Iowa State University

Presentation to the Board of Regents

Proposed Plan to Accommodate the 10% reduction in our FY10 state appropriations ($24,531,564)
10% Cut - $24.5 million

Strategy:

- **FY10**
  - 1/3 of year already passed
  - Two weeks to plan
  - Mix of permanent cuts & one-time actions to get us through the year

- **FY11 budget planning**
  - Thoughtfully plan how best to incorporate the reductions & new tuition revenues into our budgets
Iowa State’s Incentive-Driven Budget Model

• High-level budget responsibility given budget leaders
  – Provost, Vice Presidents
  – Deans

• Strong incentives for:
  – Student recruitment, retention & enrollment
  – Increasing external support
  – Entrepreneurial initiatives, including new sources of revenue
  – Efficient use of resources

• Will operate within this budget model for the 10% cut
General Strategy for Handling the $24.5 Million Reduction

Using ISU’s Budget Model:

• Protect student financial aid & admissions – no cuts
• Assign budget reduction targets to budget leaders
  – President, VP’s
  – College Deans, CIO
• Credit savings generated via university-wide personnel actions to each unit’s reduction target
• Revenues generated from the proposed tuition surcharge will flow directly to the academic colleges
• Units will internally manage the remainder of the cuts
Regents Directive

Consider the following strategies to handle the 10% budget reduction:

- Temporary salary reductions
- Temporary layoffs/furloughs
- Benefit revisions of a temporary or permanent nature
- A tuition surcharge for the spring semester of 2010.
- Postponing non-essential deferred maintenance and repairs.
- Refocusing efforts, including potential program eliminations
- Permanent layoffs
- Selling non-essential assets to generate one-time funds
University-Wide Actions to Assist Budget Units

- **Student Surcharge**
  - $100 for the 2010 Spring Semester
  - Generates $2.4 million additional income

- **Temporary reduction in TIAA-CREF contributions**
  - From 10% of salary to 8%, effective November 1, 2009
  - Applies for remainder of FY10
  - Generates $2.6 million in savings for FY10

- **Temporary layoffs/furloughs**
  - Graduated plan, based on salary
  - Approximately $7.0 million in general fund savings

- **Partial closing of the university over the Dec. 24-Jan. 3 semester break**
Temporary Layoff/Furlough Plan

• Applies across the university to faculty & staff
  – Includes on-going discussions with AFSCME
• For full-time 12-month employees:
  – 4 days: \( \leq 60,000 \) salary
  – 6 days: $60,001 - $120,000
  – 8 days: \( > 120,000 \)
  – 10 days: Senior Administrators – EVP&P, VP’s, Deans, ...
  – 12 days: President
• For employees working less than 12 months and/or less than full-time, the # of days will be adjusted accordingly
• Estimated \$7.0 million in savings
• Details to be refined & communicated as quickly as possible
Other Actions Within Budget Units

- Personnel Savings -- $3.3 million
  - Transfer salary & benefit costs to other funds
  - Delay filling or eliminate vacancies
- Operating Expense Savings -- $4.1 million
  - Reduce equipment purchases
  - Reduce travel and professional development, and printing and communications expenditures
- Program reductions -- $1.0 million
  - Reduce support for centers & institutes
  - Reduce custodial, grounds and EH&S services
- Utilize tuition revenue generated by higher than planned enrollments & other funds -- $4.1 million
Proposed Retirement Incentive Program (RIO2)

- Extend eligibility age to 57, with 10 years or more of service
- Five years of health benefits coverage
- Anticipated dates: must retire by July 30, 2010 & must decide by March 31, 2010
- Will yield limited university savings in FY10; most savings will occur in FY11
- A separate RIO2 for federal employees is under development
## Summary

<table>
<thead>
<tr>
<th>Budget Action</th>
<th>Impact</th>
<th>% of the Cut</th>
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<tbody>
<tr>
<td>Student Surcharge</td>
<td>$2,400,000</td>
<td>10%</td>
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<tr>
<td>TIAA-CREF Reduction</td>
<td>$2,600,000</td>
<td>11%</td>
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<tr>
<td>Temporary Layoffs/Furloughs</td>
<td>$7,000,000</td>
<td>24%</td>
</tr>
<tr>
<td>Budget adjustments within RMM Budget Units</td>
<td>$12,531,564</td>
<td>55%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$24,531,564</strong></td>
<td><strong>100%</strong></td>
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