

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Final Budgets – Iowa Braille and Sight Saving School
Date: July 7, 2003

Recommended Actions:

1. Approve an FY 2003 budget ceiling increase of \$3,637 retroactive to June 24, 2003, for a final revised general fund operating budget of \$4,837,409.
2. Approve the final FY 2004 general fund operating budget for the Iowa Braille and Sight Saving School in the amount of \$5,109,681 and the restricted fund budget of \$1,595,880, for budgets totaling \$6,705,561.
3. Revise the current unrestricted endowment expenditure policy to be consistent with the 5% spending rule followed by the universities, effective FY 2004 as long as the integrity of the endowments are not impacted.

Executive Summary:

The Iowa Braille and Sight Saving School (IBSSS) prepared its FY 2004 detailed budgets in accordance with the strategic plans of the Board and of the School. The School's FY 2004 budget consists of the general fund and the restricted fund components.

FY 2003 Budget Ceiling Request IBSSS is requesting a budget ceiling adjustment to its FY 2003 general university budget of \$3,637 due to an increase in Phase I and II funding from the Iowa Department of Education. The School was notified of this after the June Board meeting.

IBSSS requests approval to use the \$3,637 to support instructional salary costs for its teachers, which will allow the School to increase encumbered funds for equipment purchases.

The revised total general fund operating budget for FY 2003 would be \$4,837,409. The Board had previously approved a budget ceiling adjustment of \$57,347 at its June meeting.

General Fund FY 2004 The general fund budget is primarily funded from state appropriations and represents the fundamental operations of the School.

For FY 2004, the general fund budget totals \$5.1 million, which is comprised of direct state appropriations of \$4.6 million and other revenues of \$0.5 million.

The state appropriation includes:

- An increase of \$91,455 (2.1%) in base operating appropriations over the amount appropriated for FY 2003; and
- Salary funding of \$109,226. The School included zero dollars for salary increases in the budget presented in June.

The state appropriation for salary increases is only a portion of the funding needed to implement the state's salary policy. IBSSS has made every effort to minimize the operating budget effect on students, but the School reports that prior years' budget cuts have seriously damaged services for blind and visually impaired (including those with additional disabilities) children and youth.

Strategic Plan The educational programs at IBSSS enable visually impaired and blind youth throughout Iowa to function as independently as possible in all aspects of life by providing appropriate educational opportunities, resources, and support services.

The School is in its first year of its 2003 – 2007 Strategic Plan that was approved by the Board in January 2003. Quality and Access in Education is the key result area of the plan and includes the following four strategic planning goals:

• Quality Programs for the Visually Impaired	\$3,543,451
• Early Childhood Services	184,893
• Literacy	981,162
• Collaborative Efforts	<u>400,175</u>
	\$5,109,681

Restricted
FY 2004 The restricted fund budget supports donor-specified activities. The restricted fund budget of \$1.6 million primarily consists of outreach service billings, federal support, capital appropriations, and endowment funds. The FY 2004 restricted fund budget of \$2.0 million presented in June did not include final numbers.

Background:

Purpose The Iowa Braille and Sight Saving School provides direct educational services to children and youth in the state of Iowa with visual impairments who require the comprehensive programs provided by the School, whether enrolled as residential students or as part of the outreach program of the School.

Board Budget
Process In prior years, the budget process has included a series of budgetary presentations to the Board. This process allows the Board time to consider institutional plans and provide guidance prior to final approval of budgets in July.

In May, the Board considered policy issues related to the construction of FY 2004 budgets. In June, preliminary detailed FY 2004 general fund and restricted fund budgets were presented to the Board for consideration.

This month, final budgets are presented for approval.

Analysis:

General Fund

Program
Descriptions

The FY 2004 \$5.1 million general fund budget is focused around the following two academic programs:

- Residential – Extends the normal school day into the evenings, focusing on daily living skills, recreation, and many other educational activities.
- Outreach – Provides numerous specialized support services to visually impaired and blind students who attend school in their local school districts.

Operating Budget

	General Fund Budget Comparison		
	FY 2003 Final Revised ² <u>Budget</u>	FY 2004 Final <u>Budget</u>	<u>Change</u>
REVENUES			
General Appropriations	\$4,446,059	\$4,646,740	\$200,681
Other (IDOE Funds ¹) ²	89,787	89,787	0
Federal Support	169,240	248,952	79,712
Reimbursed Indirect Costs	71,133	74,414	3,281
Sales and Services	36,040	24,638	(11,402)
Other Income	19,150	19,150	0
Interest	<u>6,000</u>	<u>6,000</u>	<u>0</u>
Total	\$4,837,409	\$5,109,681	\$272,272
EXPENDITURES			
Salaries	\$3,891,755	\$4,192,491	\$300,736
Supplies and Services	617,310	586,056	(31,254)
Utilities	130,165	130,165	0
Building Repairs	110,257	110,257	0
Equipment	50,500	50,500	0
Auditor of State	30,210	33,000	2,790
Library Acquisitions	<u>7,212</u>	<u>7,212</u>	<u>0</u>
Total	\$4,837,409	\$5,109,681	\$272,272

1 State funding through the Iowa Department of Education (IDOE) for Educational Excellence.

2 The amount for the FY 2003 final revised budget includes the \$3,637 budget ceiling increase presented this month for approval.

Changes from June The final FY 2004 general fund operating budget for the School is \$5,109,681, which reflects a \$129,644 increase over the preliminary budget of \$4,980,037 presented to the Board in June. The changes for FY 2004 include the following increases:

- \$109,226 from the Iowa Department of Management for salary funding;
- \$3,637 from the Iowa Department of Education for Phase I and II funding;
- \$13,500 in state vision grant funding (federal funding passed through the Iowa Department of Education); and
- \$3,281 from indirect cost reimbursements on service contracts with area and local education agencies.

Revenue Sources For FY 2004, the IBSSS general fund budget totals \$5.1 million and includes the following revenues:

- Direct state operating appropriations of \$4,646,740, a \$200,681 (4.5%) increase over last year's base budget. The School had experienced state appropriation reductions totaling \$410,957 (9.0% of its FY 2001 appropriations) over the past two fiscal years (\$302,711 in FY 2002 and \$108,246 in FY 2003).
- An allocation of state funds of \$89,787 received indirectly through the Iowa Department of Education for Phase I, II, and III Educational Excellence.
- Federal support of \$248,952, a \$79,712 (47.1%) increase over last year for an anticipated increase of state vision grant funding primarily for early childhood services and clerical support in the Assistive Device Center. This money will be passed through the Iowa Department of Education.
- Sales and services of \$24,638, an \$11,402 (31.6%) decrease from last year due to no anticipated vehicle or bus sales.
- Other income including:
 - E-rate funding (universal services funding) of \$11,319; and
 - Principal demutualization funds of \$7,831. This is the second year for this revenue source; and
- Interest income of \$6,000.

Mandatory Cost Increases IBSSS received \$109,226 in salary funding from the Iowa Department of Management, which is only a portion of the funding needed to fully implement the state's salary policy.

Other mandatory cost increases include increased state auditor costs of \$2,790 and workers' compensation costs of \$3,336.

The School plans to reallocate to cover the mandatory cost increases.

Budget Impact

Prior years' budget cuts and continued underfunding of salaries have resulted in many impacts on the School. IBSSS reports that budget cuts have seriously damaged services for blind and visually impaired (including those with additional disabilities) children and youth by:

- Eliminating four outreach consulting positions that provided statewide services (transition/work experience, early childhood, multiple disabilities, and daily living skills);
- Eliminating summer school (two four-week sessions) and by reducing merit staff from year-round schedules to primarily nine-month schedules and various P&S staff and institutional officials from twelve-month employment to eleven- or ten-month employment; and
- Furloughing all support staff for up to 10 days.

Salary Action

As approved by the Board at its June 2003 meeting, IBSSS included the following salary actions in its budget:

Faculty:

- The matrix base salary will increase by 2.5% with no change to the step or track percentages. Average salary increases will be 4.0%;
- Eligible faculty will be provided one step on the salary matrix and progression within the faculty matrix for increased levels of education;
- Extra-curricular stipends (based on percentage of base pay) will remain the same as FY 2003; and
- Academy for Certification of Vision, Rehabilitation, and Education Professionals (ACVREP) Certification stipends will remain at \$900.

Professional and Scientific:

- The salary matrix will be increased by 3.5% at the minimum and 3.5% at the maximum. Average merit salary increases, excluding equity and promotional adjustments, will be 4.0%.

General Service:

- The salary matrix will be increased by 2.0% effective July 1, 2003 to comply with the negotiated collective bargaining agreement; and
- Employees will also receive an increase of 4.5% on their anniversary/eligibility date.

Institutional Officials:

- Salary increases will be based on merit and average 4.0%.

Programmatic
Reallocations

Reallocations assist the School in achieving its primary mission and strategic plan. The FY 2004 budget reflects internal programmatic reallocations totaling \$232,180 on a FY 2003 final revised base of \$4,837,409.

The reallocations represent 4.8% of the final revised FY 2003 general fund budget and are above the Board's program of reallocations averaging 2.0% per year.

Reallocations include shifting resources from the residential school year program and outreach support and reallocating the dollars to mandatory cost increases and strategic initiatives such as:

- Reinstating the summer program (one three-week session in July);
- Funding 50% of the salary and benefits for a driver to transport blind teachers of visually impaired students in the state (ADA accommodations);
- Developing the Quality Programs for the Visually Impaired. The purpose of the program is to develop a continuous instructional improvement process for the on-campus program. IBSSS is the national pilot site for development; and
- Hiring an Early Childhood specialist who will provide and evaluate leadership, statewide strategies, and interventions for families and professionals.

Final FY 2004 General Fund Budget
Summary of Reallocations

From:		
Residential School Year Program		\$213,872
Outreach Support		<u>18,308</u>
Total Reallocations		<u>\$232,180</u>
To:		
Mandatory Cost Increases:		
• Compensation Increases	\$58,906	
• Workers' Compensation	3,336	
• Auditor of State	2,790	
Strategic Initiatives:		
• Summer Programming	82,605	
• ADA Accommodations	34,053	
• Quality Programs for the Visually Impaired (Special Schools)	26,450	
• Early Childhood Services	<u>24,040</u>	
Total Reallocations		<u>\$232,180</u>

Restricted Fund

Sources Restricted funds are segregated from IBSSS's general fund budget.

	Restricted Fund Budget Comparison		
	FY 2003	FY 2004	<u>Change</u>
	Final <u>Budget</u>	Final <u>Budget</u>	
Outreach Service Billings	\$1,009,524	\$1,133,600	\$124,076
Federal Support	442,689	283,755	(158,934)
State Capital Appropriations	450,000	100,000	(350,000)
Endowment Funds	<u>138,968</u>	<u>78,525</u>	<u>(60,443)</u>
Total	\$2,041,181	\$1,595,880	(\$445,301)

Changes from June The FY 2004 restricted fund budget of \$2.0 million presented in June did not include final numbers. The final FY 2004 budget of \$1,595,880 million reflects a \$445,301 (21.8%) decrease from the FY 2003 final budget and includes:

- A \$124,076 increase in outreach service billings due to increased contractual services;
- A \$158,934 decrease in federal grant dollars received through the Iowa Department of Education;
- A \$350,000 decrease in state capital appropriations (the \$100,000 state appropriation is for deferred maintenance); and
- A \$60,443 decrease in endowment funds.

Uses Restricted fund revenues support donor-specified activities. Unrestricted endowment funds may be used for support of programs and activities.

Strategic Plan The School is in its first year of its 2003 – 2007 Strategic Plan that was approved by the Board in January 2003. Uses of restricted funds are in accordance with the School's strategic plan.

Request for Change in Spending Guidelines At its meeting in September 2000, the Board approved guidelines for the School's planned expenditure of unrestricted endowment funds. These guidelines are as follows:

- Endowment resources would be used only to the extent that general fund resources are not available to support educational and related expenditures according to the School's strategic plan.
- The budgeted annual use of unrestricted endowment resources will not be greater than the average earnings generated by the endowment over the preceding three years. This will serve to provide the integrity and availability of these funds well into the future.
- The School will continue to provide, for Board approval, expenditure details during the budget process for the proposed use of unrestricted endowment funds and will distinguish between on-going operating uses and one-time funding needs.

The School reports that the downturn in the stock market over the past few years has greatly impacted the budgeted annual usage of its unrestricted endowment funds. Under the current policy, the loss in earnings over the last three years has resulted in zero dollars budgeted for usage.

IBSSS requests that the current expenditure limitations be changed to be consistent with the 5% spending rule followed by the universities, effective FY 2004. The School reports that it would allow the school more flexibility in poor economic times.

The proposed change would only affect the second guideline relating to the amount allowed for annual spending.

IBSSS has indicated that it would spend \$38,950 (1.8%) of its \$2.2 million in unrestricted endowment funds during FY 2004 for general operating expenditures. The \$38,950 is included in the School's FY 2004 restricted fund budget of \$1,595,880.

The proposed uses of the unrestricted endowment funds are detailed in the table below.

FY 2004
Endowment Fund
Expenditures

IBSSS will utilize endowment funds for the following:

<u>Expenditure Type</u>	<u>Amount</u>
Unrestricted Schiffel Endowment Fund**	\$15,000
• Technology purchases, maintenance, etc. to support the School's technology plan	
Restricted Deaf-Blind Endowment Fund	
• Partial funding for deaf-blind consultant (includes non-salary support)	\$24,575
FY 2004 On-Going Operational Expenses**	
Unrestricted Endowment Funds	
• Recreation / leisure activities	\$1,000
• Extra-curricular activities (residential & outreach students)	8,000
• Building repair	14,500
• Equipment	2,500
• Therapeutic horseback riding	9,450
• Miscellaneous expenditures	<u>3,500</u>
Subtotal	\$38,950
FY 2004 One-Time Expenditures**	\$0
Total FY 2004 Unrestricted Endowment Total	\$38,950
Endowment Funds Total	\$78,525

** These expenditures will be funded by endowment resources only to the extent which general fund resources are not available.


Andrea L. Anania

Approved:


Gregory S. Nichols