

Contact: Patrice Sayre

FY 2016 OPERATING AND OTHER FUND APPROPRIATIONS REQUESTS

PART 1

Actions Requested:

- Based on proposed spending and funding plans, approve the identified operating appropriations requests for FY 2016 totaling **\$649.0** million.
- Authorize actions by designated Regent staff to seek collaboration and partnerships between Regent institutions and other sectors of state government. The Regent legislative efforts are an integral part in successfully receiving requested funding.

Executive Summary: Iowa Code requires state entities to submit appropriations requests for the ensuing fiscal year to the State on or before October 1.

Regent appropriation requests are consolidated into seven major functional areas:

- Higher Education
- Special School Education
- UIHC Programs
- Iowa Public Radio
- Higher Education Legislative Special Purpose
- Economic Development
- Tuition Replacement

Total requested incremental Operating Appropriations are **\$22** million; 47% for Higher Education.

Background: The Board of Regents institutions touch the lives of Iowans and the world in the areas of the economy, medicine, agriculture, pre-K12 education, technology and the arts. Regent institutions provide knowledge and resources for all and are critical components for building Iowa's future.

Studies from the Georgetown University Center on Education and the Workforce predict that 55 million new American jobs will be created by the end of this decade. Of them, 40 million — more than 70%—will require a college-level certificate or degree. And by 2020, the Center says, 65% of all U.S. jobs will require a postsecondary credential.¹ According to the latest Census figures (2012), less than 40% of Americans hold at least an associate degree; in Iowa, the figure is 41.8%. Clearly, then, there is a wide gap between what we have in terms of college attainment and what we need as a nation.

The Iowa School for the Deaf and Iowa Education Services for the Blind & Visually Impaired (includes the Iowa Braille and Sight Saving School) provides equitable access to high quality services for all students in Iowa who are blind, deaf, or hearing- and/or visually-impaired.

Regent institutions will continue to transform their activities in ways that create greater efficiency and effectiveness as they build a new model to achieve their goals while making sure the transformation does not come at the expenses of its core values—affordability, accessibility. The institutions will continue to recruit highly talented students and faculty, concentrate on research and development activities, and work to facilitate public and private sector collaborations and an efficient system to transfer technology from the classroom to industry.

The partnership between the Board of Regents and the State defines the character and mission of Iowa's great public universities and special schools. This investment promotes access and affordability for Iowa residents and a bright future for the state.

¹ Georgetown University, Recovery, Job Growth and Education Requirements through 2020; <https://georgetown.app.box.com/s/dl0zkxt0puz45hu21g6>

To maximize benefits to Iowans and other citizens, the Board of Regents advocates for adequate support for Regent institutions from all sources for high-quality educational opportunities accessible to Iowans, research and scholarship, service activities, and economic development efforts. We pledge to operate our public institutions in a way that is efficient as well as effective, transparent, and accountable. Iowans make a great investment in this endeavor, and we must spend those funds wisely.

To maintain a stable base for operations, the appropriations request incorporates:

- Continuation of recurring state appropriation levels
- Funding for initiatives to support the FY 2010-2016 strategic plan from state appropriations
- Tuition Replacement needs
- Support for Iowa Public Radio

APPROPRIATIONS REQUEST

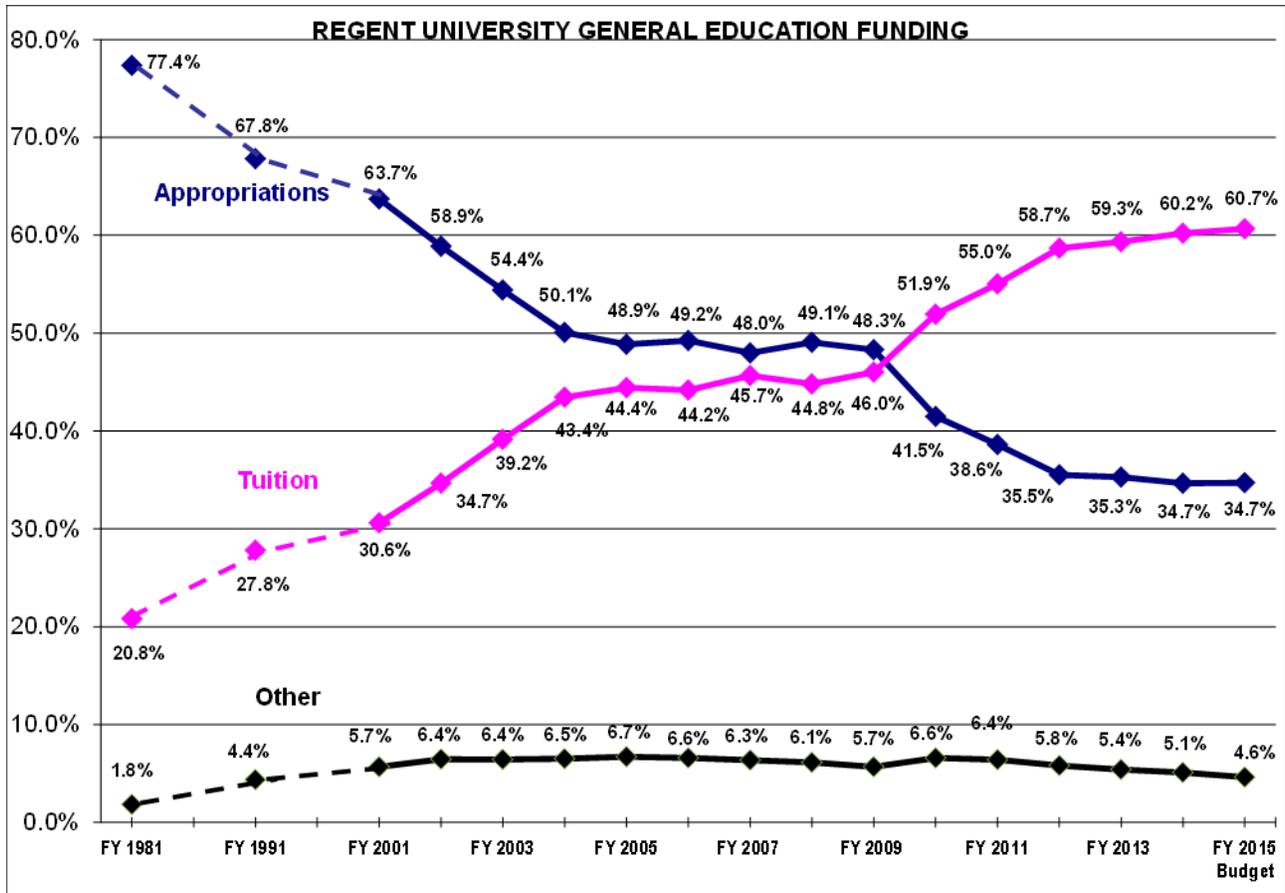
Board of Regents Proposed Operating Appropriation Request								
STATE APPROPRIATIONS	Regent Operations by Major Function				Total	Tuition Replacement	Iowa Public Radio	Grand Total
	Higher Education	Higher Education Legislative Special Purpose	Special School Education	Economic Development				
FY 2015 Recurring Appropriations	501,045,544	\$ 73,724,787	\$ 13,401,412	\$ 8,801,000	\$596,972,743	\$ 29,735,423	\$ 391,568	\$ 627,099,734
Incremental Funds	8,768,298	1,329,184	532,304	154,018	10,783,804	502,126	59,897	\$ 11,345,827
Strategic Initiatives for Progress	1,500,000	7,015,000	232,500	1,776,000	10,523,500	-		\$ 10,523,500
Proposed Total Appropriations	\$ 511,313,842	\$ 82,068,971	\$ 14,166,216	\$ 10,731,018	\$618,280,047	\$ 30,237,549	\$ 451,465	\$ 648,969,061
Total Requested Appropriation Increases	\$ 10,268,298	\$ 8,344,184	\$ 764,804	\$ 1,930,018	\$ 21,307,304	\$ 502,126	\$ 59,897	\$ 21,869,327

NOTE: UIHC Request is not included in numbers above. This will be determined at a later date

HIGHER EDUCATION OPERATING APPROPRIATIONS REQUEST \$509.8M

This functional area combines the general education units of the three public universities.

State operating appropriations have historically provided the core operating funds for the Regent institutions. However, dynamic changes in state funding patterns significantly altered the proportion of revenue sources for higher education as seen in the chart below.



Last year’s Partnership for Student Affordability was a successful collaboration with the Governor and the Legislature that allowed the public universities to meet inflationary pressures and freeze tuition for Iowa undergraduates for a second year. In order to continue to be competitive for excellent faculty, staff and students and to maintain the quality of our programs, the Regent universities must address the rising cost of utilities, transportation, employee healthcare and wellness, and other supplies and services necessary for the development of an educated person. Further, bargaining agreements will be negotiated this year that will be in place in FY 2016; these agreements will increase institutional costs.

As analyzed by the University of Iowa Economic Research Institute, the likely course of inflation in the Higher Education Price Index (HEPI) for FY 2016 is a median rate of 2.4%. The Board of Regents is proposing a modest inflationary increase of 1.75%.

New funding will allow the Regent universities to:

- Preserve and strengthen educational quality and the student experience
- Continue improvement of retention and graduation rates
- Continue strong financial aid policies
- Improve administrative efficiency
- Improve student financial literacy

The higher education appropriations request incorporates the Regents commitment to affordability; student success; timely degree attainment, student outcomes assessment; diversity; and the quality of interdisciplinary education experiences for undergraduate and graduate/professional education.

The higher education request includes:

- Continuation of FY 2015 recurring appropriations of \$501.0 million
- Incremental funding increase of 1.75%, \$8.77 million, to support investment in student's instruction and academic support

University of Iowa..... \$4,041,153

The University of Iowa is a comprehensive research institution that provides a broad range of high quality educational opportunities. Many of the University's academic programs receive national recognition as leading programs in their fields such as speech pathology/audiology, physical therapy, and social psychology. Thanks to State support, Iowans have access to expert faculty, state-of-the-art facilities, and world class educational programs at reasonable tuition rates (second lowest in the Big Ten).

With a Fall 2013 enrollment of 31,065 students, the University's 11 colleges offer over 200 majors, minors and certificate programs. A 89-100% placement rate for new graduates (depending on program) and a 51% four-year graduation rate shows that the University's strategic plan for 2010-16, *Renewing The Iowa Promise* is producing results on Student Success and Affordability.

Graduates of Iowa's programs make up a significant percentage of professionals working in Iowa's business and not-for-profit communities. For example, SU1-trained graduates are:

- 79% of the state's dentists
- 50% of Iowa's physicians
- 48% of Iowa's pharmacists
- Teachers and administrators in 100% of Iowa's K-12 school districts

86% of recent graduates accepted job offers within the Midwest, with the majority accepting their first job in Iowa.

The University of Iowa seeks to advance scholarly and creative endeavor through leading-edge research and artistic production; to use this research and creativity to enhance undergraduate, graduate, and professional education, health care, and other services provided to the people of Iowa, the nation, and the world; and to educate students for success and personal fulfillment in a diverse world.

Iowa State University \$3,166,552

Iowa State University has a long history of educating and graduating students who are creative, technologically adept, and culturally informed. Funding from state appropriations is used to support the university's efforts in ensuring student success. These efforts include hiring additional faculty, using learning analytics to assess student success, increasing personalized learning, hiring support staff in areas of advising and student support, upgrading classrooms and learning spaces, and enhancing the university's information technology infrastructure.

Enrolling 33,241 students for Fall 2013, the University is organized into 8 colleges offering a total of 99 Bachelors degree programs, one Professional degree (Doctor of Veterinary Medicine), 113 Masters programs, and 81 Ph.D. programs.

Student demand from Iowa, nationally, and internationally continues to be strong with the university experiencing its fifth consecutive year of record enrollment. The science-based curricula in engineering, agriculture and life sciences, and human sciences have been especially appealing to incoming students and their families. Over the past five years, total student enrollment has increased over 19%, while first-year retention rates of students admitted to the university as freshman improved by 3%, and second-year retention rates improved by 4%.

During FY 2013, graduates achieved a 94% placement rate within six months of graduation. Of those graduates, 67% of Iowa students and 22% of nonresident students remained in Iowa to begin their careers.

Iowa State University's mission is to create, share, and apply knowledge to make Iowa and the world a better place.

University of Northern Iowa \$1,560,593

The University of Northern Iowa's mission is to provide transformative learning experiences that inspire students to embrace challenge, engage in critical inquiry and creative thought, and contribute to society. As the state's comprehensive university, UNI focuses on educating Iowans who tend to stay in Iowa to work and live; 90% of students enrolled Fall 2013 are residents.

While committed to its history in teacher preparation, the impact of the University of Northern Iowa extends well beyond these roots with a Fall 2013 enrollment of 12,159 students, and 4 colleges offering over 90 majors. In 2013, 90% of UNI graduates were employed or in graduate school within six months of graduation and 87% of them were in the state of Iowa.

STRATEGIC INITIATIVES **\$10.3M**

The above funds represent the total of new initiative requests for FY 2015 and do not include the recurring funds for the Governor’s STEM Advisory Council Initiative, whose purpose and progress is noted below.

GOVERNOR’S STEM ADVISORY COUNCIL INITIATIVE Current Level **\$5,200,000**

Since FY 2009, the universities have worked as a team to implement the STEM (science, technology, engineering and math) initiative. This effort has grown to become the Governor’s STEM Advisory Council as managed by the Iowa Mathematics and Science Education Partnership (IMSEP). The request is for continued funding at the current level.

- ❖ **Iowa’s STEM Challenge** – STEM workers drive Iowa’s innovation and competitiveness by generating new ideas, new companies and new industries, but our state and nation are facing a critical talent gap in science, technology, engineering and mathematics. For example, Iowa is below the national average in the number of post-secondary majors studying STEM at our colleges and universities. Only 11% of 2012 ACT test takers were college ready and interested in studying STEM. Of 41 states participating in the National Assessment of Education Progress, Iowa youth showed the least growth in math and science scores over the period 1992 to 2011. Iowa’s rapidly diversifying student population has profound implications for the STEM career pipeline. In addition, while Iowa’s under-represented ethnic and racial minorities account for 93% of the state’s population growth since 2000, our minority youth report much less interest in STEM post-secondary study.
- ❖ **Governor’s STEM Advisory Council** – Governor Branstad’s Executive Order 74 created the Governor’s STEM Advisory Council in the summer of 2011. The council’s overarching goal is to boost student interest and achievement in STEM. The council of leaders in education, business, non-profits, and government is administered by the *Iowa Math & Science Education Partnership*, a department at the University of Northern Iowa. Eight strategic priorities drive the Council’s programming spanning STEM policy, teacher training, technology integration, special populations, post-secondary readiness, and public awareness. A statewide STEM Network of regional hubs, regional managers, and regional advisory boards supports and disseminates programming to fulfill these priorities.

Measures of Success – In Year 2 (FY 2014) the Council’s programming engaged over 1,000 educators and 100,000 children within and outside of the school day. For FY 2015, there will likely be another 100,000 children engaged in more than 3,000 classrooms and clubs. Year 2 Evaluation by a triad consisting of the Center for Social and Behavioral Research at UNI, the Research Institute for Studies in Education at ISU, and Iowa Testing at SUI found:

- Over 40 percent of adult Iowans have heard of STEM.
- Three fourths of participating educators report greater skill and confidence in teaching STEM.
- All ten scale-up programs met the Council goals of increasing student interest in STEM study and careers.
- Over 700 partnerships between schools and businesses took place as part of the Scale-up program
- Almost 90% of participating educators reported increased student interest and awareness of STEM subjects. The full report is available at:

http://www.iowastem.gov/sites/default/files/Iowa_STEM_Year_in_Review_Monitoring_Report.pdf.

SUI – THE BELIN-BLANK ACADEMY (SPECIAL PURPOSE) \$1,500,000 (over 3 years)

The University of Iowa proposes to establish a STEM (Science, Technology, Engineering and Math) Academy housed at the university’s nationally-recognized Belin-Blank Center. The Academy will provide accelerated, residential learning opportunities for Iowa youth who are advanced in their educational pursuits and demonstrate an interest in STEM subjects. The proposed academy expands upon the state-funded K-12 regional program managed by the University of Northern Iowa. The request is for \$1,500,000 to pay for creation and launching of a pilot academy and would cover student scholarships, faculty and staff salaries, and materials. The Academy will serve to retain Iowa’s high-ability students.

The newly released Governor’s STEM Advisory Council report makes salient the benefits of specialized programs in math and science in terms of building both interest and competency in STEM areas. Currently, there is great momentum in Iowa (and across the nation) to enhance STEM learning for students and professional development for teachers of STEM subjects.

The University is proposing that it build upon current momentum with one of its greatest educational strengths – The Belin-Blank Center. This would impact the long-term future of the importance of STEM in the lives of individual Iowans and for the state as a whole. The proposal is to establish a specialized Academy on the campus allowing more Iowans to benefit from the full array of resources at SUI and the Belin-Blank Center.

The Academy will integrate several long-standing programs at SUI including: the National Academy of Arts, Sciences, and Engineering (NAASE) which is an early entrance program for high school juniors; the Iowa Online Advanced Placement Academy (IOAPA) which provides online AP courses for all Iowa high school students; and the Secondary Student Training Program (SSTP) which allows high school students summer intensive laboratory experiences, which earn them 3 hours of college credit in the sciences at SUI. All these programs have strong math and science components.

The proposed Academy will be an on-campus, academic year program that offers high ability, high school-aged students a residential experience that blends the final two years of their high school experience and the first two years of college. Furthermore, the design and infrastructure of the academy would lend itself perfectly to other Belin-Blank Center and SUI outreach opportunities. The Academy will be supported by faculty in Engineering, Education, Liberal Arts and Sciences, Medicine, and Public Health. Equally important is the fact that all of programming from the Belin-Blank Center makes this an opportunity where pre-and in-service teachers and school counselors can benefit from the on-site opportunities afforded by an academy.

Much of the infrastructure for the Academy is in place. However, there is considerable new planning needed to augment the new dimensions. A grant of \$500,000 for three years is requested to pay for creation and launching of a pilot academy and to cover student scholarships, faculty and staff salaries, and materials. Longer term continuation of this program for Iowa students will be considered during this pilot program.

**SUI – LEADING THE COMING REVOLUTION IN AUTONOMOUS, INTELLIGENT MACHINES AND SYSTEMS
(SPECIAL PURPOSE) \$3,000,000 (over 3 years)**

By 2026, analysts predict autonomous vehicles will be mainstream on US highways, with 100% market penetration over the following two decades.² Having only passengers and cargo in cars and trucks will reduce traffic and pollution, increase safety and conserve energy, and bring independent mobility to the elderly and the physically challenged, while also increasing human productivity. Driverless cars and autonomous freight transport, however, are just two of many exciting examples on the road from automation to autonomy. We will see the continued rise of autonomous intelligent machines and systems in agriculture and aerospace. The University of Iowa is well situated to put Iowa in the lead of this coming technological revolution.

The University of Iowa requests \$1M per year for three years to establish a nonprofit, public-private institute focused on autonomous intelligent machines and systems (AIMS). Iowa is poised to become a world leader in AIMS if it leverages three of its unique assets to develop driverless vehicles and unmanned aircraft systems for precision farming:

- The state is home to several companies with their own cutting-edge autonomy programs, including John Deere, Kinze Manufacturing, and Rockwell Collins.
- Iowa has the ideal combination of soils, streets, spaces and skies to develop, test, and commercialize autonomous technologies.
- The University of Iowa has complementary research expertise and facilities including the National Advanced Driving Simulator, the Injury Prevention Research Center, and the Public Policy Center.

Approach: To take full advantage of this economic development opportunity, SUI will build long-term public-private partnerships around AIMS. Working closely with John Deere, Kinze Manufacturing, Rockwell Collins, Google, the Iowa Economic Development Authority (IEDA) and others, the University will recruit and hire prominent faculty members with relevant industry experience in driverless vehicles and unmanned aircraft systems (UAVs). Faculty incentives and evaluation will be based in part on their successes working with corporate partners to translate their research ideas into commercial products.

The University of Iowa will establish the AIMS Institute as a separate, nonprofit entity with a hybrid governing board consisting of industry and university representatives. It will be funded primarily through Federal grants aimed at supporting industry-academia partnerships. In the longer term, the Institute will be sustained by reinvesting royalties from commercialized or licensed products. The University will draft and implement flexible and innovative IP policies to ensure reinvestment in the partnering entity. The AIMS Institute would be located at the University of Iowa Research Park near the National Advanced Driving Simulator and the soon-to-be-completed Southeast Iowa Regional STEM Hub to foster collaboration and experiential learning.

Outcomes: An AIMS institute designed specifically to align the intellectual capital of the university with innovative Iowa companies is the ideal vehicle to grow the state's economy, create well-paying jobs, build an entrepreneurial culture among faculty, commercialize technology, and provide students the skills they need to succeed. Automation and robotics have become crucial enabling technologies in the new global economy, creating competitive advantage for manufacturers by lowering costs and increasing productivity. Soon, the second wave of the robotics revolution, enabled by machine learning, will take automation to truly autonomous intelligent machines and systems (AIMS), significantly affecting many of Iowa's major industries. This investment will allow our state to build the capacity and expertise it needs to become a national leader in the development of AIMS, rather than a follower.

² <http://www.businessinsider.com.au/morgan-stanley-utopian-society-in-2026-2014-2>

ISU – LEADING THE BIOECONOMY (SPECIAL PURPOSE) \$5,000,000

In 2003 Iowa State University (ISU) anticipated the emergence of a bioeconomy that would use crops and crop residues in the production of fuels and other biobased products. Over the next decade that vision became a national reality: fuel ethanol production in the U.S. grew from 2.1 billion to 13.2 billion gallons; biodiesel production grew from 20 million to 1.1 billion gallons; hundreds of thousands of jobs were created or supported by these industries.

Iowa became a leader in the U.S. bioeconomy, being first in ethanol production and third in biodiesel production. Net farm income in Iowa increased from \$44,368 to \$116,767 while crop value per acre increased from \$319 to \$855 per acre. The rest of the state also benefited from the bioeconomy - the unemployment rate is currently seventh lowest in the nation due in part to the biofuels boom. The bioeconomy has added \$13.1 billion dollars per year to Iowa's economic output and created and supported almost 50,000 jobs in the state. ISU also participated in this revolution as faculty directed their research efforts to address problems of growing, harvesting, and processing biomass into a variety of products ranging from fuels to plastics. In aggregate they attracted over \$100 million in research funding from federal and industrial sources. They also developed interdisciplinary academic programs to prepare students to work in the bioeconomy.

A decade later the bioeconomy, and Iowa's role in it, is at a crossroads. Decisions must be made on how best to address the challenges and opportunities facing the bioeconomy. The existing industry faces several challenges that will require innovative solutions. Ethanol production exceeds the ability of U.S. automotive infrastructure to accommodate it without major new investment or technology advances. The U.S. Environment Protection Agency is contemplating increasingly stringent environmental performance standards for both agriculture and biofuels production which must be addressed. At the same time, new opportunities are emerging that can help existing biobased industries grow and create new businesses in Iowa's bioeconomy. The first gallons of cellulosic ethanol were produced in Iowa in June, 2014; two additional cellulosic facilities are scheduled to come online later in 2014. Technologies are emerging for converting crops and crop residues into drop-in biofuels that are not constrained by the so-called ethanol blend-wall. Opportunities for producing biopower are also being developed in Iowa; a transition that will become increasingly important as the nation strives to meet the U.S. EPA proposal to reduce carbon dioxide emissions from power plants by 34% by 2025. Companies around the world are also commercializing and further exploring the production of biobased chemicals for use in a wide array of consumer and industrial products.

ISU received funds in FY2014 from the state legislature to explore these new challenges and opportunities through its *Leading the Bioeconomy* initiative. These funds were used to establish laboratories and programs to support research, education, and outreach relevant to Iowa's evolving bioeconomy.

ISU's Bioeconomy Institute, the NSF Center for Biorenewable Chemicals, and the BioCentury Research Farm had combined research investments of \$24.8 million tied directly to the original installment of the *Leading the Bioeconomy* Initiative in FY2014. To leverage the General Assembly's investment to the fullest, the three biorenewables units have submitted \$32.6 million in grant proposals in FY2014 alone. To date, \$4.5 million in external grant funding has been awarded and the units continue to aggressively seek external funding through FY2015 and beyond. The teams comprising the *Leading the Bioeconomy* initiative have also partnered, collaborated and assisted numerous Iowa businesses and companies, and helped train and educate ISU students and the broader workforce.

From the 2014 efforts, a vision has emerged for ISU's continuing partnership with the state to expand the biofuels and biobased products industries and create new economic opportunities for the people of Iowa. This vision includes four elements: (1) provide technical support to companies already part of Iowa's bioeconomy; (2) attract federal and other external dollars to Iowa for research and capital investment in next generation biorenewables technologies; (3) nurture new company creation and growth through biobased incubator programs; (4) educate the workforce for Iowa's biobased companies.

ISU requests \$5 million in recurring state appropriations to help assure Iowa's continuing leadership in the national bioeconomy through these four research, education, and outreach activities, as detailed below:

Provide technical support to companies. To maintain the competitiveness of Iowa's bioeconomy, Iowa companies need to be able to optimize their operations and continuously incorporate technological advances. Most companies individually are not able to provide the infrastructure and expertise required to stay on the cutting-edge of technological development. ISU will establish facilities that Iowa companies can leverage for assistance in addressing problems in biobased manufacturing.

Attract external funding. An important element of leveraging Iowa's investment in the bioeconomy is attracting external funds to the state. The combination of agricultural resource base and institutions with expertise in biobased technologies is a powerful draw for companies working in the bioeconomy. It is also attractive to federal agencies supporting advanced research in biorenewables. Having an excellent record for attracting research and development funds from both private and federal sources, ISU will expand upon this success by helping faculty prepare large grant applications, administer research contracts, develop new areas of research, and maintain biorenewable research facilities.

Nurture new companies. For Iowa to fully benefit from the bioeconomy through creating new companies and jobs, a vibrant innovation ecosystem is needed that brings together technological innovators, entrepreneurs, economic development experts, and venture capitalists. ISU has established the Biobased Foundry to encourage and support entrepreneurial activities in the bioeconomy.

Educate the biobased workforce. The bioeconomy will require a highly educated workforce, skilled in newly emerging technologies and comfortable with working across disciplines. Workers will need to be familiar with biomass feedstocks, biomass harvesting and logistics, new ways of processing biomass into value-added products, and policy and market forces. ISU has established a well-respected interdisciplinary graduate program in biorenewables and offers unique summer programs for K-12 students and teachers. As the bioeconomy expands, so must our educational efforts in biorenewables. We will increase our graduate course offerings across disciplines, offer more opportunities for undergraduate students to learn about the bioeconomy, and support Iowa's K-14 educational system in preparing students for careers in science, technology, engineering, and mathematics.

ISU – AGRICULTURE EXPERIMENT STATION (SPECIAL PURPOSE)..... \$515,000

Last year's appropriations increase to the Agriculture Experiment Station is strengthening Iowa agriculture and the state's economy through innovative science and technology. Those funds have been invested in research on efficient animal agriculture production and management that results in safe, healthy foods, and also in research to improve water quality and conserve soils, increase crop yields and improve pest management.

This year, additional funding for the Agriculture Experiment Station will allow ISU to deliver new levels of innovation and profitability to Iowa agriculture, and allow focused investments, including a new faculty scientist hire and supporting operational expenses, to address two key research areas:

Livestock odor management. An initiative will take a systems approach to address odor and greenhouse gas issues. Research will target field-level strategies that can be implemented to reduce odor, including further enhancement of ISU's Community Assessment Model for Odor Dispersion, a siting tool to help producers make informed decisions before building new facilities. New research will strengthen the tool by incorporating data on Iowa's terrain, an important factor affecting odor dispersion, and by expanding the model to include other livestock species.

Animal care and well-being. Improved scientific understanding of the care and well-being of farm animals is essential for Iowa's livestock industry. Research on farm animal stress and well-being will improve current management practices and develop new ways to alleviate animal stresses while maintaining efficient, economically viable animal production systems. Because animal care continues to be increasingly meaningful to consumers, research will examine animal well-being throughout each step of the production chain and provide science-based information for producers and to address consumers' expectations on how food is raised, handled, transported and processed.

ISU – SMALL BUSINESS DEVELOPMENT CENTERS (ECONOMIC DEVELOPMENT) \$276,000

The Iowa Small Business Development Centers (SBDC), a program of the U.S. Small Business Administration (SBA), provides services through a network of fifteen regional centers hosted by Regents institutions and community colleges, along with a specialized center dedicated specifically to international trade and exporting. The program's purpose is to assist existing businesses and new entrepreneurs to grow their businesses and improve their internal operations to ensure their continued success.

Iowa SBDC has been operating on a very lean budget as a result of real declines in state and federal funding over the last 10 years. Federal funds are appropriated formulaically and are expected to decline or remain flat for the foreseeable future. Consequently, it is increasingly challenging to meet the needs of small businesses within Iowa.

Since 2007, the Iowa Small Business Development Centers have focused on increasing its efficiencies and generating more resources by:

- Reducing administrative costs. Through attrition, the SBDC has reduced the number of lead center personnel by two FTEs (from seven to five) while shifting and reorganizing duties to maintain or improve services. Only 23% of total program dollars are spent on administrative costs and SBA mandates, with the remainder being devoted to client services.
- Increasing the efficiency of delivery of services. Even with the reduction in personnel, the lead center at Iowa State University has been able to absorb some duties, such as marketing and market research, previously done by regional centers so that regional directors can devote more time to clients.
- Requiring more local match funding to support regional center operations. The local cash match requirement has been increased from 10% to 25%.

During the 2014 legislative session, the Small Business Development Centers were appropriated \$101,000 in new funds. There continues to be a strong need for additional funding above the \$18,154 inflationary increase to address the following:

- Reversing the real decline in operating funds for the regional centers in order to sustain current operations. The most recent SBA accreditation review found the Iowa SBDC program to be well run and poised for making substantial impacts on the state economy if additional funding is obtained. The reviewers also noted that with recent budget cuts at the state and federal levels, the program is running extremely lean and will likely have a difficult

time maintaining current service levels across the state. Funding will be distributed to, and directly benefit the services provided by, the regional centers in:

Ames	Burlington	Cedar Rapids/Marion
Council Bluffs	Creston	Davenport
Des Moines	Dubuque	Fort Dodge
Iowa City/Coralville	Mason City	Ottumwa
Sioux City	Spencer	Waterloo/Cedar Falls

- Replacing third-party specialty business counselor positions that have been eliminated due to years of decline in funding. In the past, the Iowa SBDC has used funds to retain specialty business counselors to leverage SBDC resources and provide clients with the time and expertise needed by them. Budget reductions have virtually eliminated the centers' ability to augment the specialty counselors' expertise and time. These specialty business counselors will enable the SBDC to offer the one-on-one counseling time that many business clients need to be successful. Studies by the SBA reveal that the greatest benefit of the SBDC program is realized by clients who receive five hours or more of one-on-one counseling time.

UNI – BACHELOR OF APPLIED SCIENCES (GENERAL EDUCATION) \$1,500,000

The University of Northern Iowa (UNI) is committed to promoting economic development in the state of Iowa. As a result, UNI has developed a strong pathway for community college graduates to earn a four-year degree. Indeed, about a third of the UNI student body is comprised of transfer students. This commitment is reinforced by the fact that more than 90% of UNI's students are from Iowa, and the vast majority of UNI's graduates stay and work in Iowa. Thus, UNI can act as an important conduit for Iowa's community college students as they work toward their four-year degrees and ultimately enter the workforce.

To build on this, UNI intends to establish a Bachelor of Applied Science (BAS) degree with ongoing funding of \$1,500,000. This degree is designed for community college graduates who have earned an Associate's of Applied Science degree and are considering a four-year degree. The BAS degree would be of particular interest to those who are already in the workforce and who are looking to add skills and credentials in order to gain promotions and to move into leadership positions. The BAS degree would simplify degree attainment since those with an AAS degree who intend to complete a four-year degree at UNI are subject to an array of articulation agreements, which creates confusion for students. This is in contrast to the relatively easy transfer of students with Associates of Arts degree, which automatically are counted as an equivalent to UNI's Liberal Arts Core (essentially the first two years of a standard four-year bachelor's degree). BAS degrees have been successfully used in many universities for this purpose, including the University of Iowa, so there are good models to follow in developing these degree programs. Furthermore, we have already gauged interest via our Technology Management BA (which could be restructured as a BAS program) - this program recently started with a full cohort of students.

Nature of the BAS degree – The BAS degree program offerings will include areas that directly build upon the student's experiences in their profession, as well as their coursework from their community college AAS degrees. These will tend to be in the more "applied" or "professional" programs at UNI including:

- Industrial Technology
- Health Promotion and Exercise Science
- Criminology and Criminal Justice
- Business Management
- Early Childhood Education

Many of these program areas are particular strengths at UNI, which will make these programs more attractive to students, and more valuable to the state in terms of graduating skilled workers ready to move to leadership positions in the workforce. It is anticipated that these programs will be offered online, in order to provide maximum access to those in Iowa's workforce who are looking to advance their careers through additional college education.

Resource Needs – To successfully launch these programs under the new BAS degree, UNI will need additional resources. The funding is primarily to ensure that the participating departments have the faculty, staff, technology, and infrastructure in place to accommodate incoming students. Faculty and staff development will be needed, as curricula and courses are developed for the programs, which represent a significant expansion of UNI's ability to offer high-quality online degree programs.

Conclusion – UNI is confident that the new BAS degree, and the programs within it, will provide a valuable new pathway for the professional development of Iowa's workforce. Community college graduates who hold an AAS degree will be able to enhance their skills and knowledge so that they will be more effective in the workforce. UNI has a proud tradition of directly serving the state as the university for Iowa. This new BAS degree, and the set of BAS programs, will be able to reach working professionals across the state, and thus will contribute to the goals of access to education and economic development. The new BAS degree will also smooth the transition of students with AAS degrees from community colleges to UNI, reducing confusion and time-to-degree. This will serve to improve the relationships between UNI and the community colleges across the state.

UNI – HELPING IOWA GROW ITS OWN – AN INITIATIVE TO SUPPORT ENTREPRENEURS AND SMALL BUSINESSES (ECONOMIC DEVELOPMENT) \$1,500,000

UNI proposes a combination of new and expanded services to better meet the needs of Iowa's entrepreneurs and small businesses. Services will be provided to entrepreneurs in all regions of Iowa and will also expand the culture of entrepreneurship on the UNI campus by serving students and faculty.

- **Advance Iowa (AI)** – The Battelle Memorial Institute is outlining economic development strategies for Iowa and specifically recommended expanding AI (second stage company support) as a strategic priority in the recently released “Economic Development Roadmap for Iowa.” UNI’s AI program is endorsed by the Iowa Economic Development Authority as Iowa’s economic gardening hub. Second stage companies are defined as having 10-99 employees and at least \$1 million in sales. Many of the new jobs created, and the resulting economic impact for the economy, come from second stage companies. These companies have grown past the startup stage, but have not yet grown to maturity and are poised for additional future growth by selling to national and global markets. UNI’s AI program has experienced initial success in the past year by delivering strategic assistance and support to 52 Iowa second stage companies. The companies have ranged from Sioux City Sprinkler in Sergeant Bluff to Good Blogs in Decorah to Circle Computing in Cedar Rapids. Additional funding is required to expand the service delivery channel by modestly increasing the staffing capacity through designated regional representatives and supporting entrepreneur roundtables. These expanded efforts will target companies within the state that have the greatest potential for job growth.
- **Business Concierge (BC)** – Small business owners need access to business intelligence (market, demographic, industry, customer, etc.) and appropriate referrals to Iowa service provider partners and resources. The BC has tested a statewide system of providing direct support to entrepreneurs and connecting 400 entrepreneurs within the past six months to the needed data or to the correct service providers. The pilot program, the first of its kind in the nation, has won national recognition from the University Economic Development Association and the International Economic Development Council. We propose adding three new initiatives within the BC program to more than double the number of small

businesses served each year. First, the BC will be directly linked to local economic development organizations and resource providers throughout Iowa. UNI will embed the I-Framed BC technology modules onto many of the 300 Professional Developers of Iowa members' websites to provide direct connections to companies through a trusted resource. Second, the BC will pilot a focused interaction with female entrepreneurs for greater awareness of BC Business Concierge (BC) –services with the intent of addressing Iowa's low ranking in female entrepreneurship. Third, another new initiative within the BC service is creating a Service Provider Referral Service. The referral service will provide an enhanced referral service to public and not-for-profit service providers who work with and/or are contacted regularly by entrepreneurs looking to increase the profitability and scalability of their business. Connections will also be made to effective programs such as IA SourceLink and the UNI AppsLab.

- **Additive Manufacturing** – Supporting the foundry industry has long been a unique service of the UNI Metal Casting Center. The installation of a large-format 3D sand mold printer has placed UNI in a unique position to help the castings industry innovate. More than 40 companies (mostly Original Equipment Manufacturers - OEMs) have already been assisted by producing sand cast molds and cores for projects that can reshore approximately \$30 million in castings. However, small- and medium-sized foundries and pattern shops in Iowa need technical assistance prior to effectively using 3D printing technologies. CAD designs and modeling are needed for these companies to effectively integrate 3D printing into their operations. The UNI Metal Casting Center is proposing a new initiative to provide direct technical assistance for design and virtual modeling for small companies and entrepreneurs to enhance their competitiveness and to improve the castings industry supply chain throughout Iowa. Design assistance and virtual reality modeling is the primary barrier preventing Iowa's small and medium companies from benefiting from 3D printing. This is yet another step toward the UNI Metal Casting Center becoming the premier Additive Manufacturing Center in the United States.

HIGHER EDUCATION LEGISLATIVE SPECIAL PURPOSE APPROPRIATIONS REQUEST \$75M

Education is only one “product” of the Regent public universities. These universities are a complex bundle of enterprises, each with a unique mission and funding sources. The Special Purpose appropriations request includes:

- Continuation of FY 2015 recurring appropriations of \$73.7 million
- Incremental funding of 1.75% (\$1.3 million) to support units outlined below

These appropriations are for specific programs at each institution which provide statewide services. Requests for incremental funding below \$25,000 appear at the end of this section.

❖ **SUI – STATE HYGIENIC LABORATORY (SHL)..... \$77,046**

The State Hygienic Laboratory statutorily provides analyses and investigations in the areas of disease detection, newborn and maternal screening, environmental quality and disaster/terrorism response to improve and protect the quality of life for all Iowans.

- **Service:** The Laboratory performs over 570,000 tests per year which have a direct impact on the health of the citizens of Iowa and its environment – in many cases this includes responses to major disasters and outbreak events (e.g., the spring floods and water quality as well as last summer's cyclospora outbreak).
- **Education:** SHL designs and provides training and educational programs throughout Iowa and the nation for public health, clinical and environmental laboratory systems. Programs range from hands-on training to several on-line courses. SHL is active in Iowa's STEM initiatives. SHL educational programs affect more than 10,000 individuals each year, including K-12, undergraduate, graduate students and professional teachers and scientists.

- Research: Restricted grants are currently 25% of SHL’s budget. Much of this funding is centered on translational and applied research, enhancing public and environmental health laboratory sciences and solving practical issues in the field.

Public health laboratories develop and implement new analytical systems to provide state-of-the-art disease surveillance. There have been significant discoveries and growth in new detection technologies that SHL needs to adopt, particularly in the areas of bacteriology and virology. The laboratory needs new high-throughput instruments to quickly and accurately identify the causes of disease, allowing faster medical treatment, with decreased costs and increased staff productivity.

❖ **SUI – OAKDALE RESEARCH CAMPUS**..... \$38,265

The Oakdale Campus of the University of Iowa supports a variety of academic, research, service and outreach functions. For example, the buildings on this campus support laboratory research functions, painting studios for the School of Art and Art History, the Technology Innovation Center, the State Hygienic Laboratory, the University Data Center, and a variety of other activities.

The appropriation for this unit partially funds the operations and maintenance costs of the campus space. The University supports the remaining operating costs.

❖ **SUI – IOWA FLOOD CENTER** \$26,250

The Iowa Flood Center (IFC) at the University of Iowa provides Iowans with accurate, state-of-the-art science-based information to help individuals and communities better understand flood risks. The IFC’s overarching objective is to improve flood monitoring and prediction capabilities in Iowa, while studying and developing strategies to reduce and manage floods.

The IFC appropriation, along with additional grant funding from agencies, support projects including the following:

- Host and continue to refine and add new tools to The Iowa Flood Information System (IFIS)—an easy-to-use online application to provide real-time information on watersheds, precipitation, and stream levels around the state;
- Deploy and monitor additional affordable stream stage sensors across the state (in conjunction with the Iowa Department of Natural Resources (IDNR));
- Continued development of high-resolution, web-based flood inundation maps (example communities in progress for FY15 include Fort Dodge and Humboldt);
- Development of floodplain maps for most of Iowa (in conjunction with the Iowa Floodplain Mapping Project funded by the IDNR);
- Conduct watershed-scale research to understand how small-scale mitigation projects can reduce flood damage in a watershed (in conjunction with the Iowa Watersheds Project);
- Educate graduate and undergraduate students; and
- Continued organization of public outreach programs, press releases, and other activities to share IFC tools and information with the general public.

❖ **SUI FAMILY PRACTICE PROGRAM** \$31,295

The Statewide Family Practice Training Program provides financial, educational, and technical support to a network of seven community-based residencies that train physicians in the specialty of family practice. The residencies are dispersed into regions of the state to help improve the geographic distribution of family practice graduates and physicians in general. The training programs are located in Cedar Rapids, Davenport, Des Moines, Iowa City, Mason City, Sioux City, and Waterloo.

The program has an enrollment of 140 residents over the three-year residency, with approximately one-third of the trainees graduating each year. More than 30 medical colleges are represented in the trainee complement.

This program is a crucial asset to the health status of Iowans and has achieved continuous recognition for the past 25 years. It is Iowa's principal source of new family physicians. During the past 10 years, 68% of the family practice graduates entered Iowa practices, nearly half going to communities with populations under 10,000. The program has now attracted approximately 750 graduates into Iowa communities. This highly successful program is one of the reasons the University of Iowa's College of Medicine continues to rank among the nation's top five medical schools in producing graduates who enter family practice careers.

The training sites also provide valuable educational experiences for University medical residents, and experiences for pharmacy, dental and physician assistant students. These regional training centers serve as the backbone of the University's Statewide Medical Education System.

❖ **ISU – AGRICULTURE EXPERIMENT STATION** \$523,020

Incremental funds are requested to support the on-going efforts of the Agriculture Experiment Station. Research supported by the Agricultural Experiment Station works to improve food, agriculture and the environment in Iowa. Agricultural sciences generate innovations, technologies and solutions to real-world needs in food security, human health, economic development and environmental sustainability. As world population growth continues, there is greater strain on resources to provide food sustainably, efficiently and in a manner that is socially acceptable. Previous investments in agricultural research have kept Iowa agriculture competitive through increased efficiency and sustainability; additional state investment will help Iowa lead the nation and the world in developing new science and technology necessary to meet global demands.

Additional state funding for the Agriculture Experiment Station is leveraged through the success of Iowa State University scientists in competitive external funding awards. Iowa State agricultural researchers have brought in \$187 million in external funding over the past four years, thanks to the vital state resources that support them and their labs. State resources also are significantly leveraged by investments in research made by the state's agricultural organizations, private industry and foundations. As a result, ISU is taking innovative approaches to improve feed efficiency in livestock and poultry, enhance genetic resistance to livestock diseases, sustain future corn cropping systems and manage disease threats in soybean fields.

❖ **ISU – COOPERATIVE EXTENSION SERVICES** \$319,668

Incremental funds are requested to support the on-going efforts of ISU Extension and Outreach activities. Extension and Outreach works across ISU colleges, throughout the 99 counties, and with external partners to improve quality of life in the state. The demand for ISU Extension and Outreach services – particularly programs that serve small business owners, grow existing industry, and enhance rural communities – is increasing and challenging current resources. Iowans want clean water, a healthy environment, and a safe, sustainable, and affordable food supply. Extension and Outreach programs align with Governor Branstad's *Healthiest State Initiative* to help Iowa become the healthiest state in the nation by 2016. K-12 youth outreach develops Iowa's future workforce and helps fight the "brain drain" by connecting youth with opportunities here in Iowa.

New funds will be used to work with businesses and communities across the state to address food safety and security issues, address environmental issues throughout the food supply chain, improve health and well-being of Iowans with special attention to Iowa's aging population, engage more K-12 youth to build leadership skills and create more interest in STEM related careers, and broaden Iowans' entrepreneurial aspirations with education and technical assistance.

- ❖ **REGIONAL STUDY CENTERS** \$204,967
Incremental funds are requested for the Quad-Cities Graduate Study Center, Southwest Iowa Regents Resource Center; and Northwest Iowa Regents Resource Center. The regional study centers serve residents of Iowa who are geographically distant from the Regent campuses. Additional funds, \$200,000 are requested for the Northwest Iowa Regents Resource Center

More than 60 undergraduate and graduate programs are offered each year using distance delivery modes. In its strategic plan, the Board of Regents made it a priority for the three universities to expand the availability of distance delivery programs. After extensive evaluation and consultation with community leaders, the State Extension, Continuing, and Distance Education Council (SECDEC) determined that the more effective use of the limited resources provided to the graduate centers was to increase the partnerships with community colleges and, in particular, in co-locating services on Iowa community college campuses to provide increased services to students who desire to access distance education, especially in the western parts of the state.

This model was implemented in Council Bluffs with the relocation of the Southwest Iowa Regents Resource Center to the campus of Iowa Western Community College, working with both Iowa Western Community College and Southwest Iowa Community College. The Northwest Iowa Regents Resource Center (NWIRRC), which is located on the campus of Western Iowa Technical Community College (WITCC), was created by the 2013 legislature (HF 604) to serve the educational needs of students in northwest Iowa. Creation of the Center resulted from the requests and support of community leaders in Sioux City. The Center is part of the Regent Enterprise and includes the University of Iowa, Iowa State University, and the University of Northern Iowa. The Center also partners with WITCC and Northwest Iowa Community College.

The additional funds of \$200,000 will be used by the Northwest Iowa Regents Resource Center for hiring a faculty/coordinator salary, office equipment, telecommunications support, rent, promotion, and other similar expenditures. Current funds support two part-time community college staff.

SPECIAL PURPOSE APPROPRIATIONS REQUESTS < \$25,000

	<u>FY 2015</u>		<u>FY 2016</u>
	<u>Recurring</u>	<u>Incremental</u>	<u>Total</u>
University of Iowa			
SPECIALIZED CHILD HEALTH CARE SERVICES	\$659,456	\$11,540	\$670,996
PRIMARY HEALTH CARE	\$648,930	\$11,356	\$660,286
STATE HEALTH REGISTRY of IOWA	\$149,051	\$2,608	\$151,659
SUBSTANCE ABUSE CONSORTIUM	\$55,529	\$972	\$56,501
CENTER for BIOCATALYSIS and BIOPROCESSING	\$723,727	\$12,665	\$736,392
IOWA REGISTRY for CONGENITAL AND INHERITED DISORDERS	\$38,288	\$670	\$38,958
ONLINE AP ACADEMY	\$481,849	\$8,432	\$490,281
IOWA NONROFIT RESOURCE CENTER	\$162,539	\$2,844	\$165,383
Iowa State University			
LEOPOLD CENTER for SUSTAINABLE AGRICULTURE	\$397,417	\$6,955	\$404,372
LIVESTOCK DISEASE RESEARCH	\$172,844	\$3,025	\$175,869
VETERINARY DIAGNOSTIC LABORATORY	\$4,000,000	\$0	\$4,000,000
NUTRIENT RESEARCH CENTER	\$1,325,000	\$23,188	\$1,348,188
University of Northern Iowa			
RECYCLING & REUSE TECHNOLOGY TRANSFER CENTER	\$175,256	\$3,067	\$178,323
GOVERNOR'S STEM ADVISORY COUNCIL	\$5,200,000	\$0	\$5,200,000
REAL ESTATE EDUCATION	\$125,302	\$2,193	\$127,495
			\$0
OTHER			
BOARD of REGENTS OFFICE	\$1,094,714	\$19,157	\$1,113,871

SPECIAL SCHOOL EDUCATION OPERATING APPROPRIATIONS REQUEST..... \$13.9 million

The funding request for the two special schools, Iowa School for the Deaf (ISD) and Iowa Educational Services for the Blind and Visually Impaired (IESBVI) allows the Board of Regents to continue to provide high quality, individualized instructional opportunities to children and youth who are deaf or hard-of-hearing and to those who are blind or visually impaired. The Special Schools' request includes the continuation of the FY 2015 recurring appropriations totaling \$13.4 million for general operations, and incremental funding of 4% that would provide \$375,674 for Iowa School for the Deaf and \$156,630 for the Iowa Educational Services for the Blind and Visually Impaired. The amount requested will help to maintain parity with the level of funding appropriated to K-12 public schools.

The Special Schools' request will support the implementation of strategic goals to:

- Increase the number of students meeting or exceeding the state academic standards in reading and mathematics
- Support student outcomes assessments programs advancing student achievements of identified learning goals

Special School faculty members must have highly specialized teaching licensure with multiple endorsements for special education and grade level or content area licensure. The Schools must recruit and compete for teachers on a national level.

For the Iowa School for the Deaf and Iowa's Educational Services for the Blind and Visually Impaired, the requested increase will support the core programming for students who are blind or deaf in Iowa through the defined service delivery model currently being used, by ensuring:

- Full implementation of students Individual Education Program (IEP) in cooperation with the local school districts and Area Education Agencies
- Implementation of programs and activities to support the Expanded Core Curriculum for students who are blind or deaf in Iowa.
- Access to a language rich environment and early language development, essential for students who are deaf, at Iowa School for the Deaf.

SPECIAL SCHOOL STRATEGIC INITIATIVE REQUEST \$232,500

FY 2016 REGIONAL ACADEMIES FOR DEAF AND BLIND

A recommendation to establish up to five Regional Academies for the Deaf and Blind came from the Feasibility and Planning Study Committee which was charged by the Board of Regents to examine the administrative and programmatic functions of the Iowa Educational Services for the Blind and Visually Impaired and the Iowa School for the Deaf and under the direction of the Department of Management as required by Iowa Code §270.

The recommendation of the Committee came from a thorough review of current services and student outcomes. It included a national review of service delivery options and was based on a recognition that educational services to children and youth who are deaf or blind are not provided consistently across the state. The Individuals with Disabilities Education Act (IDEA) requires a continuum of services. Currently there are gaps in that continuum, particularly in the more rural areas of Iowa. The regional academies are seen as a mechanism to enhance and improve access to a full continuum of services statewide.

The Board of Regents received and acted upon the recommendation in February 2013 leading to the development of a Leadership Team for Deaf and Blind for the purpose of planning for Regional Academies for Deaf and Blind. The Board directed the Leadership Team to describe the operation of the regional center, including the value of the site selected, financial implications, and the different funding sources available for the center.

The Leadership Team has worked in partnership with the Department of Education, Area Education Agencies, Vocational Rehabilitation and Department of the Blind to plan for the programming and fiscal needs of the first of five Regional Academies proposed to be implemented over time across the state. It is recommended by the Leadership Team that the Regional Academy operates primarily within current funding mechanisms; however, additional State support will be required to meet the total fiscal needs of the Academy. For the operation of the first Regional Academy, \$232,500 is sought - representing less than one-third the total costs (\$750,000) to operate.

ECONOMIC DEVELOPMENT OPERATING APPROPRIATIONS REQUEST.....\$8.9M

Iowa’s public universities seek an incremental 1.75% for the three segments of economic development:

- Economic Development - \$66,518 to meet projected inflation, and recurring appropriations of \$3.8 million for existing economic development units.
- Regents Innovation Fund - \$52,500 to meet projected inflation and recurring appropriations of \$3 million. This is an investment in critical research that will enhance the state’s economy and improve the health and well-being of Iowans.
- SUI Entrepreneurship and Economic Growth - \$35,000 to meet projected inflation and \$2,000,000 in recurring appropriations.

The economic development funding provided by the State of Iowa for the Regent institutions over the years has been critical to efforts in supporting the formation and growth of entrepreneurship educational activities, assistance to startup and existing Iowa companies, and faculty and student awareness of entrepreneurship and economic development. The translation of university innovations and technologies has proven to be critical and a driving force for innovation and job creation. More importantly, it is essential for the long-term growth of a sustainable, innovative economy that will position Iowa to be competitive in a global market.

Iowa’s public universities are committed to playing a leading role in catalyzing the economic transformation of the state and the nation. The universities have developed a rich variety of programs and partnerships aimed specifically at building working relationships among academia, industry, and government, and fostering an environment of creative innovation. Economic development is a high priority within the universities’ public mission, and sustaining these efforts is one of the important outcomes of maintaining a high quality academic enterprise.

This functional area includes operating funds for SUI – Entrepreneurship and Economic Growth Center, Advanced Drug Development, Oakdale Research Park, and Technology Innovation Center; ISU - Institute for Physical Research and Technology, Small Business Development Centers, and ISU Research Park; UNI - Institute for Decision Making and Metal Casting Center. Incremental funds are requested below:

❖ **SUI ECONOMIC DEVELOPMENT**..... \$38,663

The economic development operating appropriation at The University of Iowa supports activities of the Entrepreneurship and Economic Growth Initiative, the Center for Advanced Drug Development (CADD), the University of Iowa Research Park (UIRP) and the Technology Innovation Center (TIC). Incremental funds requested are:

- **Entrepreneurship and Economic Growth** \$35,000

The John Pappajohn Entrepreneurial Center (JPEC) is responsible for implementing the entrepreneurship and economic development growth initiative. JPEC works closely with the Office of the Vice President for Research and Economic Development (OVPR&ED) and key university colleges including the Henry B. Tippie College of Business (Tippie), College of Engineering, College of Liberal Arts and Sciences (CLAS), and University of Iowa health science colleges. JPEC offers comprehensive entrepreneurial education programs to all Iowans. All SUI undergraduate students (both on campus and online) may earn a Certificate in Entrepreneurial Management in addition to their undergraduate degree. JPEC and the Department of Management and Organizations have teamed up to offer a BBA in Management with an Entrepreneurial Management Track to Tippie undergraduate students studying on campus or online. Beginning Fall 2014, JPEC and CLAS will partner to offer a BA in Enterprise Leadership for undergraduate CLAS students. Advanced entrepreneurship courses are offered to MBA students on campus and at several locations across the state of Iowa. JPEC and the Jacobson Institute for Youth Entrepreneurship work closely with the

Iowa K-12 system to advance youth entrepreneurship and STEM education. JPEC collaborates with the OVPR&ED to foster the creation of new businesses and support the expansion of existing Iowa companies. Whether providing one-on-one consulting services, directing SUI students on advanced field study projects and internships, or providing innovative training to the entrepreneurial community, JPEC and the University seek to support the next generation of Iowa entrepreneurs and business leaders.

- **Center for Advanced Drug Development (CADD) \$1,639**

The Center for Advanced Drug Development (CADD) is a division of the University of Iowa, College of Pharmacy and a component of University of Iowa Pharmaceuticals (UIP). The Center offers contract analytical services to the pharmaceutical and biotechnology industry and is part of the UIP - the only comprehensive FDA registered facility in a College of Pharmacy in the U.S. UIP offers the unique capability to produce under contract limited quantities of new medicines under FDA regulations. The capacity is particularly valuable to firms wishing to bring new products through clinical trials.

- **University of Iowa Research Park (UIRP) \$1,374**

The University of Iowa Research Park (UIRP) is home to start-up and technology-based businesses, typically with strong ties to the University of Iowa. The BioVentures Center (BVC), a wet lab business incubator, is located in UIRP and currently home to 15 start-up companies. An additional 11 companies are located on research park land. In FY 2014, there were approximately 1200 employees that worked at the research park. MediRevv, a healthcare accounts receivable management firm, opened a new 18,000 s.f. facility at the park in the fall of 2012. They employ over 180 employees and are currently expanding their presence at the park.

The UIRP is closely tied to economic development, technology transfer and the entrepreneurship mission of the University. The UIRP and affiliated economic development programs are a critical component to the University and the region's innovation ecosystem. Faculty-based startups, student entrepreneurs, and community entrepreneurs and businesses benefit greatly from locating their ventures at the research park.

UIRP is poised for future growth and will continue to have a significant impact on the region's economy. The University's technology commercialization efforts have increased 40% and are resulting in a more robust pipeline for start-up companies—many of which will launch their businesses in one of the business incubators. The planned Kirkwood Community College/University of Iowa STEM education facility will provide unique opportunities for technical education and collaboration with UIRP companies and University of Iowa research facilities.

- **Technology Innovation Center (TIC) \$650**

The Technology Innovation Center (TIC) provides office space and a nurturing business environment and critical services to new technology-based ventures. Since 1984, more than 100 technology startups have become TIC tenants. Currently, there are 12 tenants in the TIC.

Along with the UIRP, this incubator has become an important part of the University's strategic plan for engagement, building ties with those off campus and participating in the economic vitality of the state.

Joint programming efforts between all University incubation programs and economic development and entrepreneurial organizations in the region should result in an acceleration of new company formation and existing company expansion.

❖ **ISU ECONOMIC DEVELOPMENT** \$44,193

The economic development funding provided by the State of Iowa for the Regent institutions over the years has been critical to providing valuable and impactful business and technical assistance to both startup and existing Iowa companies, as well as to supporting the formation and growth of entrepreneurship educational activities. The translation of university discoveries and technologies has proven to be critical and a driving force for state-wide innovation and job creation. More importantly, it is essential for the long-term growth of a sustainable, innovation economy that will position Iowa to be competitive in a global market.

Iowa State University's Economic Development Network typically yields the following outcomes (on average) each year: new and retained jobs of over 7,500 individuals; a financial impact to the state of approximately \$375 million; workshops and client assistance to over 4,000 individuals; and entrepreneurial education to over 5,000 students

Incremental funding will be used to support the university's efforts to improve, connect, and leverage the strengths within the institution and allow better alignment of its economic development efforts with the state government and Iowa industries.

- **Small Business Development Centers** \$18,154

The Iowa Small Business Development Centers' purpose is to assist existing businesses and new entrepreneurs to grow their businesses and improve their internal operations to ensure their continued success. It achieves its purpose by providing educational opportunities through workshops, but primarily and most effectively, through one-on-one counseling. Such counseling is, by Congressional mandate, provided free of charge to the client.

In the last six years, the Iowa SBDC has counseled 15,582 clients which created or saved 10,090 jobs; helped companies attract over \$327,000,000 in new capital; helped companies grow sales by approximately \$334,000,000; and helped to create 1,010 new businesses. In 2013, Small Business Development Centers served 2,552 clients, spent 10,900 hours counseling clients, offered 140 training sessions with 1,779 attendees, and helped launch 209 new businesses. This program helped generate more than \$91M in sales increases, new investments, and cost savings, and created or saved 1,547 jobs.

- **Institute for Physical Research and Technology** \$23,898

In the last five years, the Institute for Physical Research and Technology's company assistance program helped more than 210 Iowa companies in 94 cities and towns, covering 55 Iowa program (IPRTCA) helped more than 347 Iowa companies in 67 Iowa counties. Companies have reported an annual economic impact of \$15.6M over the past three years.

- **Iowa State University Research Park** \$2,141

The Iowa State University Research Park (ISU RP) currently has more than 50 tenants with 1,300 employees, accounting for more than \$100 million annually in economic activity. Companies that started at the ISU Research Park have since expanded or relocated elsewhere in Iowa employing an additional 2,500 people. Workiva, a startup company founded in 2008, employs close to 400 individuals and recently announced Ames/ISU Research Park as their global headquarters following a significant facilities expansion. In the next five years, Workiva has committed to adding an additional 700 jobs to their ISU Research Park location.

The ISU Research Park is in the midst of its own significant expansion, which includes the addition of 200 acres of developable land and will house an economic services facility serving the needs of its tenants and representing Iowa State University's Economic Development Network to industry.

❖ **UNI ECONOMIC DEVELOPMENT**..... \$18,662

Three UNI programs, the Institute for Decision Making, Metal Casting Center and MyEntre.Net, have provided long-term and valuable economic development support to communities, businesses and entrepreneurs across the state. In FY 2014 and FY 2015, Advance Iowa (Economic Gardening) was added to UNI’s base funding. Substantial progress is being made with Advance Iowa through economic gardening projects to help grow 2nd stage companies (10-99 employees) in all areas of Iowa. Incremental funding for these four programs requested at:

- **Institute for Decision Making**.....\$4,268
- **Metal Casting Center**.....\$1,005
- **MyEntre.Net**.....\$4,784
- **Advance Iowa (Economic Gardening)**.....\$8,605

❖ **REGENTS INNOVATION FUND** \$52,500

The Regents Innovation Fund has helped leverage private and federal funds resulting in expanded economic development initiatives and enhanced programming for technology transfer, business incubation, and entrepreneurship at the public universities. Incremental funds will be matched by equal university financial commitments to maximize the impact of programs and services supported by this request. The Universities are committed to building upon existing capabilities to foster the translation of university research, strengthen partnerships with business and industry, support start-up company formation, job creation and economic growth. Incremental funding of \$52,500 is requested.

University of Iowa

The University of Iowa is requesting additional funds to strengthen its capacity to accelerate technology transfer, commercialization, job creation and economic development in Iowa. These funds will be matched one-to-one by the University of Iowa to maximize the impact of programs and services supported by this request. The University is committed to building upon existing capabilities to foster the translation of University research, strengthen partnerships with business and industry, support startup company formation, create jobs and grow the Iowa economy.

The Regent’s Innovation Funds allow the University to produce high-value intellectual property that derives from faculty research and enhances technology transfer and commercialization through the concerted efforts of our integrated economic development model. The ultimate goal is to facilitate industry-academia partnerships in technology commercialization, cultivate student and faculty entrepreneurship, and continue to support and grow existing companies and create new companies in Iowa based upon UI technology.

Additional funds will be used to support:

- Proof-of-concept funding to further the development of highly promising SUI intellectual property/technologies. Additional funds are critical in order to advance discoveries into the marketplace, to increase opportunities for raising additional capital from the private sector, and to support licensing of technologies to existing companies or to launch new businesses.
- Campus-wide student, staff and faculty innovation, entrepreneurship and business support programs to stimulate innovation and new venture creation and to provide essential services during the initial business formation stages.
- Economic development centers targeted at providing on-site technical and business services to Iowa businesses and startups, IT and entrepreneurial workforce training and student internships with Iowa companies.

The University of Iowa has efficiently used its state economic development funds to stimulate technology commercialization, create startups and help expand existing businesses. Below are examples of such success:

- Iowa Approach, LLC is a medical device company founded in 2012 by Dr. Steven Mickelsen, cardiac Fellow at the University of Iowa Hospital and Clinics. The company, located in the University of Iowa Research Park, is developing a treatment for one of the most common heart disorders in the world – atrial fibrillation (irregular heart beat). Using ablation catheters, Iowa Approach can reduce procedure times, complications, and side effects. The company has raised approximately \$500,000 in seed funding, including \$250,000 in grants, \$100,000 from the Iowa Innovation Acceleration Fund, and a \$100,000 Wellmark Blue Cross Blue Shield investment. In July, Plains Angels invested an additional \$325,000. Iowa Approach has validated its prototypes and completed initial animal studies and will soon seek a \$5,000,000 Series A round to fund first-in-man efforts for 2016.
- Virtual Systems Engineering (VSE) was founded by Drs. Ibrahim Ozbolat and Timothy Marler in 2013. VSE's software system, PREVIEW, can significantly reduce PCB design-test cycles and production errors for devices from cell phones to military electronics. PREVIEW includes interactive 3D visualization of single and multi-board systems. Dr. Ozbolat and Dr. Marler received RIF funding from UIRF under the GAP Commercialization RFP. VSE is in negotiations with four major firms to beta test and partner on initial installations of PREVIEW.
- Pure Oleochemicals (POC) was founded in 2013 by Dr. Ned Bowden, Associate Professor of Chemistry. POC provides companies with the ability to produce highly pure fatty acids at significantly reduced costs. POC's unique technology portfolio is based on its disruptive, patent-pending nano-filtration membrane system that has been shown to be a significant improvement over other previously deployed and older technologies for purifying fatty acids. When compared to those older technologies the POC technology requires much lower capital costs, uses only a fraction of the energy, does not require or use solvents, operates at very low pressures and achieves higher levels of purity. This enabling technology will open up new markets that simply did not exist for fatty acids of lower purity and significantly higher cost. POC will target many partners from various industries who will develop refined downstream applications for these highly pure and cost-effective fatty acids. Dr. Bowden received \$40,000 in Regents' funding in 2014. POC received \$100,000 in IEDA grants and loans, followed by \$150,000 in private angel investment. POC is currently in the proof-of-application phase with several industrial clients.
- Higher Learning Technologies (HLT) was founded by several University of Iowa students. HLT creates customized mobile test prep applications to assist students in preparing for technical entrance and proficiency exams. The company now has six test applications on the market and plans to develop additional products in the coming year. HLT is expanding and moving its offices from the Technology Innovation Center to the BioVentures Center located at the University of Iowa Research Park. HLT received funding support through UI innovation competitions, secured a Demonstration Fund award from the Iowa Economic Development Authority, and has raised private equity capital to support future growth.

With continued state and private investment, the University will leverage its substantial extramural research funding, economic development funding, and expertise in technology transfer and entrepreneurship to advance technology commercialization, new venture formation, business expansion and job growth across Iowa.

Iowa State University

The Regent institutions have been instrumental in the evolution of Iowa's economic development programs into an innovation driven model, consistent with the Iowa Innovation Council (IIC). With focused state and private investment, Iowa can continue to capitalize on earlier investments and can realize significant growth in jobs related to Iowa's strongest industry clusters, develop a sustainable educated workforce, provide a statewide online community for entrepreneurs, and launch entrepreneurial initiatives that will enhance communities and regions within the state to support entrepreneurs.

Past years' appropriations have allowed Iowa State University to fund 95 projects in more than 55 companies, including 30 startups, of which 18 startup companies were formed using these funds as their first source of research funding and 13 have a license to Iowa State University intellectual property.

Additional state funding will help support:

- Proof of Concept Initiative (POCI) which allows Iowa State University to work together with the other Regent institutions and the State of Iowa for delivery of commercialization programming and services to enhance the development of early stage research and technology with potential for commercialization. The POCI is tied to the Governor's plan for economic development through the IIC and Iowa Integrated Innovation Commercialization Network (IIICN).
- Continue developing an infrastructure to advance research through proof of concept and towards prototype/testing stage, including incubation space, equipment, and technical assistance.

University of Northern Iowa

UNI's economic development and technology transfer programs assist thousands of Iowa companies, entrepreneurs and communities in all 99 counties. The Regents Innovation Fund (RIF) has helped Regent universities leverage private and federal funds resulting in expanded economic development initiatives and enhanced programming for technology transfer, business incubation, and entrepreneurship. Continued RIF support is needed by UNI to provide outcomes in four key areas: 1) technology transfer, business incubation and additive manufacturing, 2) MyEntre.Net and entrepreneurship outreach, 3) regional development and entrepreneurial communities, and 4) competitive and market intelligence.

UIHC APPROPRIATIONS REQUEST

Payment For Care Provided to Prisoners

TBD

The Eighth Amendment of the U.S. Constitution requires states to provide inmates with adequate medical treatment. Much of that state-required adequate medical treatment is delivered at the UIHC, but is unreimbursed. The UIHC and its physicians provide unreimbursed services associated with the adequate medical treatment of inmates and other residents of state institutions valued at approximately \$5M - \$7M annually, using Iowa Medicaid rates. Expecting UI Health Care to assume financial responsibility associated with the state's obligation to provide inmates and other residents of state institutions with adequate medical treatment represents a growing challenge to Iowa's only comprehensive academic medical center. A legislatively-mandated workgroup pursuant to CH. 1187, §128, Laws of the Eighty-second General Assembly, 2008 Session, recommended that, "Funding equal to the costs associated with the provision of care to state institution patients, drawing from sources not currently available to the Board of Regents, Carver College of Medicine, Department of Corrections, Department of Human Services, or the University of Iowa Hospitals and Clinics, must be found." While many prisoners may be eligible for coverage of inpatient care once in a twelve-month period (presumptive eligibility can only be used once every twelve months), there is currently no coverage for any outpatient care.

Graduate Medical Education Payments

TBD

Nationally, as well as within Iowa, concerns exist about the adequacy of the number of physicians being trained to serve future generations. Training more medical students is of limited value, however, given constraints on available residency positions new and existing residency programs face significant financial challenges.

UI Health Care is directly involved in 82 of the 83 Iowa ACGME residency programs, spanning the training of physicians in both primary and specialty care for Iowa. Studies show that physicians are more likely to practice in the area where they train. In recognition of this, UI Health Care offers more residency positions than it is authorized to operate under the Medicare cap. This means that UI Health Care must attempt to find other sources of support or self-fund residency positions above the cap in the amount of approximately \$21M annually. In today's environment funding these vital residency positions for Iowa without state support represents a major financial challenge.

Pilot Project Linking Psychiatry and Primary Care Practices\$250,000

A proposed pilot project:

- Will analyze the existing regional plans for adult and child psychiatric care in Iowa and address models of care delivery as well as workforce enhancements.
- Will use population health-based strategies to improve targeting of mental health care resources to Iowans who need these services.
- Will use evidence-based models of care to increase access to mental health care services, such as collaborative care which uses care managers to support mental health care delivery via primary care.
- Will use technology including telemedicine, telephone contact, and handheld applications to enhance patient engagement in mental health improvement.
- Will track quality and satisfaction outcomes.

TUITION REPLACEMENT \$30,237,549

The 1969 General Assembly passed legislation (Iowa Code 262A) permitting the issuance of Academic Building Revenue bonds to fund capital projects at the Regent universities. The bonding program has enabled the Regents to finance critical academic constructions needs at Iowa’s public universities through the public sale of long-term bonds. The issuance of these bonds requires approval of the General Assembly and the Governor. Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue bonds.

The 2009 General Assembly authorized the Board to issue \$100 million in project proceeds of Academic Building Revenue Bonds to finance the repair, restoration, replacement, and mitigation of flood damaged buildings and facilities at the University of Iowa. In addition to the \$100 million authorization, the 2009 General Assembly redirected \$13 million originally authorized in 2007 for SUI Pentecrest renewal projects to flood recovery and mitigation. The June 2014 bond issue was the third series of bonds issued for flood recovery and mitigation. The remaining two “flood” series are expected to be issued in October 2014 and in October 2015.

It was understood that this authorization would increase the tuition replacement request. The tuition replacement request for FY 2016 is \$30,237,549, an increase of \$502,126 from FY 2015 to cover the debt service due on the bonds. This number factors in the savings from recent refundings. In addition, the current projected request for FY 2017 is \$33,473,351 and is based upon anticipated future issues and interest rates.

IOWA PUBLIC RADIO \$451,465

Iowa Public Radio, Inc. (“IPR”) was created by the Board of Regents in 2004 to manage the public radio stations licensed to Iowa State University, the University of Northern Iowa and the University of Iowa. Today, the network includes 24 stations, serving 236,000 Iowans every week. IPR’s 24 stations cover most of Iowa and beyond, delivering News, Classical and Studio One music programming 24-hours a day.

Iowa Public Radio’s mission is to inform, enrich and engage Iowans through radio programming and other media. IPR enhances civic and cultural connections across the state, strengthening communities and reflecting Iowa’s sense of place. Programming is made up of three distinct streams:

- Iowa Public Radio News brings Iowans the best in national and local news programming. It’s not just headlines but probing stories and talk programming that promotes a dialogue about the issues and culture of Iowa.
- Iowa Public Radio Classical brings to Iowans 24 hours a day of classical music, including live and recorded performances from concert halls in Iowa.
- Iowa Public Radio Studio One provides an eclectic variety of music that stirs passions and showcases Iowa’s vibrant music scene.

Iowa Public Radio receives support from a mix of sources that includes listeners, businesses, foundations, the universities who own the stations (SUI, ISU, UNI), and the State of Iowa. IPR’s FY 2015 budget is \$7.5 million, with 37% coming from listener-members, 25% from business sponsorships, and 13% from Iowa State University, the University of Northern Iowa and the University of Iowa.

The operating appropriations request for FY 2016 is \$451,465, restoring funding to the 2010 appropriated level prior to Chapter 8.31 reductions. Public radio saw no increase in FY 2012, 2013, 2014 or 2015. This is an increase of \$59,897 over the \$391,568 appropriated for FY 2015. IPR will use the additional \$59,897 to invest in its fundraising capacity, helping IPR realize its goal of increasing private support for IPR by 10% each year for the next 5 years. This will help IPR create a stable and sustainable funding model for decades to come.

NON-APPROPRIATIONS REQUEST

The Board of Regents strongly encourages Regent institutions to seek collaboration and partnerships between Regent institutions and other sectors of state government that result in improved productivity, more effective stewardship of state resources and enhanced economic development opportunities for Iowa's citizens. The Board also seeks relief from statutory and administrative state mandates that demonstrably impede the Regents' flexibility in governance, require unnecessary staff work or require significant reporting which no longer serves a critical state or Regent strategic purpose.

Salary Funding

As the State develops its plan for supporting salaries for all employees, it is crucial that the Regent institutions participate in the salary pool.

The dollar amounts for incremental salary funding are not included in the Regent appropriations. Historically, a separate appropriations bill provides funding for new salary increases to all state agencies. This legislation typically requires that Regent institutions provide comparable salary increases for non-contract employees as provided for contract-covered employees. The Regent institutions request to participate in the salary bill.

Salaries comprise nearly 70% of the universities' general education expenditures. Full funding of salary needs for Regent institutions is key to keeping the Regent institutions the premier institutions of their type by:

- Allowing the universities to be competitive with their peers in recruiting and retaining top faculty in a global marketplace
- Implementing institutional strategic plans
- Providing exceptional learning opportunities for students
- Stimulating economic development by supporting new evolving technologies
- Disseminating knowledge
- Delivering valued public service that Iowans expect from the Regent universities

If salary funding is not provided, resources dedicated to student success and outcomes will have to be redirected to supporting and retaining quality faculty, professional and general employees.

FY 2017 Appropriations Request – The Governor has requested all state-funded programs to make a two-year appropriations request. At this time, it is proposed that all funding lines be increased by an inflation factor. We will use the projected FY 2016 HEPI midpoint of 2.4% as a base for FY 2017. It is projected that the Tuition Replacement fund will need to be increased to \$33,473,351 to cover debt service.

FY 2016 OPERATING APPROPRIATIONS REQUEST

PART 2

Actions Requested:

- Approve the request for supplemental funding of \$12,971,898 to implement the Performance-based Funding model. Distributed As follows:
 - \$6,366,298 (49.1%) to Iowa State University
 - \$6,605,600 (50.9%) to University of Northern Iowa

Executive Summary: At the June 2014 meeting of the Board of Regents, the Performance-based Revenue Model Task Force, led by David Miles, presented their recommendations to recast the state's funding formula for Iowa's public universities. The recommendations of the Task Force set a new standard for state funding of higher education and incentivize the universities to align with state and Regent higher education priorities.

The Task Force recommended that the Iowa Board of Regents move over time from its traditional "base-plus" budgeting methodology to a Performance-based Model weighted initially 60% to resident enrollment and 40% to outcome metrics explained in further detail in this report.

Based upon the Task Force's survey of best practices across the nation and review of the unique characteristics of Iowa's Public Universities, The Board of Regents adopted the proposed Performance-based Model as it offers significant advantages over the existing approach in terms of:

- Equity across the universities
- Incenting the institutions to achieve the objectives of the State and the Board
- Appropriate governance of our outstanding institutions, and
- Effectively advocating to elected State officials for appropriate funding

The adopted Performance-based Funding (PBF) model identifies \$46.5M to be reallocated from SUI to the other two universities. The Board adopted the Task Force's recommendation to set a maximum period (3 years) and maximum amount that can be redistributed in one year calculated based on 2% of FY 2013 operating revenues, which under this model becomes \$12,971,898.

The PBF model creates a direct and transparent link between dollars invested by the State and achievement of the State's priorities. The improved educational outcomes generated by this new funding model merit additional State investment. The Board approved the Task Force's recommendation that implementation of these model should be paid for through restoration of State funding to Iowa's public universities. The abiding contribution of this new approach is to reward each institution for achieving the objectives of the State and the Board of Regents, not in creating competition between them. By funding the transition to PBF, the State can minimize any short-term disruptions caused by reallocations among the institutions, while sending a strong message of support to the Board of Regents for taking this much needed step.

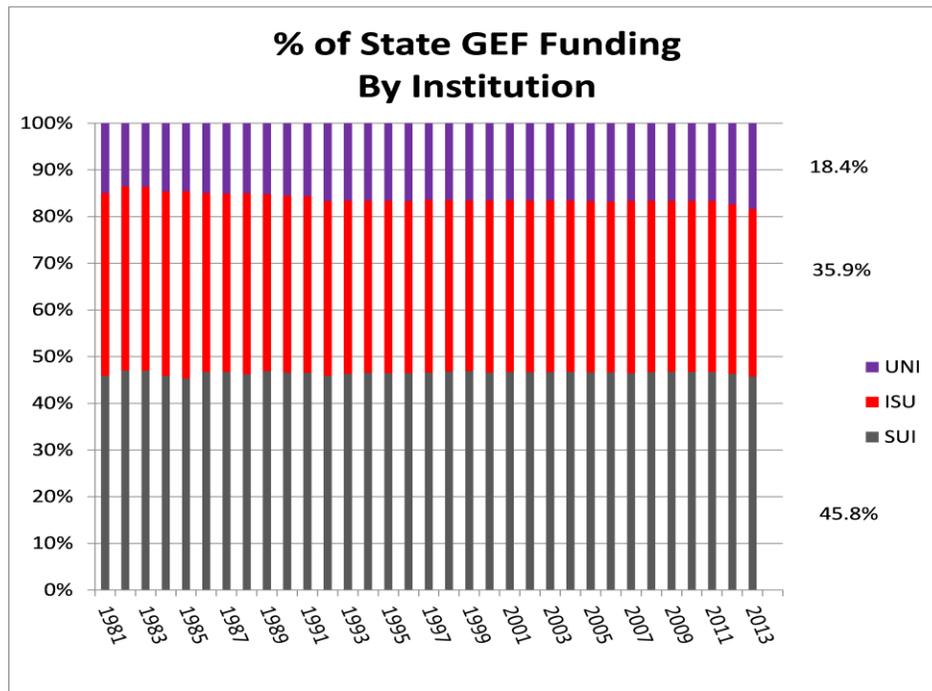
Background: The primary source of direct taxpayer funding of higher education at public universities across the country is the states, which provide support for academic activities and operations primarily to defray a portion of the costs so that resident students have affordable access to a quality higher education.

Most states provided this funding largely through a political process without using any funding formula. Beginning in the 1950s, however, states began to depoliticize their funding by shifting toward formulas based on the number of students enrolled at each institution. In the 1960s and 1970s, many states began to add some measure of cost per student to the calculation. In the 1990s, in response to continuing calls for greater accountability, at least a dozen states began to fund their public institutions partially on the basis of performance measures, although this performance-based funding typically applied to a very small proportion of total funding.³

In general, the Iowa legislature has not distinguished between the universities when considering levels of incremental funding and has continued to allocate funds to the universities on the same percentage basis; that is, if incremental funds were available, each university received the same percentage increase.

By 1981, the General Education Funds (GEF) share to the institutions had settled at about 47%/37%/16% respectively to SUI/ISU/UNI. These allocations have remained essentially static since that time. See Chart One.

Chart One



³ *Using Institutional Incentives to Improve Student Performance* by Arthur M. Hauptman

The universities, however, have changed a great deal – particularly as to their enrollments. The numbers are summarized in Table One below.

Table One

SUI Headcount Enrollment

	Undergraduate		Graduate-Masters		Doctoral/Professional		Total	
	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res
Fall 1981	14,258	4,398	2,171	1,188	2,813	1,637	19,242	7,223
Fall 2013	12,012	9,962	1,238	1,146	2,789	2,930	16,039	14,038
Change	-2,246	5,564	-933	-42	-24	1,293	-3,203	6,815

ISU Headcount Enrollment

	Undergraduate		Graduate-Masters		Doctoral/Professional		Total	
	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res
Fall 1981	15,622	4,697	984	719	1,003	1,177	17,609	6,593
Fall 2013	18,009	9,650	1,178	1,444	663	2,011	19,850	13,105
Change	2,387	4,953	194	725	-340	834	2,241	6,512

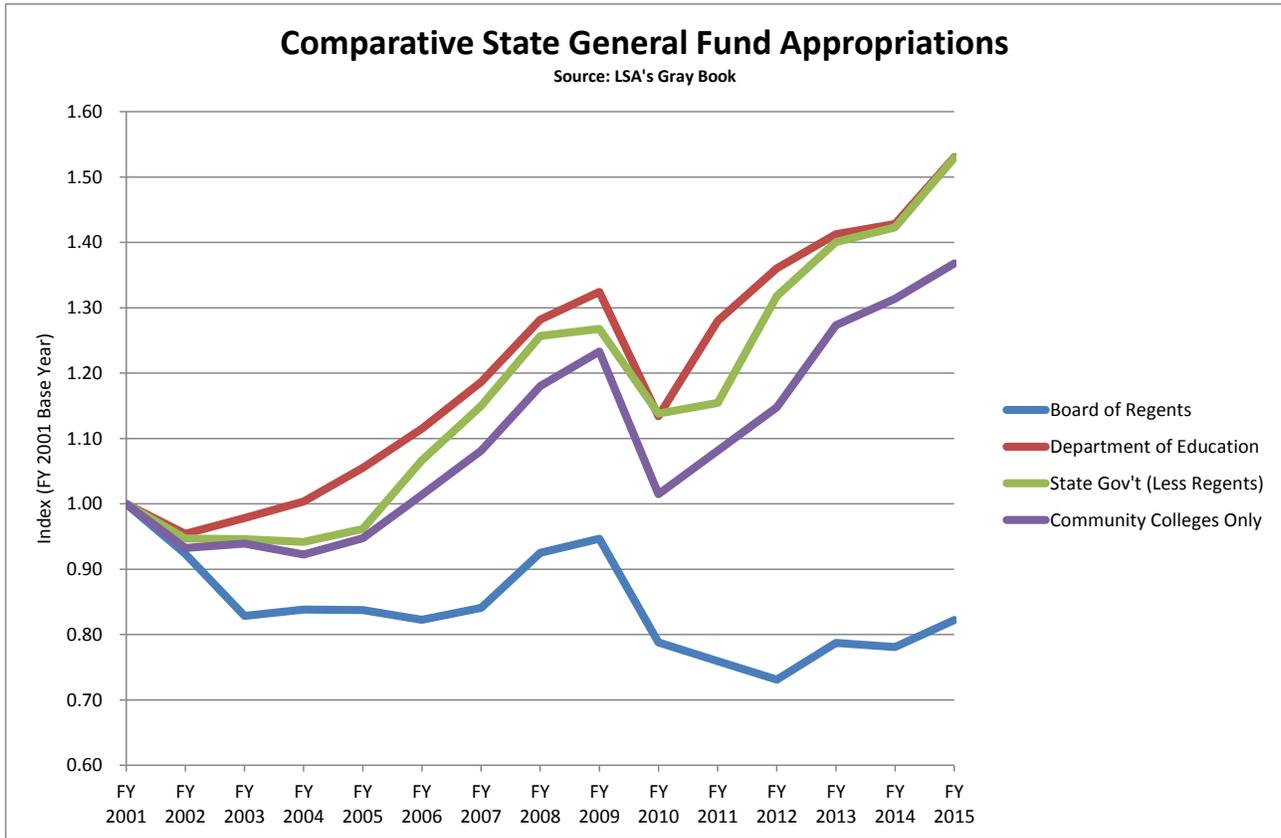
UNI Headcount Enrollment

	Undergraduate		Graduate-Masters		Doctoral/Professional		Total	
	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res	Resident	Non-Res
Fall 1981	9,429	308	821	51	330	15	10,580	374
Fall 2013	9,411	969	1,015	268	416	80	10,842	1,317
Change	-18	661	194	217	86	65	262	943

The Board’s long-time practice for determining its annual budget request largely using a “base-plus” methodology that uses the prior year’s allocation to each university’s general education budget as the starting point and seeks additional funding to address increased costs related to salary and other inflationary increases has not leveraged the most powerful tool of any governing body for influencing the behaviors of its executives and institutions – the institution’s budget – to achieve its priorities. No tool is more powerful than a clear statement of goals and priorities which is then translated into a budget that allocates resources on the basis of an organization’s abilities to achieve those priorities.

Iowa, like many other states uses higher education funding as the balance wheel for its state budget. When times are bad, higher education – and in Iowa, particularly the Regent institutions – repeatedly suffer budget cuts that come earlier and are greater in percentage terms than other areas of the state’s budget. And when economic conditions improve they are rarely fully restored to prior levels. This funding cycle of lower highs (during the good times) and lower lows (during the bad times) has resulted in a dramatic net reduction in funding to Iowa’s public universities over the last thirty years. Again, Iowa is not alone in this, but Iowa’s Public Universities were hit particularly hard during the recent financial crisis, and despite the recovery, funding to Iowa’s public universities has not been restored to pre-crisis levels as shown in Chart Two.

Chart Two



As noted earlier, beginning in the 1950s, the majority of states began moving toward an enrollment-based funding model for GEF appropriations. Recently, many states have reconsidered those enrollment-based models (at least in part) and are instead aligning their funding models more closely with clearly articulated state goals and priorities. Today, twenty-five states—Arizona, Arkansas, Florida, Illinois, Indiana, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Mexico, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Tennessee, Texas, Utah and Washington—have a funding formula in place that allocates some amount of funding based on performance indicators such as course completion, time to degree, transfer rates, the number of degrees awarded, or the number of low-income and minority graduates. Five states—Colorado, Georgia, Montana, South Dakota and Virginia—are currently transitioning to some type of performance funding, meaning the Legislature or governing board has approved a performance funding program and the details are currently being worked out. Another ten states are in formal discussions (including Iowa), and only ten have no formal activity underway. See Chart Three.

The following metrics will be used to determine the annual GEF appropriations request to the Governor and the Legislature (phased in over time per Recommendation 5 below): All metrics will be calculated on Iowa residents.

60% of state funding based on Resident enrollment	This would tie funds directly to supporting Iowa students using a 3-year rolling average.
5% for Graduate and Professional Students	5% for graduate and professional students based on Full Time Equivalent enrollment.
15% for Progress and Attainment	<ul style="list-style-type: none"> • 5% to be awarded based on achieving Student Credit Hour thresholds of 24-48-72. • 10% based on Number of Graduates Measurement would be most recent year completed.
10% for Access	Regent universities should have a diverse student body as measured by low-income students, minorities, Iowa community college transfers, and veterans. Measurement would be over a 3-year rolling average.
5% for Sponsored Research	5% to be awarded based on sponsored research for the most current year recognizing the boon to economic development that the public universities provide.
5% Based on Regent Selected Metrics	5% for customized metrics to be distributed by the Board of Regents.*
Other	<ul style="list-style-type: none"> • Transition to new funding model over period of 3 years. • Cap any reallocation at 2% of the institution's 2013 general education revenues per year.

* - for the inaugural year, the Regents' customized metrics will be distributed in the same proportion as determined by the preceding metrics. This will allow the Regents to monitor the success of the new funding allocation and adjust customized metrics in the second year of the new allocation plan.

Performance-based Funding Model

The Board of Regents approved implementation of the Performance-based Funding Model for FY 2016 and directed the Board office staff and the institutions work through the implementation details of this model to ensure that the metrics are correct and will lead to the intended outcomes.

A set of definitions for all Metrics is attached (Attachment A). Applying those definitions to the General Education operating appropriations found in Part 1 of \$509,813,842 (base and incremental funds) allocates these funds as seen in the chart below:

OUTCOMES	SUI	ISU	UNI	TOTAL
FY 2016 Current Distribution of General University Appropriations	\$ 234,964,158	\$ 184,112,359	\$ 90,737,325	\$ 509,813,842
Redistribution of Funds based on Task Force Metrics				
Enrollment	\$ 104,150,723	\$ 128,781,077	\$ 72,956,504	\$ 305,888,305
Graduate & Professional Students	\$ 15,063,237	\$ 6,516,142	\$ 3,911,313	\$ 25,490,692
Student Progress	\$ 8,038,219	\$ 11,066,485	\$ 6,385,987	\$ 25,490,692
Number of Graduates	\$ 18,940,798	\$ 19,241,831	\$ 12,798,755	\$ 50,981,384
Access	\$ 16,845,287	\$ 21,686,469	\$ 12,449,629	\$ 50,981,384
Sponsored Research	\$ 16,038,188	\$ 9,277,346	\$ 175,159	\$ 25,490,692
Customized Metrics	\$ 9,425,081	\$ 10,345,754	\$ 5,719,856	\$ 25,490,692
Redistributed Appropriations	\$ 188,501,533	\$ 206,915,104	\$ 114,397,205	\$ 509,813,842
Variance	\$ (46,462,625)	\$ 22,802,745	\$ 23,659,880	\$0
		49.078%	50.922%	\$0

<u>Percentage of Appropriations</u>				
Current	46.0882%	36.1136%	17.7981%	100.00%
Redistribution	<u>36.9746%</u>	<u>40.5864%</u>	<u>22.4390%</u>	<u>100.00%</u>
	-9.1136%	4.4728%	4.6409%	0.0%

IMPLEMENTATION

FY 2013 GEF Actual Revenues	\$ 648,594,917
Maximum Annual Distribution	2%
FY 2016 Distribution	\$ 12,971,898

Reallocation

	SUI	ISU	UNI	
\$	-	\$ 6,366,298	\$ 6,605,600	\$ 12,971,898

Use of Additional Funds from PBF Model

Iowa State University will use the new funds of \$6.37M to strengthen programs, with emphasis on student success and college affordability.

STUDENT SUCCESS

Iowa State continues to offer its undergraduates a rich educational experience -- inside the classroom and out. An increase in state appropriations will help fund the following priorities to ensure students graduate on time.

- Hiring additional faculty. Over the past 15 years, the university's student-to-faculty ratio has increased from 13.7 to 19. Continuing to invest in hiring faculty, particularly in the university's signature areas in biosciences, value added agriculture, engineering, health, and information technology, will ensure that the university provides students with a high quality education.
- Using learning analytics to increase student success. The university has invested in learning analytics to enable faculty and academic advisors to efficiently monitor the progress made by students in coursework, and enabling faculty and staff to intervene early when a student is having difficulty in a course, particularly gateway courses like chemistry, physics, calculus, and computer programming.
- Increasing personalized learning. Student engagement leads to increased student retention.
 - Learning communities: Over a 15 year period the one-year retention rate for students involved in a learning community has averaged 8% higher than the rate for those students who do not participate in a learning community.
 - Opportunities for students to be engaged in research and creative experiences: Funding is needed to further develop infrastructure and on-line systems to manage and facilitate student engagement in undergraduate research, as well as to track the impact of those experiences and to provide professional development
 - Hiring support staff, particularly in the areas of advising and student support: Academic advisors play a key role in student success; helping students to get the right classes, stay on-track in completing requirements, seek out tutors for supplemental instruction, and pursue internships and study abroad opportunities
 - Enhancing information technology infrastructure: The university's growth in online instruction is coming both from "traditional" distance education students who take all or most of their classes online, and from students who are enrolled in a combination of on-campus and online courses. Iowa State saw a 6.5% increase in enrollment of traditional distance education students, and a 22% increase in students taking a combination of on-campus and online courses during FY13.

COLLEGE AFFORDABILITY

Iowa State has a four-pronged approach for ensuring that Iowa State students are provided with an affordable college education and provided with resources to help minimize their level of debt.

- Holding down costs. Iowa State is recognized widely for the quality of its academic programs and keeping administrative costs low. The university continues to improve efficiency and stretch the most value from tuition and state appropriated dollars. Merging major administrative computing systems and finding more cost-effective ways of providing services is one strategy for gaining operational efficiencies.

- Enhancing students' financial literacy. Greater understanding of personal finance, including student loans, is absolutely essential in order to reduce the level of student debt. Iowa State is one of only a few major universities that provides services for students designed to address reduction of student debt and financial planning.
- Identifying alternative and lower-cost paths to a degree. Iowa State continues to work on enhancing the articulation agreements with all Iowa community colleges. In June of 2014 a proposal was submitted to the U.S. Department of Education FIPSE First in the World program that, if funded, would support a collaborative effort with all 15 Iowa Community Colleges to recruit, support, enhance the academic success and graduate young Iowa people who are at risk of not continuing to post-secondary education.
- Increase opportunities for students to work. Paid internships provide students with not only high-paid employment to off-set student debt, but also important career-related experience that correlates to increased post-graduation success. The development of strong internship programs takes time by faculty and staff to develop the relationships and monitor student experiences in internships. As the student population grows, and student interest in participating in internship grows, it is critical that additional funding be available for staffing career services offices and internship programs to meet this growing need.

University of Northern Iowa will use new funds from the PBF model of \$6.6M to offset the loss of \$4M granted in one-time funds to mitigate the financial impact of funding cuts during the recent recession. These one-time funds are supporting the FY2015 budget. In addition, UNI will strategically use these funds to:

- Enhance Financial Aid. The University of Northern Iowa has historically lagged behind other Regent institutions in available funding for financial aid. New funding would be particularly focused on Iowa need-based students since the University has a higher population of students from lower income families. This funding would also be directed to diversity initiatives and first generation Iowa students.
- Improve Enrollment Management. Funds will be allocated to strategic enrollment management initiatives in the areas of recruitment, admissions, and student retention.
- Do Deferred Maintenance. Building repairs have been cut over the past years due to budget constraints. These funds will bolster the efforts to provide a quality academic experience for both students and faculty.
- Invest in TIER recommendations. Work being done by the transformation and efficiency consultant Deloitte has identified areas with potential savings over a timeframe of 18 to 24 months that will require up-front investment.

Attachment A

PERFORMANCE-BASED FUNDING DEFINITIONS

All definitions apply to Resident students. Residency will be established at time of admission.

- Resident Enrollment – Students will be counted in the following categories: Undergraduate, Master’s, Doctoral, and Professional with the following definitions:

Undergraduate – Full-time Enrollment based on a minimum of 12 credit hours

Master’s and Doctoral – Full-time Equivalent based on a minimum of 9 credit hours

Professional – Full-time Equivalent based on a minimum of 15 credit hours

Time period – 3-year rolling average using the most current available Fall enrollment report numbers. For the FY 2016 appropriations request, this will be Fall 2011, Fall 2012 and Fall 2013 enrollment data.

- Graduate & Professional Students – This will be derived from the data provided in the Resident Enrollment report defined above.

Time period – 3-year rolling average using the most current available Fall enrollment report numbers. For the FY 2016 appropriations request, this will be Fall 2011, Fall 2012 and Fall 2013 enrollment data.

- Student Progress – This measures the change in credit hours from the Fall enrollment report of one year to the next. Measured are the number of Resident full-time and part-time undergraduate students whose cumulative credits earned meet or exceed threshold benchmarks of 24, 48, or 72 student credit hours.

Actual count will be 24 to <48 credit hours, 48 to <72 credit hours and 72 to <97 credit hours (ranges allow for partial credit). This will include AP credit, CLEP credit, credits transferred in to the university. Non-degree resident students are also included.

Time period – most recent year data available. For the FY 2016 appropriations request, this will be Fall 2013 enrollment data.

- Number of Graduates–The Number of Graduates is a metric currently being captured, and is an unduplicated count.

Time period – most recent year data available. For the FY 2016 appropriations request, this will be Fall 2013 enrollment data.

➤ Access –:

- Financial Need - counted by the Number of full-time students with a calculated need based on Expected Family Contribution and part-time Pell Grant recipients. In order to avoid duplication, (1) EFC threshold includes those students in the fall cohort who were FT either in the fall or the spring semester of that year which includes the FT Pell Grant recipients; and (2) Part-time Pell Grant recipients as well as FT PG recipients if they were not in the fall cohort (transfer students, new students in the spring, etc.)
- Minority students- all Residents
- Transfer Students – counted as the number of undergraduate students that transfer from Iowa community colleges.
- Veterans – counted as veterans receiving benefits and those self-identified at time of admission who do not receive benefits.

Time period – 3-year rolling average using the most current available Fall enrollment report numbers. For the FY 2016 appropriations request, this will be Fall 2013 enrollment data.

➤ Sponsored Research – from university Audited Financial Statements – Statement of Revenues, Expenses and Changes in Net Position, line item “Research”.

NACUBO Financial statement expense classifications define this category as “all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the institutions or separately budgeted by an organizational unit within the institution. Subject to those conditions, the classification includes expenses for individual and/or project research as well as that of institutes and research centers.

This classification does not include all sponsored programs nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this classification.

Expenses for departmental research that are separately budgeted are included in this classification. However, the research classification does not include expenses for departmental research that are not separately budgeted. Departmental research that is not separately budgeted is included in the instructional category.

The research classification includes the following three subclasses:

- *Institutes and Research Centers*
- *Individual and Project Research*
- *Research Information Technology”*

Time period – most recent year data available. FY 2013 financial statements will be used for the FY 2016 appropriations request.