Area Foundation and LSU, will be terminated. Additionally, the funds directly appropriated to LSU for the pilot Truancy Program, administered by the LSU School of Social Work, will be terminated.			
Cut and/or close instructional/research centers and initiatives	9,200,000	Instructional/research centers and multidisciplinary initiatives add value to the core instructional mission of the institution and help support the grant and contract research activity of the university. However, the centers and initiatives are very costly to maintain and continuously need additional funding to keep up with the most current technological advances and hire top flight faculty. To help protect the core mission of instruction some of these centers must be closed or materially downsized. Examples of units that might be impacted as a result of this type of decision are the Center for Advanced Microstructures & Devices (CAMD), Center for Computation & Technology (CCT) and the Multidisciplinary Hiring Initiative.		50	
Cut the operating budgets of academic units	5,406,412	This cut will eliminate certain vacant positions, support funds (supplies, equipment, etc.) and non-faculty filled positions in academic units. Normal faculty appointments are for a nine month period (fall and spring semester). Due to our recruiting quality faculty nationally and internationally, the time-line for LSU to replace a faculty member can be a year or more. However, during the period of time the position is vacant, classes must be taught. To compensate for this replacement time-line, our departments use the "released" budgeted salary from the vacant position to hire adjunct/temporary instructors and Southern Association of Colleges and Schools (SACS) qualified graduate assistants to teach lower-level courses. Therefore, the impact of eliminating a vacant position will have a direct impact on the availability of courses. To offset this shortage in person-power, students may be taught in much larger classes or wait a semester or longer for the course to be taught. Since the operating budget of the vast majority of academic units at LSU is over ninety percent personnel, the impact of cuts in support budgets (travel, supplies, equipment, etc.) will be devastating. Faculty and students will not be able to travel and present their research findings at national and international meetings. Departmental computers will not be replaced. Student workers will not be hired. Of major concern at this level of cut will be the reaccreditation of academic programs. Often even the threat of accreditation problems will deter faculty and students from entering the program. Again, these cuts will have an immediate detrimental impact on the quality and quantity of LSU's instruction, research, and public service.		70	10
Total Proposed Reductions	15,798,662		0	120	10

If you implemented the mid-year cut by using one time actions to get through FY 09, please show what you plan to do to annualize the cut in FY 10 below. If you made permanent cuts to implement the mid-year cut you do not have to complete this worksheet.

Campus : LSU

Annualization of FY 2008-09 Mid-Year Budget Cut

Unit/Activity/Program Being Reduced	Amount of Reduction	Description of Reduction	Employees Furloughed	Employees Laid Off	Vacant Positions Eliminated
Administrative Offices/Departments:					
Cut the operating budgets of non-academic units	4,651,717	It is unfortunate to use terms such as "academic unit" or "non-academic unit" since each individual employed and each operating budget dollar is used for our core mission of instruction, research, and public service. Our organizational structure has divided the university into units directly engaged in our core mission (academic) and those indirectly engaged (non-academic). However, the academic units cannot operate or survive without the non-academic units. For example, the academic units cannot operate without a payroll office, an admissions office, or custodial employees. Each non-academic unit provides services to academic units to enable them to focus entirely on instruction, research, and public service. It would be incorrect to assume cuts to non-academic units will have no impact on the core mission of the University as well as the quality and quantity of it. This adjustment decision will eliminate certain vacant positions, filled positions, and support funds (supplies, equipment, etc.) in non-academic units. The impact of these cuts will be felt not only within the impacted unit but also across the campus. Services across the campus will be reduced, it may take longer for a student to be admitted, receive financial aid, register for classes, for vendors to be paid, repairs to be made, and buildings to be cleaned. These cuts will have an immediate detrimental impact on the quality and quantity of LSU's instruction, research, and public service.			60
Eliminate System Office Campus Charge	1,300,000	The System Office annually charges campuses 0.18% of their total gross revenues from all sources including not only state appropriation and tuition and fees, but also auxiliaries and grant and contracts.			
Academic:					
Cut the operating budgets of academic units	4,300,000	This cut will eliminate certain vacant positions and support funds (supplies, equipment, etc.) in academic units. Normal faculty appointments are for a nine month period (fall and spring semester). Due to our recruiting quality faculty nationally and internationally, the time-line for LSU to replace a faculty member can be a year or more. However, during the period of time the position is vacant, classes must be taught. To compensate for this replacement time-line, our departments use the "released" budgeted salary from the vacant position to hire adjunct/temporary instructors and Southern Association of Colleges and Schools (SACS) qualified graduate assistants to teach lower-level courses. Therefore, the impact of eliminating a vacant position will have a direct impact on the availability of courses. To offset this shortage in person-power, students may be taught in much larger classes or wait a semester or longer for the course to be taught. Since the operating budget of the vast majority of academic units at LSU is over ninety percent personnel, the impact of cuts in support budgets (travel, supplies, equipment, etc.) will be devastating. Faculty and students will not be able to travel and present their research findings at national and international meetings. Departmental computers will not be replaced. Student workers will not be hired. Of major concern at this level of cut will be the reaccreditation of academic programs. Often even the threat of accreditation problems will deter faculty and students from entering the program. Again, these cuts will have an immediate detrimental impact on the quality and quantity of LSU's instruction, research, and public service.			40
Cut statutory dedication appropriation to AVATAR and Truancy	62,750	The initial AVATAR funding, resulted from a joint collaboration between the Baton Rouge Area Chamber, Baton Rouge Area Foundation and LSU, will be terminated. Additionally, the funds directly appropriated to LSU for the pilot Truancy Program, administered by the LSU School of Social Work, will be terminated.			
Total Annualization of FY 09 Mid-Year Cut	10,314,467		0	0	100

