

**SPECIAL MEETING**

Southern University Board of Supervisors

1:00 p.m.

Tuesday, September 6, 2011

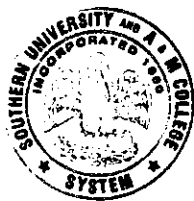
2<sup>nd</sup> Floor, J.S. Clark Administration Building

Southern University and A & M College

Baton Rouge, Louisiana

**AGENDA**

1. Call to Order and Invocation
2. Roll Call
3. Adoption of the Agenda
4. Public Comments
5. Action Items
  - A. Declaration of Financial Emergency/Exigency at SUBR
  - B. Approval of 2011-2012 Operating Budget, SUBR
6. Adjournment


**SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM**

J.S. CLARK ADMINISTRATION BUILDING

BATON ROUGE, LOUISIANA 70813

Office of the President  
(225) 771-4680Fax Number:  
(225) 771-5522

TO: The Honorable Board Members

FROM: Ronald Mason, Jr., President 

DATE: August 22, 2011

Board policy states that a Financial Emergency may be declared under certain conditions. Based on the information presented by Chancellor Llorens in the SUBR "Rationale for Declaration of Financial Emergency", it is clear that a Financial Emergency exists on the SUBR campus and that the conditions for so declaring exist. Therefore, I adopt the submitted Rationale as the Financial Emergency Report required by Board Policy. I also recommend, based on the Report, that a Financial Emergency/Exigency be declared on the Baton Rouge Campus from September 1, 2011 through June 30, 2012. I also recommend that the Retrenchment Plan submitted by Chancellor Llorens be approved.



Office of the Chancellor  
P.O. Box 9374  
Baton Rouge, Louisiana 70813

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August 22, 2011

President Ronald Mason, Jr. J.D.  
**Southern University System**  
J. S. Clark Adm. Bldg.  
Baton Rouge, LA 70813

Dear Mr. President:

As Chancellor of Southern University and A&M College, it is my responsibility to submit to you a recommendation for a balanced budget to be transmitted to the Board of Supervisors for approval. This fiscal year, the campus has faced significant challenges in preparing a balanced budget. Reduced state appropriations, declining student enrollment, and increased expenditures fueled by unfunded mandates were the primary challenges to balancing the budget.

A broad-based budget committee was formed and met extensively during July and August to review revenues and expenditures and make recommendations for budget reduction measures. Unfortunately, it was the conclusion of the committee and the Chancellor's leadership team that a critical component to a balanced budget would entail the expansion of the current furlough policies to include tenured and tenure-track faculty. This measure was not approached without consideration of its impact on the academic mission of this University and every effort was made to minimize its adverse impact on course offerings and student academic progress. We also sought legal counsel to advise the University as to how such a policy must be authorized. It was determined that without complete voluntary acceptance by the faculty the University must seek financial exigency to proceed.

Additionally, the budget discussions highlighted the urgent need for Southern University and A&M College to conduct a comprehensive review of its academic and non-academic structure and its administrative organization and make the necessary changes that will position the University to perform its mission more efficiently and effectively as it prepares to meet the needs of its current and future student population. This new Southern University model must be implemented in the Fall Semester of the 2012-13 academic year and will necessitate academic program changes that will require faculty restructuring. We have been advised by legal counsel that to effect these changes in the 2012-13 academic year, we will need authorization to reduce the notification period for any expected faculty terminations. This will require financial exigency status to accomplish.

President Ronald Mason, Jr.  
August 22, 2011  
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I realize the significance of the action requested to accomplish the production of a balanced budget and, just as critical, to position the University to move to a higher level of efficiency and effectiveness. I have made every effort to assure the faculty of this University that any decisions will be based on a comprehensive plan with broad-based input from faculty and staff. It will not be capricious or retributive but designed to move Southern University forward.

I, therefore, present to you Southern University and A&M College's 2011-12 budget proposal with the accompanying request and justification for a declaration of financial exigency.

Respectfully,

A handwritten signature in cursive script, appearing to read "James L. Llorens".

James L. Llorens, Ph.D.  
Chancellor

# **Rationale for Declaration of Financial Emergency and Retrenchment Plan at Southern University and A&M College**

Over the last several years, the administration of Southern University and A&M College (SUBR) has consistently been challenged to produce balanced budgets in the face of reduced state appropriations and a declining student enrollment. With an emphasis on maintaining the current academic structure, the target of budget reduction measures has been the administrative support system through staff reductions and staff furloughs, coupled with a drastically reduced allocation of funds to support costs such as travel and supplies. Faculty have felt the burden of these measures through a reduced faculty as a result of attrition from retirements and resignations. With the 2011-12 revenue projections, it is now evident that we must address this current crisis with a comprehensive assessment of the entire University. This decision is directed by the following:

- Enrollment has been declining since 2006. The result has been a decline in revenues from tuition and fees and funding formula revenues generated by student credit hours (SCHs).
- The cost burden to the University for unfunded state mandates continues to increase.
- The deficit in the Department of Athletics continues and must be subsidized with general fund monies.
- The deficit in the operation of the Southern University Laboratory School continues and must be subsidized with general fund monies.
- The University continues to struggle with recruitment and retention issues and must reverse this trend as it enters a period of accountability and compliance with the LA GRAD Act.
- Classified and unclassified staff have been terminated over the past two and one-half years. Throughout the campus, administrative and clerical support is unevenly distributed due to layoffs and retirements and the unavailability of funds to hire replacements to fill vacancies.
- We have furloughed classified and unclassified personnel for the last two years at rates ranging from 3% to 4.6%, with the exception of employees earning less than \$30,000 per year and employees who are responsible for the safety and health of our students (University Police and health service employees).

## **Assumptions**

When we began to prepare the University's budget for FY2011-2012, we operated under several assumptions:

- The University must submit a balanced budget.
- Overall enrollment will likely decrease by approximately 300 students. This is a trend that has been developing for several years. From Fall 2006 through Fall 2010, we experienced annual enrollment declines totaling 1,308 students, a 15.2% overall decline. This will impact our tuition revenue.
- There will be an overall reduction in the state general fund budget of about \$2.3 million.
- SUBR will have to honor unfunded mandates totaling approximately \$2.2 million (These are recurring expenditures such as insurance and retirement benefits for which we receive no state funds but are required to pay.)
- Furloughs for administrators, staff and faculty will have to be implemented.
- The decision to not fund Civil Service step increases will remain in effect.
- SUBR will have to increase the subsidization of its athletics programs from \$1,375,000 in 2010-2011 to \$2,425,000 in 2011-2012; this will be absorbed by the general fund and by a proposed increase in student athletic fees in the amount of \$382,000 for the 2012 Spring Semester.
- SUBR will implement a 10% tuition fee increase.
- Freezes on travel, supplies and contractual services will continue.
- Positions rendered vacant because of retirement, resignation or for other reasons will be filled only under critical and absolutely essential circumstances; otherwise, the salaries for such positions will be absorbed to help cover the budget deficit.

A University-wide budgetary advisory committee that included Faculty Senate, Staff Senate, Student Government Association and senior administration representation was formed to review projected revenues and expenditures and develop strategies to address the deficit. Our intent was to arrive at a balanced budget without declaring financial exigency.

It is now apparent that we have reached the point at which the University cannot balance its budget unless it imposes a 10% furlough on all of its employees earning \$30,000 or more annually, including tenured faculty. Counsel has advised, that unless the faculty voluntarily agreed to accept such a furlough, the alternative to being able to impose furloughs on tenured faculty was through a declaration of financial exigency. Discussions with the Faculty Senate and with faculty, in general, have not produced such an agreement. SUBR is left with no choice but to seek a declaration of financial

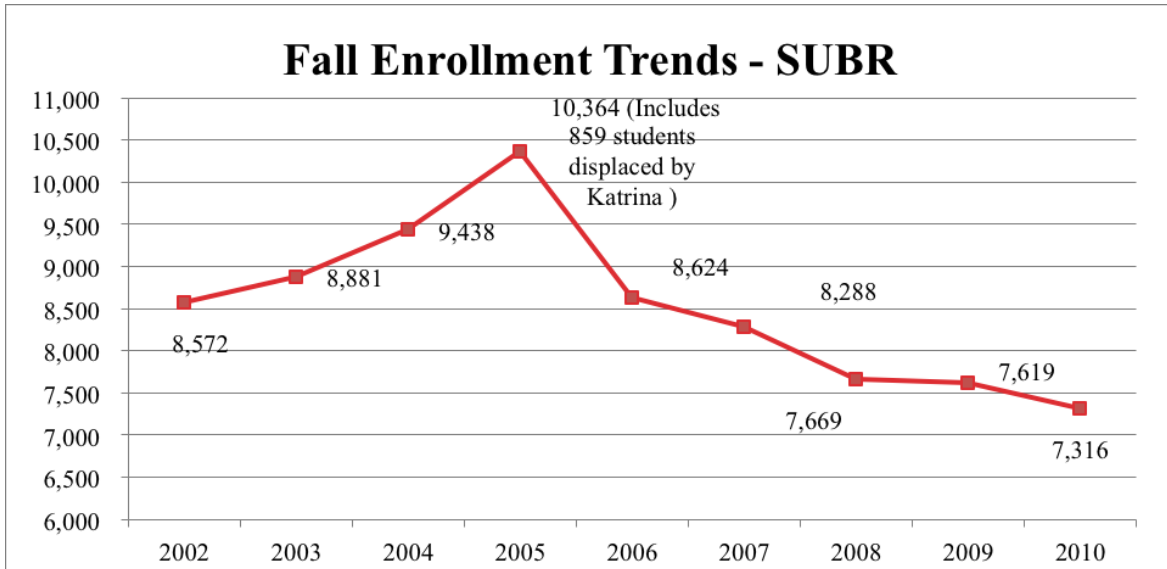
emergency in order to obtain the authority to include tenured faculty in the furlough plan.

It also became evident during the meetings of the budgetary committee that the University must proceed expeditiously with a comprehensive review and subsequent reorganization and restructuring of its academic and administrative organization. This reorganization should produce a redefined Southern University, both academically and administratively. In order to effect this new organization in the 2012-13 academic and fiscal year, the University must have the ability to realign and possibly reduce tenured faculty and academic administrators. The implementation of this proposal in 2012-13 would ameliorate the necessity to address future budget crises through such temporary measures as furloughs and freezes on vacant positions. A redefined Southern University would be prepared to move forward in delivering its core academic programs and be in a position to create new academic offerings through a more efficient academic and administrative organization. A declaration of financial exigency allows the University to reduce and/or reallocate expenditures as well as reduce, reorganize or terminate academic and non-academic programs and employees in a retrenchment/restructuring plan approved and adopted by the Southern University System Board of Supervisors.

## **Detailed Description of Budgetary Challenges**

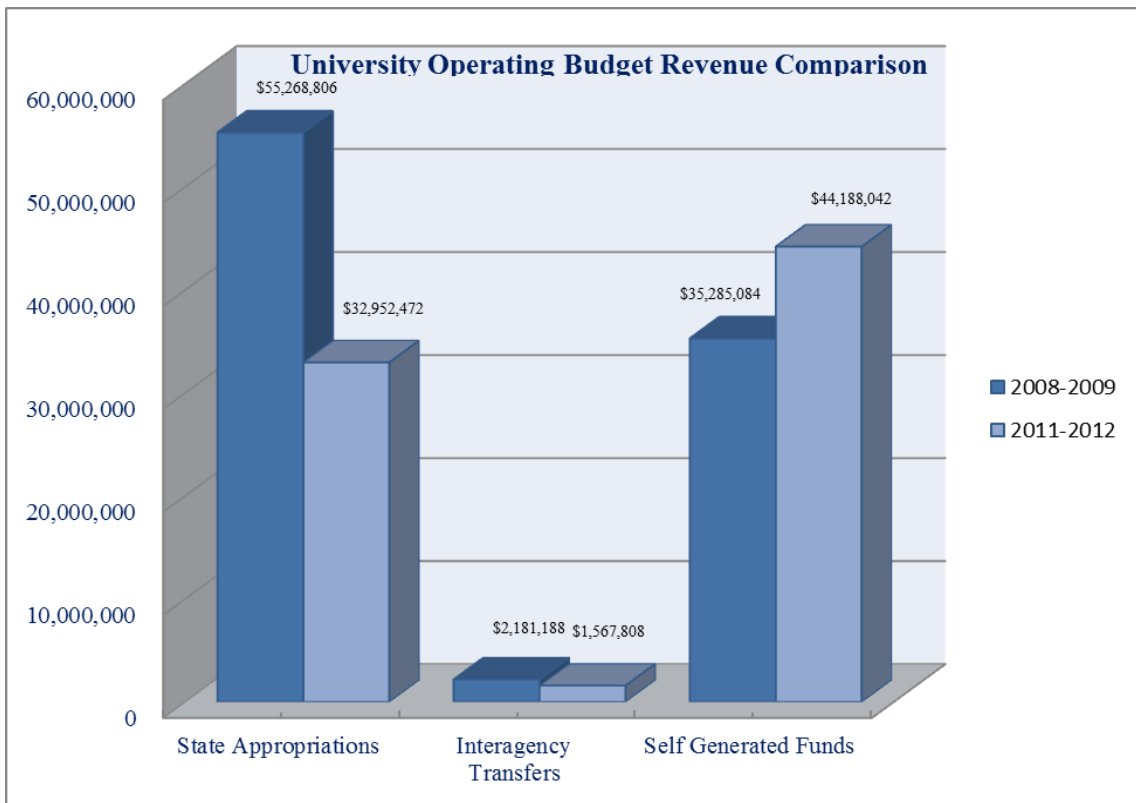
### Substantial Decline in Enrollment

SUBR's enrollment decreased by 1,308 students between Fall 2006 and Fall 2010. This is largely due to the implementation of selective admissions mandated by the Board of Regents and declining student retention. The rate of decrease has been approximately 300 students per year. Consequently, SUBR projects another of student decline in fall 2011. The resultant loss of tuition and fee revenues associated with the 1,608 students is estimated at over \$8.1m for fiscal year 2011-12.



### Reduction in State Funding

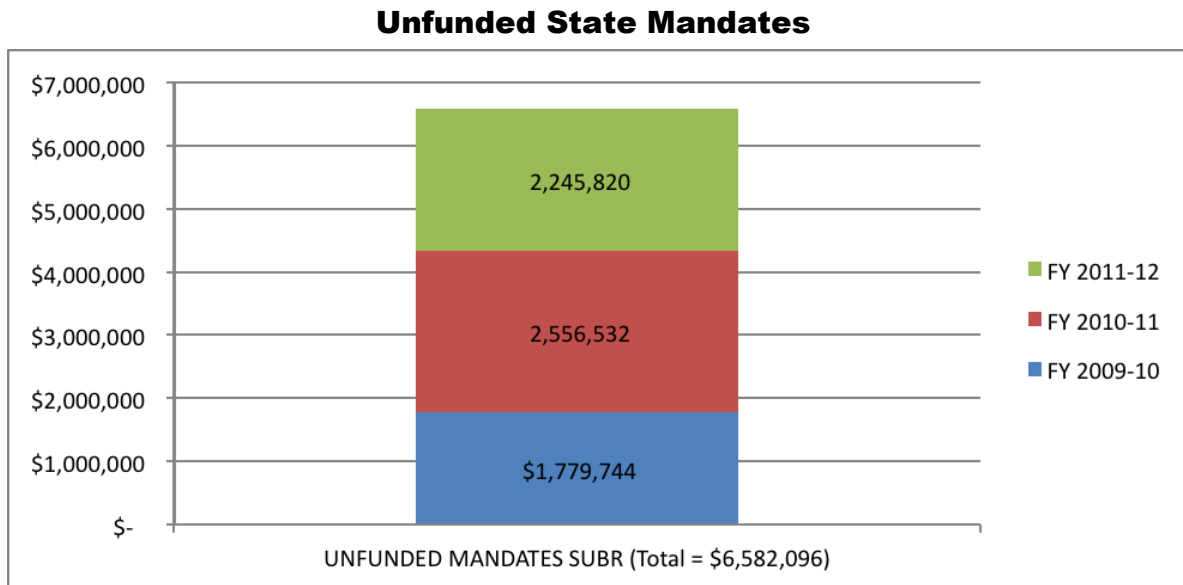
SUBR's State Appropriations have declined by \$22.3m, or 40.4% between FY 2008-09 (\$55,268,806) and FY 2011-12 (\$32,952,472). Although the state funding losses have been partially offset by tuition increases, total operating revenue has declined by \$14m, or 15%, (from \$92.7m in FY 2008-09 to \$78.7m projected in FY 2011-12).





### Increases in the Costs Associated with Unfunded State Mandates

The costs associated with unfunded state mandates, primarily employee benefits and risk management costs, have totaled over \$6.58m from FY 2009-10 through FY 2011-12. The projected cost of unfunded mandates for SUBR in FY 2011-12 is \$2.25m.



### Reductions in Expenditures

We have not been able to make critical hires needed to sustain and maintain the integrity of our academic programs. Each time a position is left vacant because an employee retires, resigns or for other reasons, the funds for the position are quickly identified and encumbered to help address the ongoing budget deficit. Vacancies are seldom, if ever, filled. In addition, we have also not been able to rehire many of the temporary faculty who serve as adjuncts. We have increased class sizes and continue to do so. We have implemented and are strictly enforcing adherence to faculty teaching load requirements.

Administrators and staff (except for employees paid under \$30,000 per year and those who have direct responsibility for student safety and health) have been furloughed since September 2009. Those making between \$30,000 and \$74,999 were furloughed at a rate of 3%. Those staff making \$75,000 and above have been and continue to be furloughed at a rate 4.6%. Probationary and tenured faculty members have not been furloughed. However, some faculty members have been monetarily affected, such as those who have been promoted during this period of crisis and have experienced delays in receiving compensation for said promotions and those faculty who have volunteered to teach on an overload basis without pay.

Since fiscal year 2008-2009, the University has drastically reduced critical line items in all program budgets that help determine the quality and effectiveness of those programs. Between fiscal year 2008-2009 and 2011-2012 salaries have decreased by \$14.2m, or 26%. Similar decreases have occurred in travel (51%), operating services (9.1%), supplies (27.4%) and library acquisitions (71.9%). During this same period, related benefits increased by 8.7% as a result of increases in unfunded mandates imposed by the state.

### University Operating Budget Expenditure Comparison

Category	2008-2009	2011-2012	Over (Under)	Change
Salaries	\$54,096,532	\$39,913,937	(14,182,595)	(26.22)%
Other Compensation	134,477	236,477	102,000	75.85%
Related Benefits	16,775,651	18,239,441	1,463,790	8.73%
Travel	580,020	284,082	(295,938)	(51.02)%
Operating Services	10,060,254	9,144,907	(915,347)	(9.10)%
Supplies	1,161,188	843,310	(317,878)	(27.38)%
Professional Services	215,867	285,667	69,800	32.33%
Other Charges	8,970,767	8,507,723	(463,044)	(5.16)%
Interagency Transfers	0	752,003	752,003	100.00%
General Acquisitions	240,322	353,126	112,804	46.94%
Library Acquisition	490,000	137,649	(352,351)	(71.91)%
Major Repairs	10,000	10,000	0	0.00%
<b>Total Expenditures</b>	<b>\$92,735,078</b>	<b>\$78,708,322</b>	<b>(\$14,026,756)</b>	<b>(15.13)%</b>

### Other Loss of Income

Preliminary results indicate that the Intercollegiate Athletic program operated with an excess of expenses over revenues (deficit) of approximately \$918k for FY 2010-11 due to reduced revenues and rising expenses. Athletic operating revenues, particularly football, have declined over \$370k (from \$3.21m to \$2.84m) between FY 2007-08 and FY 2010-11. It is projected that such revenues will sink further in FY 2011-12. As enrollment has declined, amounts generated by student athletic fees have dropped accordingly (approximately \$257k) from \$2.292m in FY 2007-08 to a projected amount of \$2.035m for FY 2011-12. As athletic revenues have declined, overall athletic expenses have grown from \$6.7m in FY 2007-08 to a requested amount of \$7.4m in FY 2011-12, an increase of over \$700k.

Southern University Laboratory School's enrollment has declined by 111 students (25%) between FY 2007-08 and FY 2010-11. Corresponding reductions in state funding from the Minimum Foundation Plan (MFP) have reduced the appropriations received by \$292k, from \$1.93m to \$1.64m. In addition, revenue generated from tuition and fees have also declined.

## Budget for 2011-2012

The University initially projected a budget shortfall of approximately 10.m for the 2011-2012 fiscal year. The reasons for the projected shortfall are:

### Decreased Revenues

- 2011-2012 budget reductions (\$2,304,545)
- Projected decrease in budgeted self-generated revenues (\$1,287,832)

### Increased Expenditures

- Unfunded mandates (\$2,235,790)
- Additional athletic subsidy (\$700,000)
- Prior year athletic deficit (350,000)
- Scholarships and tuition waivers resulting from tuition increases (\$500,000)
- Additional full-time faculty needed for accreditation (\$546,000)
- Prior year pool cost (\$411,000)
- Laboratory School subsidy (\$158,894)
- Unemployment compensation (\$289,514)
- Accreditation non-personnel (\$25,000)
- Other critical positions (\$227,500)
- Banner maintenance (\$150,000)
- Out-of-state fee waivers (\$150,000)
- Faculty Promotions – 2009 (\$146,197)
- Faculty Promotions – 2010 (\$141,462)
- Faculty Promotions-2011 (\$88,009)
- Civil Service Reallocations (\$29,013)

Proposed budget reductions to address the projected shortfall for the 2011-2012 fiscal year are shown below:

- Reducing the budget for Adjuncts and overloads plus fringes (\$260,000)
- Reorganization of colleges and schools in 2011-12 (\$100,000)
- Telephone savings (\$150,000)
- Foundation and Alumni employees transferred or terminated (\$293,137)
- Additional Personnel Reductions plus benefits (\$1,080,013)
- Employee Resignations submitted (\$225,518)
- Vacant Positions (\$1,861,778)
- Reduction in Summer School expenditures through a revised summer salary schedule (\$520,000)
- Faculty retirement incentive plan (\$1,019,966)
- Delayed payment of 2010 promotions (\$141,462)
- Delayed payment of 2011 promotions (\$88,009)

- Athletic student fee increase effective Spring 2012 offered by Student Government Association (\$382,364)
- Employee furloughs at 10% (\$2,206,034)
- Expenditure transfers to other funds (\$1,109,476)
- Reduction in Operating Costs (\$303,000)

### **Personnel Data 2011-2012**

<b>Description</b>	<b>Number</b>	<b>Amount</b>
Vacant Positions Eliminated	43	\$1,861,778
Pending Layoffs	28	1,080,013
Transfer Positions	30	1,109,476
Retirement Incentives	23	1,019,967
Potential Retirees	5	225,518
<b>TOTALS</b>	<b>129</b>	<b>\$5,296,752</b>

### **Recommendation**

Based on the information provided, it is requested that the Board of Supervisors declare a financial emergency exists at Southern University and A&M College for fiscal year 2011-12, and authorize the retrenchment plan with the restructuring plan to be presented for approval at the November meeting of the Board of Supervisors.

Southern University Board of Supervisors' Policies and Procedures for Responding to Financial Emergencies, Section II, defines financial emergency as "significant financial stress, which demands immediate attention to protect the overall stability of the university..." The Policies further state that a financial emergency can result from:

- A substantial decline or shift in student enrollment
- Reduction in state funding
- Other loss of income
- Events requiring unanticipated expenditures

The preceding description of the budgetary challenges facing Southern University and A&M College at Baton Rouge provide a clear indication that these conditions exist.

The request for financial exigency includes authorization and approval by the Board to permit the following actions:

1. The implementation of furloughs for all employees earning \$30,000 or more, including tenured faculty.
2. The implementation of an academic and administrative reorganization plan that allows for the notice of termination period to be reduced for tenure and tenure track employees whose academic degree programs are impacted by discontinuance, consolidation, merger, or any such action that results in a reduced faculty requirement.
3. The implementation of a summer schedule that allows for the revision of the summer salary formula for instruction and administrative faculty.

## **The Way Forward**

While financial exigency will permit SUBR to take certain actions, if necessary, with regard to some academic programs and some tenured faculty, the University also proposes to, ultimately, assess every non-academic area of the University with a view toward continuing some units as they are or consolidating, terminating, or downsizing other units, in order to raise the level of efficiency and effectiveness, while simultaneously effecting cost savings. The University realizes that it must become less dependent upon state funding and more aggressive, creative and visionary in its efforts to raise external funds. A substantial part of our efforts will, therefore, be concentrated in the area of institutional advancement/development.

Those components of the University that in a real sense determine the extent of the University's success in attracting, retaining and graduating students are the Offices of Admission and Recruitment, Financial Aid, the Registrar, the Center for Teaching and Learning Excellence and all other advisement, tutoring and mentoring components of the University. Dramatic changes will be made to reflect aggressive, creative, efficient, energized, effective and bold actions that are results oriented.

Additional cost savings and revenue generating strategies must be explored. An example is implementing options that will make summer session and inter-session offerings profitable by reducing costs.

The University is not alone in its efforts to restructure and reorganize. Higher education institutions across the nation are engaging in comprehensive initiatives to reflect bold new visions and directions, while simultaneously maintaining a sense of continuity in the midst of change. This is SUBR's aim—to demonstrate that change and continuity can co-exist.

A University-wide oversight committee will be appointed to steer and guide this ambitious undertaking. Individual task forces and committees will be appointed and charged to review and analyze program self-evaluations and other data as part of a

process to conduct broad assessments of academic and non-academic units. Timelines for completing the work of some committees/task forces will vary. The work of some groups will commence almost immediately and will require intense and concentrated effort. Other groups will have the benefit of a longer period for completing their assessments. All work will be monitored by the oversight committee to ensure that the University's Mission and Vision, along with an assessment of its current Strategic Plan, serve as a strong foundation for any recommendations that are the result of the deliberations of the various groups. Ultimately, this process will also include the assessment of the University's current 2009-2012 Strategic Plan and contribute to the development of a new five-year 2013-2016 strategic plan.

It is critical that this reorganization and restructuring plan be completed by November 15, 2011 and presented to the Board for approval and implementation in the 2012-13 fiscal and academic year.