

MEMORANDUM

TO: Board of Regents
FROM: Deb Hendrickson
DATE: June 6, 2005 *ASN*
SUBJ: Iowa State University

Recommended Actions:

1. Approve the FY 2005 budget ceiling increase of \$2,383,978 for a revised General University Budget of \$358,152,619.
2. Consider proposed FY 2006 University initiatives and measures.

Executive Summary:

FY 2005 Budget Ceiling

Iowa State University is requesting a General University budget ceiling increase of \$2,383,978. In July 2004, after budgets for FY 2005 had been approved, the Department of Administrative Services (DAS) was statutorily required to allocate additional funding to the Regent institutions for labor relations. State appropriations to Iowa State University increased by \$78,978 due to this allocation. This increase was offset by the cost of service billings from DAS.

Tuition revenues are \$3 million higher than projected when the budget was developed last spring primarily because the University was overly conservative in its expectations about enrollment declines anticipated for the Fall of FY 2005. Enrollments did not decline as much as projected and a higher proportion of non-resident students matriculated as part of the entering class.

The increased tuition revenue is partially offset by lower interest earning. Expected increases in interest rates have not materialized. Applications fee revenues and miscellaneous fees revenues are also slightly below budgeted levels.

The University will utilize a portion of the increased tuition revenue for additional student aid and the remainder will be dedicated to deferred maintenance projects. The following table shows the revised FY 2005 budget.

	Original FY 2005 <u>Budget</u>	Budget <u>Adjustment</u>	Revised FY 2005 <u>Budget</u>
General University	\$355,768,641	\$2,383,978	\$358,152,619

FY 2006 Budget
Submission

Iowa State University has submitted the attached information pertaining to its FY 2006 budget. The University was guided by its strategic plan (see Agenda Item 3) and the Board's Transformation and Excellence Plan.

The New Revenue and Reallocation table on page 3 identifies the University's strategic initiatives and other cost increases and the proposed plan for funding the initiatives.

The Reallocation table on page 4 identifies the sources of the reallocations.

The general fund consists of eight appropriation units:

- General University
- Agriculture Experiment Station
- Cooperative Extension Service
- Institute for Physical Research and Technology
- Small Business Development Center
- Leopold Center
- Livestock Disease Research
- Research Park / ISIS

The proposed initiatives are funded within the General University, Agriculture Experiment Station, and Cooperative Extension units of the general fund.

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IOWA STATE UNIVERSITY
FY 2006 - Use of New Revenues and Reallocations

INITIATIVE	NEW REVENUES				REALLOCATION TOTAL	INITIATIVE TOTAL
	Appropriation	Tuition	Other Income	Total		
1 Achieve competitive Salaries for Faculty and Staff	\$5,860,715	\$5,243,944	\$602,590	\$11,707,249	\$502,671	\$12,209,920
Increase student success and enhance the quality of undergraduate educational programs						
2 Support Undergraduate Students Through Increased Financial Aid		\$713,501		\$713,501		\$713,501
3 Enrich Undergraduate Programs and Instruction	\$75,000			\$75,000	\$982,333	\$1,057,333
4 Enhance Undergraduate Student Success				\$0	\$624,254	\$624,254
Increase the excellence of those graduate, professional, and research programs that are or can be among the very best						
5 Recruit the Best Graduate and Professional Students	\$450,000	\$445,454		\$895,454	\$99,729	\$995,183
6 Enrich Professional Veterinary Medicine Education		\$736,191		\$736,191	\$725,899	\$1,462,090
7 Strengthen the Reputation and Impact of the University's Premier Programs	\$75,000			\$75,000	\$1,472,881	\$1,547,881
8 Strengthen Research in High Impact Interdisciplinary Areas	\$270,000			\$270,000	\$1,949,639	\$2,219,639
Strengthen Iowa through technology transfer, economic development, and enhanced Extension and outreach programs						
9 Improve Iowa's Air & Water Quality					\$258,090	\$258,090
10 Support Iowa's Youth					\$185,255	\$185,255
11 Support Iowa's Economic Development Infrastructure	\$127,000			\$127,000	\$55,000	\$182,000
Increase administrative efficiency and improve systems, information infrastructure, and facilities needed to support the above initiatives						
12 Improve University Electronic Information and Infrastructure		\$323,964		\$323,964	\$1,034,779	\$1,358,743
13 Renovate and Maintain Academic Facilities	\$2,750,000	\$186,121		\$2,936,121	\$604,686	\$3,540,807
14 Increase Administrative Efficiency and Effectiveness	\$79,978			\$79,978	\$658,235	\$738,213
SOURCE TOTAL	\$9,687,693	\$7,649,175	\$602,590	\$17,939,458	\$9,153,451	\$27,092,909

IOWA STATE UNIVERSITY

FY 2006 - Source of Funds for Reallocation

President	\$2,221,728
Academic Affairs	
Office of the Provost	\$350,070
VP Research	\$182,632
VP Extension	\$540,000
Chief Information Officer	\$91,119
College of Agriculture & Experiment Station	\$872,480
College of Business	\$252,308
College of Design	\$153,375
College of Education	\$227,583
College of Engineering	\$576,745
College of Family and Consumer Sciences	\$117,724
College of Liberal Arts and Sciences	\$1,137,304
College of Veterinary Medicine	\$334,129
Library	\$199,786
IPRT	\$63,925
Plant Sciences Institute	\$81,924
Academic Affairs Total	\$5,181,104
Student Affairs	\$277,550
Business and Finance	\$1,473,069
Total Reallocations	\$9,153,451

Overview

Two new and highly significant documents shape Iowa State University's FY 2006 budget and, more importantly, its course for the next several years. One is **Forward Thinking**, the university's new strategic plan which goes into effect July 1, 2005 and which will guide virtually every aspect of the university's operation, resource allocation, development and planning through 2010. The other is the Board of Regents, State of Iowa, **Partnership for Transformation and Excellence Plan (Partnership Plan)**, which begins a dynamic new era in the way Iowans support and appreciate their public universities for the critically important and multifaceted role they play in improving their lives and shaping Iowa's future.

Both plans are good roadmaps for transformation and excellence. The **Partnership Plan** provides the broad parameters for change and has already increased the visibility of Regent institutions with the people of Iowa resulting in increased financial support from Iowa's leaders. **Forward Thinking** outlines more specific priorities and goals for Iowa State University.

Iowa State's mission, as stated in **Forward Thinking**, is to "**Create, share and apply knowledge to make Iowa and the world a better place.**" Transforming the world through the discovery and application of knowledge is what land-grant institutions were created to do, and our vision is to "**be the best at advancing the land-grant ideals and putting science and technology to work.**" That means achieving excellence in all areas of our mission.

Forward Thinking identifies five institutional priorities for the fulfillment of the university's mission and the achievement of its vision. Those five priorities are:

- **Education.** Strengthen undergraduate, graduate, and professional education to enhance student success at Iowa State University and beyond.
- **Programs.** Increase the number of graduate, professional, and research programs that are among the very best--especially in areas that build on the university strengths and address local and global critical needs.
- **Economic Impact.** Translate discoveries into viable technologies, products, and services to strengthen the economies of Iowa and the world.
- **Iowa Life.** Elevate the state's appeal as a place to live, learn, work, and play.
- **University Life.** Ensure that the university is a great place to learn and work.

For the next five years, every decision involving resource allocation, both for existing and new programs, will be based on the program's importance to one or more of these priorities. By adhering to these priorities and paying close attention to the many specific goals supporting each of them, Iowa State will achieve its vision and the Regents' goals of transformation and excellence.

The guiding premise of the Regents' **Partnership Plan** is that "**Affordable, high-quality public higher education for Iowans and cutting-edge research that helps fuel the state's economy are in the best interest of all Iowans.**" The goals outlined in **Forward Thinking** are well aligned with those included in the Regents' **Partnership Plan**. Iowa State University's FY 2006 budget is built around a series of strategic initiatives that form the first steps toward the priorities outlined in both plans.

Funding to accomplish the goals of the **Partnership Plan** was based on

- four years of moderate tuition increases for Iowa students and their families,
- an annual increase in state appropriations of \$40 million to the Board of Regents for fiscal years 2006-2009, and
- at least \$20 million of reallocated funds during each of the next four years.

Accomplishing the goals outlined in the **Partnership Plan** and **Forward Thinking** is dependent on full funding from all three sources. Anything less will slow the transformational process. Next year's tuition increase and the university's reallocation plan are consistent with the Board's **Partnership Plan**. However, new state allocations fall short of the \$40 million requested. While the university is grateful to receive new state appropriations for the first time in several years, the overall funding picture for FY 2006 will constrain progress.

1. Sources

a New Revenues

The university anticipates the following new revenues for FY 2006:

\$9,687,693	State Appropriation
\$7,694,175	Tuition
\$602,590	Other Income
	\$1,035,180 indirect cost recovery
	(\$684,000) miscellaneous fees
	\$215,410 administrative fee income
\$17,939,458	Total

State Appropriation. Iowa State University's appropriation increase from the Iowa Legislature for FY 2006 comes in three parts:

- \$5,987,715 of recurring funds from the Education Bill – HF 816
- \$2,500,000 of one-time funding from the state's Infrastructure Bill – HF 875
- \$1,120,000 of one-time funding from the Supplemental Bill – SF 342
- \$79,978 appropriation from the Department of Administrative Services to offset fees DAS charges for their services

Most of the recurring funds will be devoted to salary increases for faculty and staff in General Fund units that receive an appropriation from the Education Bill. The one exception is the Veterinary Diagnostics Laboratory which will receive a special allocation of \$127,000. Units funded through the Economic Development Bill (Institute for Physical Research and Technology – IPRT, Small Business Development Center – SBDC, and the ISU Research Park – ISURP) will fund compensation increases through reallocations.

Funds from the Infrastructure Bill must be spent on major building repair. The university had anticipated allocating \$1 million of institutional funds and reallocating an additional \$1 million for building repair in FY 2006. These institutional funds will now be redirected to other strategic priorities described below on a one-time basis. The university will use the entire \$2.5 million from the Infrastructure Bill for major building repair.

The institutional funds originally intended for building repair combined with funds from the Supplemental Bill provide one-time money that will be used strategically in FY 2006 to fund the university's highest priorities including new faculty positions, support for instruction and students services, and support for research. However, all of these uses require ongoing, permanent funding. Thus, implicit in Iowa State University's FY 2006 budget is an early commitment to secure base funding for these initiatives from future increases in tuition or recurring funds from state appropriations.

Tuition. The increase in tuition revenue is based on the Board approved 4%, HEPI-based, tuition increase for undergraduate and graduate students, and a fall 2005 enrollment that is anticipated to be somewhat smaller than in fall 2004. New revenues from this increase will be dedicated to salary increase for faculty and staff, and to increasing funds available for student financial aid.

The Board of Regents approved an alternative to the HEPI-based tuition increase for professional students (veterinary medicine). Resident veterinary medicine students will be assessed a 12% addition to the HEPI-based tuition increase and non-resident veterinary medicine students an 8% addition. Revenue generated by this additional tuition will be used to directly benefit educational programs offered by the College of Veterinary Medicine and to increase financial aid available to veterinary medicine students.

Indirect Cost Recovery. Indirect cost recovery revenue is expected to increase 6% due to increasing levels of funded research anticipated in FY 2006.

Miscellaneous Fees. The shortfall in miscellaneous fee revenue is the result of a reduction in application fees (\$167K) due to fewer applications received, reduction in deferred billing (\$81K) due to lower enrollment, and reduction in general fund interest earnings (\$400K) due to lower account balances and current interest rates.

Administrative Fees. Two years ago the university instituted a consistent administrative fee charged to self-supporting units, auxiliary enterprises, and other recharge activities that generate external income not subject to indirect cost recovery. In FY 2006, the fee will be increased from 2.5% to 3% yielding an estimated \$215,400 of additional income. The purpose of the fee is to recover a portion of the cost of administrative services such as payroll, accounting, public safety etc. that support all activities at the university but are paid for primarily from the General Fund. Similar administrative fee policies are common among Iowa State's peer universities.

b Reallocations

Early in fall 2004, Iowa State University began developing a plan to strategically reallocate \$8 million for purposes that would yield progress on **Forward Thinking**, the university's 2005-2010 strategic plan, and in a manner that would fully comply with the Board of Regents' reallocation policy. Iowa State University's budget for FY 2006 includes \$9.2 million of reallocations. The additional \$1 million resulted from reallocating funds originally budgeted for major building repairs for other strategic initiatives due to the appropriation from the state's infrastructure fund. It should be noted that the reallocations included in this budget represent the university's plan for FY 2006. As faculty hires are made, the exact salary levels required will inevitably vary somewhat from the amounts shown below.

The amounts reallocated by major divisions are shown below:

\$2,221,728	President
\$5,181,104	Academic Affairs
\$227,550	Student Affairs
\$1,473,069	Business and Finance
\$9,153,451	Total

The university used a commercial web-based software package, File Maker Pro, to facilitate the reallocation process. The software allowed web-based entry of each proposed reallocation, sign-off following three levels of administrative approval, and generation of a range of different summary reports. The system allows the university to identify the source, current use, destination, and future use of each reallocation. The system will allow the university to track each reallocation in future years to ensure full compliance with the Board's reallocation policy.

c Funding Priority Areas

Five funding priority areas derived from *Forward Thinking* and the Regents' *Partnership Plan* guided the reallocation process. The five funding priority areas also proved to be useful guides for the allocation of new resources. Reallocations and allocations of new resources were integrated in fourteen strategic budget initiatives grouped under these five funding priorities.

The five funding priority areas are listed below. Each funding priority area is followed by selected goals from *Forward Thinking* and the *Partnership Plan* it supports, measures that will be used to identify progress, and the strategic budget initiatives that comprise the priority area.

1. Achieve competitive salaries for faculty and staff.

Forward Thinking goals: "Recruit and retain outstanding faculty who are or will be leaders in their fields" and "Recruit and retain faculty, staff, and students who are dedicated to organizational excellence and achievement."

Partnership Plan goal: "Assist in reaching nationally competitive salary levels to allow the university to recruit and retain faculty members who are among the very best in their fields of study, with a particular focus on disciplinary areas that are important to Iowa's future."

Measures of progress:

- Faculty Salaries Index – a comparison of mean faculty salaries to the mean at ISU's peer universities. An index score of 1.0 indicates that average salaries at ISU equal mean faculty salaries at peer universities. Iowa State's index score is 0.95 for FY 2005. The five-year goal is 1.02.
- Increase the percent of professional and scientific staff salaries that are at or above the pay grade midpoint which represents marketplace competitiveness.

Strategic budget initiatives:

1. Achieve Competitive Salaries For Faculty And Staff.

2. Increase student success and enhance the quality of undergraduate educational programs.

Forward Thinking goals: “Strengthen undergraduate, graduate, and professional education to enhance student success at Iowa State University and beyond.”

Partnership Plan goals: “Enhance the quality of public higher education in Iowa,” “Improved student progress toward graduation,” and “Effective management of appropriate class sizes.”

Measures of progress:

- One-year retention rate – currently at 85%, goal is 90%
- Six-year graduation rate – currently at 67%, goal is 72%
- Student-to-faculty ratio – currently at 15.5, goal is 15
- Class size (% of class sections with < 50 students) – currently at 80%, goal is 85%

Strategic budget initiatives:

2. Support Undergraduate Students Through Increased Financial Aid.
3. Enrich Undergraduate Programs and Instruction
4. Enhance Undergraduate Student Success

3. Increase the excellence of those graduate, professional, and research programs that are or can be among the very best.

Forward Thinking goals: “Increase the number of graduate, professional, and research programs that are amount the very best – especially in areas that build on university strengths and address local and global critical needs.”

Partnership Plan goals: “Strengthened academic areas negatively impacted by appropriation cuts over the past five years” and “New academic programs vital to Iowa’s economic needs and growth potential.”

Measures of progress:

- Sponsored funding – currently at \$274 million, goal is \$300 million
- Citations of publications by Iowa State University faculty members

Strategic budget initiatives:

5. Recruit the Best Graduate and Professional Students
6. Enrich Professional Veterinary Medicine Education
7. Strengthen the Reputation and Impact of the University’s Premier Programs
8. Strengthen Research in High Impact Interdisciplinary Areas

4. Strengthen Iowa through technology transfer, economic development, and enhanced Extension and outreach programs.

Forward Thinking goals: “Translate discoveries into viable technologies, products, and services to strengthen the economies of Iowa and the world” and “Elevate the state’s appeal as a place to live, learn, work, and play.”

Partnership Plan goals: “Continued statewide public service to Iowans inherent in the missions of the three Regent universities.”

Measures of progress:

- Sales made by Iowa companies from technologies developed at ISU – currently \$18.8 million, goal steady increase.
- Iowan’s served annually by ISU extension – currently at 758,000, goal is 800,000

Strategic budget initiatives:

- 9. Improve Iowa's Air and Water Quality
- 10. Support Iowa's Youth
- 11. Support Iowa's Economic Development Infrastructure

5. Increase administrative efficiency and improve administrative systems, information infrastructure, and facilities needed to support the above initiatives.

Forward Thinking goals: "Achieve a sustainable balance between responsibilities and resources that will allow the university to efficiently and effectively realize its vision."

Partnership Plan goals: "The Board of Regents takes very seriously its responsibility to use its resources effectively and efficiently."

Measures of progress:

- Percent of the General Fund budget spent on administration – this is a new measure so a data set will need to be generated, the goal will be to decrease the percentage of the general fund budget spent on administration.
- Reduce the backlog of deferred maintenance.

Strategic budget initiatives:

- 12. Improve University Electronic Information and Infrastructure
- 13. Renovate and Maintain Academic Facilities
- 14. Increase Administrative Efficiency and Effectiveness

2. Uses

a Salary Policy

Iowa State University will distribute funds to all general fund units equal to 3% of their continuing employee salary base to be used for faculty and P&S staff salary increases. Units were given the latitude to reallocate a limited amount of additional resources to increase the pool of funds available for compensation increases.

The Professional and Scientific staff pay matrix will increase by 2.5% at pay grade minimums and maximums.

The university will fully implement the terms of the collective bargaining agreement which it anticipates will cost \$2.53 million. Supervisory and confidential employees will be treated in the same manner as merit employees.

b Strategic Budget Initiatives

Iowa State University's FY 2006 budget includes fourteen strategic budget initiatives grouped around the five priority funding areas described above in "Funding Priority Areas," section 1c.

Initiative 1. Achieve Competitive Salaries for Faculty and Staff

One of the highest priorities in the Board's *Partnership Plan* and in *Forward Thinking*, Iowa State University's Strategic Plan for 2005-2010, is reaching nationally competitive salary levels necessary to recruit and retain faculty members who are among the very best in their fields of study, with a particular focus on faculty in disciplinary areas that are important to Iowa's future.

Iowa State University analyzes faculty salaries as well as those at its ten peer universities each year using data from the American Association of University Professors and the Association of American Universities Data Exchange. Faculty salaries were at or slightly above the mean at peer universities for most of the last decade but have steadily fallen below the peer mean since 1999. Faculty salaries (AAUP data; overall average) at Iowa State are currently the lowest among the university's peers. Simultaneously, salaries for professional and scientific staff have also fallen below levels that are competitive in the marketplace.

The FY 2006 budget will allow the university to distribute funds equal to 3% of the continuing employee salary base to be used for faculty and P&S staff salary increases. The university had hoped to distribute a significantly larger amount for salary increases but the shortfall in appropriations does not allow this. While the university maintains a high priority goal of increasing the competitiveness of faculty and staff salaries, the resource levels for FY 2006 will limit progress on this goal.

Funding Source	5,860,715	Appropriation
	5,243,944	Tuition
	602,590	Other Income
	502,671	Reallocation
	\$12,209,920	Total
Reallocation Detail	300,000	From final payment of deferred budget reduction from the Agriculture Experiment Station and the College of Liberal Arts and Sciences
	202,671	From Building Repair, summer support for faculty, and salary money from resignations from Anthropology, English, Journalism and Mass Communication, Statistics, and the Controller
New Use	6,268,300	Faculty salary and benefits increases
	3,204,709	Professional and scientific staff salary and benefits increases
	2,534,240	Merit staff salary and benefits increases
	202,671	Reallocations to augment salary increases necessary to retain top faculty in Chemistry, Business, Physics, Psychology, and for accountants in the Controller's Office
	\$12,209,920	Total

Initiative 2. Support Undergraduate Students Through Increased Financial Aid

Accessibility to higher education was one of the ideals upon which Iowa State University was founded. One way of realizing this ideal is through a continued commitment to assist current and prospective students who have financial need through financial aid. The university will add to the pool of funds available for student financial aid by dedicating 22% of new tuition revenues for this purpose.

Funding Source	0	Appropriation
	713,501	Tuition
	0	Other Income
	0	Reallocation
	\$713,501	Total
Reallocation Detail		NA
New Use	713,501	Undergraduate student financial aid
	\$713,501	Total

Initiative 3. Enrich Undergraduate Programs and Instruction

Improving and enriching undergraduate programs is a priority for all undergraduate colleges. Meeting student demand for the most popular areas of study and engaging students in challenging and creative ways are key components of the educational experience. Examples of these improvements and enrichments include:

- To meet the student demand for courses in mechanical engineering and to meet curricular demands in tax accounting, resources within the Colleges of Engineering and Business are being redirected for additional faculty within these areas.
- To enrich the opportunities for students in the College of Design, a new area of concentration is being developed that will provide an emphasis in graphic design in digital media, a highly collaborative, interdisciplinary program. Excellence in this emerging area will be obtained by hiring new faculty and repositioning some existing faculty.
- To satisfy student interest in subject matters that cross departmental boundaries, faculty from across the College of Liberal Arts and Sciences are creating new interdisciplinary courses such as “Geomicrobiology” and “Introduction to Bioinformatics.” Funding will be provided from reallocations from vacant positions.
- To support all undergraduate students, basic under funded core faculty positions in English, chemistry, journalism and music are being nourished by reallocation of funds from vacant positions elsewhere in the college.

In addition to these reallocations, funds from new appropriations will be directed toward faculty hires in areas that build upon university strengths and address local and critical needs, such as areas of biological/agricultural sciences and engineering.

Funding Source	75,000	Appropriation
	0	Tuition
	0	Other Income
	982,333	Reallocation
	\$1,057,333	Total
Reallocation	818,813	From positions in the Colleges of Business, Design, Education, Engineering, and Liberal Arts and Sciences
Detail	107,270	From the Office of the Provost previously used to support special faculty hires
	56,250	From the Office of the President previously used for building repairs
New Use	252,308	Faculty positions in tax accounting and supply chain management
	71,022	Faculty position in mechanical engineering to support undergraduate enrollment
	118,702	Faculty positions in digital media
	113,580	Faculty positions in the behavioral basis of physical activity and health
	50,480	Faculty position in music
	152,702	Faculty positions in English literature
	56,250	Faculty position in the College of Liberal Arts and Sciences in area of high student demand
	65,624	Faculty position in magazine photo journalism
	45,015	Faculty position in chemistry
	34,705	Faculty position in education – partial funding
	59,945	Support for interdisciplinary undergraduate courses
	37,000	Faculty position in biological / agricultural sciences – partial funding
	\$1,057,333	Total

Initiative 4. Enhance Undergraduate Student Success

A major Iowa State priority is to have every student who joins us, succeed and graduate in a timely fashion. Student success is influenced in many ways. Relevant, challenging academic programs with excellent instruction are essential. Also important, are advisors who can reach out to students, understand their needs and issues and help provide solutions when challenges arise. This is especially important for minority and international students whose adjustment to college life is sometimes more complex than for other students. Examples of the application of new and reallocated funds to support student success include:

- International students will be better supported by additional advising positions being created in the Office of International Students and Scholars by reallocated funds from organizational changes in administrative staff.
- Undergraduate students in hotel, restaurant and institutional management will be better served with an additional advisor funded with dollars reallocated from vacant positions.
- To enhance student retention and graduation success, the university's new Retention Task Force is examining data that quantifies how students change majors and identifies where student success is more challenging. The Council will then recommend strategies and programs to improve student retention and funds are being set aside through reallocation to support those retention initiatives.

Funding Source	0	Appropriation
	0	Tuition
	0	Other Income
	624,254	Reallocation
	\$624,254	Total
Reallocation Detail	277,550	From International Students and Scholars from administrative restructuring
	100,000	From Office of the President previously used for building repair
	150,000	From building repair
	48,404	From positions in the Colleges of Design and Family and Consumer Sciences
	48,300	From Office of the Provost from operating expenses
New Use	9,432	Increase minority student advisor in the College of Design to a 12 month position
	38,972	Create academic advisor position for students in the Hotel, Restaurant, and Institutional Management program
	100,000	For student retention initiatives recommended by the new Retention Task Force
	150,000	To support graduate students who work in the Student Affairs division. Funding for these positions was eliminated in previous budget cuts and these graduate assistants are crucial to deliver quality services to undergraduate students
	40,000	Increase funding to sustainable level for CYTAG/OPTAG, a pre-collegiate program that prepares high school students for college.
	8,300	Recurring support for administration of the National Survey of Student Engagement (NSSE) that the university uses for assessing performance
	277,550	New advisor positions to work with international students and scholars
	\$624,254	Total

Initiative 5. Recruit the Best Graduate and Professional Students

As outlined in our strategic plan, in order to increase the number of graduate and professional programs that are among the very best, the university must increase the number and elevate the overall quality of graduate and professional students. Excellent graduate students are crucial to supporting the on-going research programs of the university’s outstanding faculty which eventually translates into increased national recognition and stronger impact of our programs. Attracting the very best graduate students requires tuition scholarships, competitive stipends, and excellent faculty with exciting, challenging research programs. FY06 is the second year of a three-year plan to improve the funding of tuition scholarships necessary to attract the very best graduate students. While much of the cost of the increased scholarship is being funded by external grants and contracts, funding beyond that is also needed to maintain the program. New state appropriations, new tuition dollars and some centrally reallocated funds will support this important initiative.

The tuition for veterinary education continues to increase and adequate financial aid is necessary to support those students and attract them. With each tuition increase, dollars are set aside for distribution to those students.

Funding Source	450,000	Appropriation
	445,454	Tuition
	0	Other Income
	99,729	Reallocation
	\$995,183	Total
Reallocation Detail	99,729	From Office of the President previously used for a bridge loan to the College of Liberal Arts and Sciences
New Use	115,042	Financial aid for veterinary medicine students
	880,141	Tuition-based scholarships for graduate students
	\$995,183	Total

Initiative 6. Enrich Professional Veterinary Medicine Education

Veterinary medicine, like human medicine, is becoming increasingly specialized. Today’s veterinary students expect and need to have exposure to and experience with a wide variety of medical specialties. This requires more faculty members with expertise in those specialties to teach the intensive lab and clinical courses that comprise the veterinary curriculum. New tuition revenue available to the College of Veterinary Medicine will fund new clinical faculty.

Iowa State’s College of Veterinary Medicine is striving to reposition itself as the national leader in establishing the highest quality programs and practices for animal care, protecting the food supply, and educating the best veterinarians – areas critically important to the State of Iowa and to the nation. A key component of this strategy is implementing a growing trend in veterinary education focusing on evidence-based/outcomes-based (EB/OB) medicine. This integrated approach will be initiated in the areas of swine production and beef production with the addition of two new faculty members. Funds from competitive research positions and from a vacant position are being redirected to support the development of classroom teaching modules, clinical rotations, case studies and distance learning.

Funding Source	0	Appropriation
	736,191	Tuition
	0	Other Income
	725,899	Reallocation
	\$1,462,090	Total
Reallocation	290,899	From College of Veterinary Medicine previously used for administrative salaries, research positions, and operating expenses
Detail	400,000	From Office of the President previously used for a university-wide marketing study and building repair
	35,000	From Office of the Provost previously used for special hires
New Use	714,560	Faculty positions in anatomy, physiology, bacteriology, parasitology, theriogenology, small animal surgery, and pathology
	214,537	Faculty devoted to evidence based/outcomes based medicine for cattle and swine
	228,028	Support for evidence based/outcomes based instructional programs and surgery courses
	104,965	Lecturer – Instructional Development Coordinator
	200,000	Equipment start up costs associated with new faculty positions including an ultrasound equipment
	\$1,462,090	Total

Initiative 7. Strengthen the Reputation and Impact of the University’s Premier Programs

The university’s overall national reputation rests disproportionately on the set of programs that are among the very best in their fields. Those programs provide the visibility that aids in attracting the best faculty and graduate students, and provides a competitive edge when attracting external funds. U.S. News and World Report ranks Iowa State at the 23rd percentile for public doctoral universities. In addition, Iowa State has several highly ranked academic programs that are recognized nationally by various groups as being very competitive. The maintenance and further enhancement of the reputation of these highly regarded programs requires the continuous recruitment and retention of outstanding faculty.

Faculty positions will be added in statistics (ranked 8th of 63 by the National Research Council), physics and astronomy (ranked at the 22nd percentile by the National Research Council), psychology (ranked 3rd of 40 by its professional association), and bioengineering an emerging area of strength in the College of Engineering (ranked at the 25th percentile by U.S. News and World Report). In addition faculty positions will be added in educational research and statistics, and human development and family studies.

All new hires require funds to support the faculty member as he/she establishes a research program and orients to new teaching and outreach responsibilities. Funds are being reallocated from internal competitive research to support these start-up costs.

Funding Source	75,000	Appropriation
	0	Tuition
	0	Other Income
	1,472,881	Reallocation
	\$1,547,881	Total
Reallocation	114,003	From College of Education previously used for masters in school counseling program which has been eliminated
Detail	46,992	From College of Engineering previously used for operating expenses and salaries
	78,752	From College of Family and Consumer Sciences previously used for Extension food safety research and undergraduate instruction and advising in Child, Adult, and Family services
	401,957	From College of Liberal Arts and Sciences previously used for faculty start up expenses, equipment purchase, and salaries released because of retirements/resignations
	706,107	From Office of the President previously used for university-wide marketing study and building repair
	99,447	From Vice Provost for Research previously used for SPRIGS grant program
	16,872	From Business and Finance previously used for operating expenses
	8,751	From building repair
New Use	114,003	Educational research and statistics
	31,992	Bioengineering
	54,774	Family Policy and Practice graduate program for graduate assistants and research support
	23,978	Extension leadership development program
	228,898	Faculty hires in Statistics: biological statistics, applied statistics, and stochastic processes
	150,178	Faculty hires in Physics: interaction physics and condensed matter physics
	732,555	Start up costs and research support for new faculty hires
	16,872	Costs associated with DOE negotiations to continue Iowa State University's contract to run Ames Lab
	13,882	Partial salary for new faculty in counseling research
	168,750	High priority hire in the College of Liberal Arts and Sciences
	\$1,547,881	Total

Initiative 8. Strengthen Research in High Impact Interdisciplinary Areas

Iowa State University is committed to establishing selected areas of excellence in research that build on the university strengths and address local and global critical needs.

Departments, colleges and central administrative units continue to redirect resources to support these selected areas with an emphasis on interdisciplinary initiatives, exemplified by three presidential academic initiatives created three years ago through a university-wide competitive process.

- Human Computer Interaction is the interdisciplinary study of the relationship between humans and increasingly powerful, portable, interconnected, and ubiquitous computers. The presence of the internationally-acclaimed Virtual Reality Applications Center provides added relevance and “reality” to the graduate program, which has been extraordinarily successful. New faculty members in aerospace engineering and electrical and computer engineering will join the present cadre of faculty working on this initiative from such varied departments as journalism and communication, geological and atmospheric sciences, music, architecture, and botany. Funds are being reallocated from vacant positions and administrative sources to support them.
- Combinatorial discovery is a method to quickly find optimal solutions to complex scientific problems. Faculty at Iowa State University are employing the combinatorial process in materials and interfacial sciences to develop new catalysts, adhesives, and lubricants, and to examine fundamental questions related to biocompatibility and drug delivery. Key to the success of this highly interdisciplinary work is strength in chemistry where two faculty hires will provide needed expertise. Funds from vacant positions were redirected to support them.
- Scientists at the Center for Integrated Animal Genomics work to identify, map, and understand the function and control of genes to improve animal and human health. Faculty research programs integrate bioinformatics and computational biology with animal genetics and infectious diseases to improve animal and human health and production and enhance Iowa economic development in animal biotechnology. Funds are being redirected from vacant positions to support staff, postdoctoral students, and research assistants and provide supplies and equipment to continue to advance the work in the Center.

Research in other interdisciplinary fields of science and technology will also advance Iowa State’s vision of becoming the best at advancing the land-grant ideals. Three examples are:

- The biological sciences have recently been restructured to group faculty, staff and students into organizational units that reflect the target of the investigation (e.g. molecules, cells, organisms and communities). The realignment of the faculty, staff and students in those units provides an environment that is critical to the continual development of ideas that lead to advances in research and to better educational programs for undergraduate and graduate students. Resources continue to be redirected to support this new structure with faculty hires and start-up resources. The funds are being redirected from vacant faculty lines and summer support in other disciplines.

- Nanotechnology is the ability to make things from the bottom up, using techniques and tools that are being developed today to place every atom and molecule in a desired plane. In its mature form, it will have significant impact on all areas of society by offering better built, longer lasting, cleaner, safer, and smarter products for the home, communities, medicine, transportation, agriculture and industry in general. Nanotechnology research may provide the data for the methods being developed in combinatorial discovery and it is an emerging area of strength and a new faculty hire will further advance it. Funds were redirected from other uses.
- Engineering for extreme environments is another interdisciplinary interest area. The presence of the wind tunnel and the Center for Non-Destructive Evaluation provide important environments within which to conduct research into how materials respond to extreme environments. The addition of a faculty member in aerospace engineering and more research support for the Center will further advance the work of the scientists. Funds were redirected from vacant positions and other research centers to support this effort.

The College of Agriculture and the Experiment Station work through the combination of undergraduate and graduate programs, research, and outreach to make significant contributions to Iowa and the world. Two examples are:

- The Institute for Food Safety and Security addresses a wide range of food issues and problems. Resources redirected from positions will support scientists, research assistants and provide supplies for these groups to further advance their work.
- The College of Agriculture, along with the Plant Sciences Institute and University Extension, are redirecting resources to address issues and problems important to the corn and soybean industries, such as the imminent threat of soybean rust disease. The importance of the corn and soybean industry in Iowa and the Midwest cannot be overstated. Resources redirected from positions will support scientists, research assistants and provide supplies to further advance their work. The identification of soybean rust in the southern U.S. is a very specific challenge facing producers. In partnership with the Soybean Promotion Board, Iowa State is redirecting resources to address this threat. Resources redirected from positions will renovate a lab needed to expand the research into soybean rust.

Funding Source	270,000	Appropriation
	0	Tuition
	0	Other Income
	1,949,639	Reallocation
	\$2,219,639	Total
Reallocation Detail	496,731	From College of Engineering previously used for temporary hires, operating expenses, and funds released by a technician's phased retirement
	63,925	From IPRT previously used for operating expenses
	50,000	Office of the Provost previously used for special hires
	367,811	From College of Liberal Arts and Sciences previously used for summer support of new faculty, temporary hires, and salary funds released by retirements and resignations
	81,924	From Plant Sciences Institute previously use for operating expenses
	614,390	From Agriculture and Home Economics Experiment Station previously use for staff salaries which were shifted to Federal funds to generate funds for this initiative
	250,000	From building repair
	24,858	From Office of the President previously used for bridge loan to the Agriculture and Home Economics Experiment Station
New Use	125,000	Human Computer Interaction for faculty positions
	292,956	Nanotechnology for faculty positions and research support
	316,122	Combinatorial Discovery for faculty positions and research support
	315,594	Biological Sciences for faculty hires and research support
	262,700	Engineering for Extreme Environments for faculty hires, research support, and operating expenses
	161,910	Center for Integrated Animal Genomics for a faculty position, graduate assistants, and post doctoral students
	745,357	Agricultural research to improve yields and protect crops for faculty positions, scientists, research assistants
	\$2,219,639	Total

Initiative 9. Improve Iowa's Air and Water Quality

The quality of the air and water has been identified as a statewide priority by Governor Vilsack and Iowa State has continued its research and outreach in both areas. Experiment Station researchers work in areas that are practical and fundamental, short-term and far-reaching.

- Fundamental questions abound with respect to air quality. How can odors and gas emissions from swine operations be reduced? What can dairy producers and poultry producers do related to production facilities to help protect water and air quality? At the same time, the context within which air quality is being evaluated is changing with the proposed USDA Air Quality Compliance agreement. Research leading to publications, management tools for producers and other resources are being developed to address both the fundamental question and the changing context. Air quality research will be further supported with research assistants, equipment, and supplies with funds redirected from positions.
- Fundamental questions abound with respect to water quality. How can the sustainability of crop production systems be improved to reduce environmental consequences? How can measurements of agriculture's impacts on water quality be improved? What are the basic chemical and biological processes controlling the function of pesticides, organic chemicals, trace metals, surfactants, and microorganisms? Water quality research will be further supported with staff, research assistants and supplies with funds redirected from positions.

Funding Source	0	Appropriation
	0	Tuition
	0	Other Income
	258,090	Reallocation
	\$258,090	Total
Reallocation Detail	258,090	From Agriculture and Home Economics Experiment Station previously used for staff salaries which were moved to USDA Federal formula funds to make funds available for this initiative
New Use	258,090	Research staff, graduate assistants, equipment, and operating expenses
	\$258,090	Total

Initiative 10. Support Iowa's Youth

One of the primary goals of the Partnership in Prevention Science Institute is to expand the evidence base on the effectiveness of prevention, positive youth development, and health promotion interventions for youth, adults, families and communities. The basic questions include, how do interventions produce their outcomes? What factors influence the effectiveness of interventions? What economic benefits do interventions provide? What cultural adaptations improve intervention effectiveness? Resources are being redirected from salaries and administrative budgets to further support the work of the institute by funding core staff and providing supplies and equipment.

Funding Source	0	Appropriation
	0	Tuition
	0	Other Income
	185,255	Reallocation
	\$185,255	Total
Reallocation Detail	125,000	From Cooperative Extension Field Program previously used for staff salaries moved to county cost share account to release funds for this initiative
	60,255	From Office of the President previously used for space renovation for ABE/IEDT merger
New Use	185,255	Staff positions and operating expenses
	\$185,225	Total

Initiative 11. Support Iowa's Economic Development Infrastructure

Extension is a key component of Iowa State's support for the State of Iowa's economic infrastructure. The network of county extension offices has a long history of providing research-based information for decision-making leading to improved communities, families and individuals. A new role for the county extension director is emerging in "high resource" areas—those that are the state's population and economic centers. With the new model, the director will be more highly engaged with business and community leadership on priority community initiatives, including acquiring new public funding and creating new initiatives and revenue streams. Resources are being redirected from staff salaries in other counties to support a pilot project in Woodbury County, which encompasses Sioux City.

The Veterinary Diagnostic Lab provides testing and diagnostic service to Iowa producers thus supporting the health and viability of the livestock industry.

Funding Source	127,000	Appropriation
	0	Tuition
	0	Other Income
	55,000	Reallocation
	\$182,000	Total
Reallocation Detail	55,000	From Cooperative Extension Field Program previously used for staff salaries moved to county cost share account to release funds for this initiative
New Use	55,000	For Woodbury County pilot project
	127,000	Operating support for the Veterinary Diagnostics Laboratory necessary to keep charges to Iowa producers as low as possible
	\$182,000	Total

Initiative 12. Improve University Electronic Information and Infrastructure

An integrated network of people, systems and equipment is crucial to the overall operation of the university by:

- Providing students access to course work and other resources,
- Allowing faculty to perform complex simulations, gather and analyze data, and communicate with colleagues at Iowa State and around the world,
- Connecting the university with all constituents, internal and external.

All areas of the institution are redirecting resources to support their infrastructure needs: supporting desktop computers for faculty and staff, purchasing additional on-line electronic journals, developing a broadband network that links all 105 county and area extension offices, purchasing campus-wide software agreements, developing a data warehouse, and expanding the wireless network on campus.

Funding Source	0	Appropriation
	323,964	Tuition
	0	Other Income
	1,034,779	Reallocation
	\$1,358,743	Total
Reallocation	175,000	From Office of the President previously used for Department of Residence administrative fee relief
Detail	100,000	From building repair
	43,230	From College of Veterinary Medicine previously used for administrative salaries
	360,000	From Cooperative Extension Administration previously used for county director salaries moved to county cost share account to release funds for this initiative
	138,215	From Library previously used for operating expenses and conservation staff
	91,119	From Academic Information Technologies previously used for staff position and hardware acquisition
	37,727	From Accounts Receivable realized from savings by shifting paper processes to electronic processes
	64,861	From Administrative Technology Services realized from savings by shifting paper processes to electronic processes and fewer early retirees
	18,178	From Iowa State Center by reducing subsidy for including a ballet in next year's season
	6,449	From Telecommunications previously used for reduced costs for the campus local area network
New Uses	393,184	College of Veterinary Medicine IT support – computers, software, and peripheral equipment for outcomes based/evidence based instruction and desktop IT support
	100,000	Library acquisitions
	460,000	Extension broadband network and accounting software
	138,215	Library staff devoted to digital collections, IT support, and a replacement fund for replacement of computer equipment and software
	81,449	Expand campus wireless network
	167,717	Data warehouse development and cost increases for campus-wide software site license agreements
	18,178	Increase cost of student ticket subsidy for events at CY Stephens
	\$1,358,743	Total

Initiative 13. Renovate and Maintain Academic Facilities

The university reduced its building repair budget several times in recent years due to large reductions in state appropriations. Reductions in this area as well as other central, administrative budgets were made in an attempt to protect instructional and research programs as much as possible. One consequence is a \$100 million backlog of deferred maintenance. The university has been able to address the most severe deferred maintenance needs from its building repair budget that totals \$1.1 million and through one-time reallocations. The \$2.5 million appropriation from the state’s infrastructure fund will help address the backlog.

Some tuition revenue and substantial reallocations will also be used to fund aspects of the “renew and operate environments” initiative including the operating and maintenance costs associated with several new instructional and research spaces, unavoidable increases in purchased fuel and utilities, and the property insurance rate increase. Reallocations will also increase the university’s emergency response preparedness as well as improve the safety of students through a partnership between the Department of Public Safety and the Department of Residence. A new engineer position focused on energy conservation efforts is proposed for FY2006. It is expected that this engineer will bring about cost savings that far exceed the salary needed for the position.

Funding Source	2,750,000	Appropriation
	186,121	Tuition
	0	Other Income
	604,686	Reallocation
	\$3,540,807	Total
Reallocation Detail	410,427	From building repair account
	56,125	From Environmental Health and Safety previously used for administrative salaries and operating expenses
	81,203	From Facilities Planning and Management previously used for utility projects
	56,931	From Public Safety previously used for a patrol officer
New Use	2,500,000	Building repair
	332,427	Operating new instructional and research facilities – custodial services, maintenance, and utilities for the LeBaron Hall Auditorium, Roy J. Carver Co-Lab Greenhouse, and the Environmental Health & Safety Regulated Materials Facility
	300,000	Fuel and energy cost increases
	186,121	College of Veterinary Medicine classroom renovations associated with outcomes based/evidence based instructional program
	113,056	Emergency Preparedness program and student safety-related training program with the Department of Residence
	81,203	New engineer to improve energy conservation
	28,000	Property insurance rate increase
	\$3,540,807	Total

Initiative 14. Increase Administrative Efficiency and Effectiveness

Iowa State University is committed to administrative efficiency and effectiveness as demonstrated by the recent combination of two colleges, the major restructuring of the provost's office, and the fundamental reorganization of the information technology services on campus. Other examples include developing expertise to meet Sarbanes Oxley compliance requirements, increasing Iowa State's visibility in Washington D.C. with federal constituencies, making administrative system improvements to meet security requirements and expectations, adding professional staff to support the volume of external grants and contracts and to increase that volume, and developing design standards for construction projects that will improve the effectiveness of the capital project process.

Funding Source	79,987	Appropriation
	0	Tuition
	0	Other Income
	658,235	Reallocation
	\$738,213	Total
Reallocation Detail	25,240	From College of Design previously used for Art and Design position
	61,570	From Library from position elimination in Collections and Technical Services
	199,529	Office of the President from elimination of Director of Governmental Relations position and elimination of Director of Internal Audit and from funds previously used for building repair
	109,500	Graduate College released because of administrative reorganization
	83,185	From indirect cost recovery funds
	179,211	From Facilities Planning and Management resulting from elimination of supervisory positions
New Use	79,978	Department of Administrative Services fees
	25,240	Increased faculty time devoted to directing communications in the College of Design
	61,570	New management position in Library's business services
	100,079	New position to oversee university policies and meet requirements of the Sarbanes Oxley Act
	58,950	Increase governmental relations presence in Washington, D.C.
	28,000	Partial salary for Institutional Research staff necessary for increasing workload borne by this office
	12,500	Funding for social security number removal project in the Office of the Registrar and reprogramming necessary for new College of Human Sciences
	67,943	New position devoted to budgeting and management in the Graduate College
	41,557	Increase management position at Reiman Gardens to full time necessary as Gardens increase in complexity
	83,185	Industry subcontract specialist devoted to the Partnership In Prevention Science Institute
	179,211	Staff positions in Facilities Planning and Management to devoted to improve space utilization, improve the efficiency and effectiveness of the capital project planning process, and to revised construction standards to improve cost effectiveness
	\$738,213	Total

3. Restricted Funds

The Restricted Funds budget represents revenues and expenditures from university units and operations that do not receive direct state appropriations. Major revenue categories are listed below.

- **Capital Appropriations** include state appropriations for facilities construction and other capital improvements.
- **Tuition Replacement Appropriations** are state appropriations received as reimbursements of tuition revenue used to pay debt service on the University's Academic Building Revenue Bonds.
- **Federal Support** includes federal receipts for both sponsored programs and student financial aid. Funding from the Department of Energy for the Ames Laboratory is reported separately on the line labeled "Independent Operations."
- **Interest** is the income earned on Treasurer's Temporary Investments.
- **Tuition and Fees** includes mandatory student fees along with approximately \$3 million in continuing education tuition. Continuing education programs are required to be self-supporting and therefore, the tuition receipts must be linked with expenses. To accomplish this, continuing education funds are accounted for, along with other self-supporting operation, in the restricted fund category.
- **Reimbursed Indirect Costs** are the indirect cost collections from contracts and grants allocated for the use of facilities and as indirect cost incentives to principal investigators.
- **Sales and Services** includes academic departments' service centers (such as Veterinary Teaching Hospital and the research farms) and unrestricted revenue (such as residual funds from workshops and conferences).
- **Other Income** includes state and local government sponsored programs – approximately \$15 million, non-academic departments' service centers (such as conference services and trademark royalties) – approximately \$4 million, and miscellaneous interest income – approximately \$1 million. "Other income excludes interest on Treasurer's Temporary Investments which is reported separately on the line labeled "Interest."
- **Private Gifts, Grants, and Contracts** includes nongovernmental sponsored programs from private industry, non-profit organizations, and individuals.
- **Endowment Income** includes earnings distributed from the University's endowment funds including the Miller Trust.
- **Auxiliary Enterprises** is comprised primarily of bonded enterprises including: Intercollegiate Athletics, the University Bookstore, Iowa State Center, Department of Residence, Reiman Gardens, Parking Systems, Memorial Union, Regulated Materials Surcharge, the Student Health Center, and Telecommunications.
- **Independent Operations** includes the Ames Laboratory, a research facility of the U.S. Department of Energy.
- **Plant Funds** includes bond proceeds and capital project fund receipts.

The FY 2006 Restricted Funds budget assumes inflationary growth in most revenue categories of 3%. Sponsored funding categories are assumed to grow slightly faster at 6%. The rate of growth in this category has slowed substantially due to the slowdown in research funding at the Federal level. Student fees revenues and student fee supported auxiliaries are assumed to see no growth at all due to the lower enrollments projected for next year. There will also be a fall off in capital spending due to the fact that major projects have been completed and several on-going projects will not complete planning and start construction until mid-year or later.