

MEMORANDUM

TO: Board of Regents
FROM: Board Office
SUBJECT: Approval of FY 2001 Detailed Budgets - Iowa State University
DATE: July 7, 2000

Recommended Action:

Approve the Iowa State University FY 2001 general fund operating budget of \$397,915,455 and the restricted fund budget of \$402,138,267 for a total of \$800,053,722.

Executive Summary:

In accordance with the Board's strategic plan, Iowa State University is presenting its final FY 2001 budgets to the Board for approval.

General Fund Operating Budget - \$397,915,455

In June, Iowa State University presented its preliminary general fund operating budget to the Board. The total budgeted dollars have not changed; however, the University has added significant budget detail, especially for reallocations.

The FY 2001 direct state operating appropriations of \$269.9 million reflect reductions in base appropriations and partial funding for state salary policy increases and workers' compensation. Tuition revenues include the amounts generated by the Board-approved 4.3% rate increase as well as the accounting change for tuition revenues related to distance education and study-abroad programs (previously recorded in the restricted fund).

In defining its FY 2001 reallocations, ISU increased reallocations from \$7.6 million (2.0% of the revised FY 2000 budget) as presented in June to \$8.6 million (2.3%). ISU has provided detailed tables that identify reallocations of \$3.5 million to address the appropriations shortfall (page 10) and \$5.1 million to address strategic planning initiatives (programmatic reallocations) (page 11).

The University proposes to use most tuition revenues generated by the rate increase to cover the salary shortfall in state appropriations and other non-discretionary operating cost increases (maintenance of quality rather than improvement of quality). ISU was unable to reallocate the remaining shortfall entirely from unfilled faculty and staff positions and, consequently, proposes some unavoidable employee layoffs.

The University has allocated its final general fund operating budget by its strategic planning goals of learning (\$200.9 million), discovery (\$139.5 million), and engagement (\$57.5 million).

Restricted Fund Budget - \$402,138,267

The restricted fund budget includes resources and expenditures related to its sponsored programs, auxiliary enterprise functions, independent operations, bonding activities, and capital projects. The Residence System and Athletic Department budgets are part of the restricted fund budget and, as such, are presented this month for approval. The Residence System budget (page 12) was previously presented to the Board in March and the Athletic Department budget (page 13) was presented in June. The University did not make changes to these budgets.

Background:

Iowa State University presented to the Board its FY 2001 conceptual budget approach in May and its preliminary general fund operating budget in June. The final general fund operating budget is presented to the Board this month for approval. This final budget is consistent with the previous submissions and the Board's and the institutional strategic plans.

The restricted fund budget is also presented this month for Board approval. The restricted fund budget includes sponsored programs such as competitively awarded federal grants and contracts; auxiliary enterprise functions such as the Residence System and Athletic Department; and independent operations such as its parking, telecommunications, and utility enterprises. The restricted fund also incorporates the activities related to bonding and capital projects, including capital appropriations.

Analysis:

General Fund Operating Budget

The FY 2001 final general fund operating budget for Iowa State University is \$397,915,455. The University's budget is distributed among the following units:

	<u>Total Budget</u>	<u>Direct State Appropriations*</u>
General University	\$317,674,798	\$202,542,308
Experiment Station	41,159,969	37,029,596
Cooperative Extension	31,691,276	23,386,276
IPRT	4,474,108	4,474,108
Special Purpose (page 7)	<u>2,915,304</u>	<u>2,465,304</u>
Total	\$397,915,455	\$269,897,592

*Does not include indirect appropriations.

The summary sheet on page 9 of this docket memorandum details the budget by strategic planning goal, revenue source, new revenues and reallocations, and the related expenditure allocations.

State Appropriations

The FY 2001 direct state operating appropriations for ISU total \$269,897,592. The University's base operating appropriations were reduced from the original FY 2000 appropriations by \$0.6 million. The state's allocation for implementation of the state salary policy was \$7.0 million, which is \$2.5 less than the \$9.5 million needed for full funding of salary increases pursuant to state salary policy, excluding health insurance increases. A legislated state policy change for workers' compensation resulted in an appropriation of \$0.6 million but does not represent a net increase in funding for the University.

ISU plans to address the appropriations shortfalls by deploying the tuition revenue from the rate increase approved by the Board last fall and reallocating within the base budget. ISU attempted to reallocate entirely from unfilled faculty and staff positions; however, existing vacant positions were insufficient because of strategic priorities. Consequently, the University proposes to layoff employees. As detailed on page 10, ISU intends to:

- Eliminate 55.3 full time equivalent positions including 12 employee layoffs or contract terminations.
- Drop sections and courses from the schedule of offerings for the 2000-2001 academic year.
- Increase class sizes in multiple areas.
- Increase faculty advising assignments and possibly additional teaching assignments.
- Reduce funds for travel to professional meetings (to disseminate research results and identify new sources of funding.)
- Eliminate purchases of some research equipment that may affect the competitiveness of research proposals and slow progress in some research areas.
- Reduce 6.2 FTE positions in the Agriculture and Home Economics Experiment Station outlying research farms and reduce seed grants awarded to faculty, which results in less external funding.
- Eliminate 3 FTE positions, reduce education programs in Cooperative Extension Services, and provide less one-on-one assistance. The areas most likely to be affected are agriculture and nutrition education where reductions in faculty and staff will result in fewer programs. Smaller travel and expense budgets will also affect the level of communication with lowans in need of assistance.

Reallocations

The FY 2001 budget reflects reallocations totaling \$8.6 million, a \$1.0 million increase over the amount presented in June. The ISU internal reallocations represent 2.3% of the revised FY 2000 budget and are consistent with the Board's five-year program for reallocations averaging 2% per year.

For FY 2001, ISU proposes to use \$3.5 million of the reallocations to address the budget shortfall and \$5.1 million for programmatic reallocations. ISU has provided comprehensive tables identifying the sources and uses of reallocations to address the budget shortfall (Attachment A, page 10) as well as programmatic reallocations (Attachment B, page 11).

General University

The final FY 2001 general fund operating budget for General University is \$317,674,798 including state appropriations of \$202,542,308.

During this past legislative session, the legislature merged the line item appropriation for Plant Sciences into the General University fund for FY 2001. Previously, Plant Sciences was a separate appropriation unit. When the legislature combined the General University and the Plant Sciences appropriations, intent language was added in the education appropriations bill that allows the University to expend an additional \$2.5 million for its Plant Science initiative, for a total of \$4.7 million. The appropriation did not include incremental funding specifically for this spending authorization, but gives the University flexibility in managing its base appropriations reduction.

The University is committed to spending \$4.7 million for its Plant Sciences initiative. The Plant Sciences initiative is an essential and vitally important initiative if Iowa is to become the food capital of the world. ISU plans to expand the current investment by making a number of strategic hires of scientists engaged in plant genomic work, in plant structure and metabolism studies, in agro-ecology and bioremediation.

Tuition Revenues

Iowa State University has projected increased tuition revenues of \$8.7 million that includes \$6.2 million from the Board-approved rate increase including the projected mix of resident and non-resident students and \$2.5 million due to revised accounting for all distance education and study-abroad programs, which were not part of the General University unit previously.

ISU proposes to use increased tuition revenues for student aid set-aside and to partially address the budgetary shortfalls as follows:

- \$688,435 for student aid set-aside, which is commensurate with the University's 11% practice of set-aside of the tuition rate increase;
- Approximately \$2.2 million toward mandatory cost increases including \$1.2 million for opening new buildings; and
- \$1.8 million toward unfunded salary and benefit increases.

Other proposed tuition allocations include research incentive support and support for a limited number of over-enrolled courses. The University proposes to set aside \$2.2 million for pending commitments subject to the realization of the projected tuition. ISU will not be able to address, in full, the plan for tuition proceeds approved by the Board in October. That plan included quality improvement in undergraduate education through curricular and instructional development, student retention and graduation initiatives, and improvement in campus-wide information technology and electronic library resources. However, if \$2.2 million materializes, ISU will address some of these as planned.

Experiment Station

The Experiment Station promotes research of strategic importance to Iowa's agricultural economy and has targeted efforts that will increase profitability of agriculture through more efficient and environmentally sound practices.

Over the past several years, the Iowa Agricultural and Home Economics Experiment Station at Iowa State University has focused its efforts of development in four areas: the fundamental life sciences; utilization of agricultural products; sustainable agriculture and environmental stewardship; and rural/economic development. These areas are critical to the maintenance and growth of health agricultural and agribusiness industries in Iowa and to the well being of Iowans.

The final FY 2001 general fund operating budget for the Experiment Station is \$41,159,969 which includes \$37,029,596 of state appropriations.

Cooperative Extension

Iowa State University Extension provides research-based information and education primarily to Iowa citizens, and also to other university clients, nationally and internationally. Extension helps many industries including: agriculture and natural resources to grow food and fiber, and care for the environment; business and industry to prosper; communities to develop leaders; families to make decisions; youth to build life skills; and all of Iowa to grow through extended and continuing education.

Extension connects Iowa citizens through its network of offices and staff in every Iowa county, field specialists located throughout the state, and staff and faculty at the ISU campus that help facilitate education opportunities and improve efficiency. ISU Extension is part of a unique county, state, and federal partnership. Funding comes from county extension districts through local taxes, appropriations by the Iowa Legislature, the U.S. Department of Agriculture, and grants and user fees.

The final FY 2001 general fund operating budget for the Cooperative Extension is \$31,691,276, which includes \$23,386,276 in state appropriations.

Institute for Physical Research and Technology (IPRT)

Established in 1987, the Institute for Physical Research and Technology consists of a consortium of 11 research, technology development, technology transfer, and technical assistance centers at Iowa State University. IPRT supports the research, outreach, and educational goals of Iowa State University by fostering economic development through multidisciplinary research that permits goal-oriented investigation. This results in not only new technologies and processes that can be transferred to industry and start-up companies but important technical assistance and real-world educational opportunities.

The mission of IPRT is to: promote fundamental and applied interdisciplinary research in physical sciences, computing, and engineering; foster the development of new technologies; promote technology transfer; and provide technical assistance, all with the foundation of promoting economic development through the application and exploitation of these technologies.

The final FY 2001 general fund operating budget for the IPRT is \$4,474,108. The entire budget is supported by state appropriated funds. Funds appropriated to IPRT that remain unencumbered or unobligated at the close of the fiscal year do not revert, but are carried forward.

Special Purpose Appropriations

The final FY 2001 general fund operating budget for the Special Purposes is \$2,915,304 which includes \$2,465,304 in direct state appropriations and \$450,000 in state appropriations received through other state agencies. The Special Purpose Appropriations are as follows:

	<u>FY 2000</u>	<u>FY 2001</u>	<u>% Change</u>
Small Business Development Center	1,259,638	1,220,417	(3.1)
Leopold Center	574,729	579,843	0.9
Research Park (ISIS)	392,822	385,271	(1.9)
Livestock Disease Research	<u>279,077</u>	<u>279,773</u>	<u>0.2</u>
Subtotal	\$2,506,266	\$2,465,304	(1.6)
Livestock, Agriculture, and Environment*	<u>200,000</u>	<u>450,000</u>	<u>125.0</u>
Total	\$2,706,266	\$2,915,304	7.7

* Indirect state appropriations - Pesticide \$200,000; Farm Hotline \$150,000; Johne's Disease \$100,000.

Restricted Fund Budget

Restricted funds for FY 2001 total \$402.1 million. Capital appropriations for FY 2001 are \$15.6 million and tuition replacement is estimated at \$11.2 million.

Federal grant and contract revenues experienced strong growth in FY 2000. However, the budget for FY 2001 is based on historical trend rate increases.

State appropriations for capitals include the final state funding for the Engineering Teaching and Research Complex and the new funding for the Gilman Hall renovation project. FY 2001 tuition replacement funding is reduced from FY 2000 to reflect lower debt service payments on academic building revenue bonds.

Residence System Budget

The University proposed residence system revenues total \$43.1 million and proposed expenses for operations total \$33.6 million, leaving \$9.5 million net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. (See Attachment C, page 12, for details.)

Revenues, expenditures, debt service, university overhead, and mandatory transfers in the FY 2001 final budget are identical to the figures included in the preliminary FY 2001 budget presented to the Board in March. These figures are based upon room and board rates the Board approved in April.

Athletic Department Budget

Revenues and expenditures of \$19.9 million in the final FY 2001 athletic department budget are identical to the preliminary budget presented to the Board in June. (See Attachment D on page 13 for details).

The FY 2001 athletic department budget maintains a broad-based athletic program. The University's athletic department continues its commitment to address Title IX requirements and gender equity principles as well as striving to provide an environment which allows the student-athletes to be competitive in their sports and academics.

The University is highly committed to gender equity and continues to demonstrate this by enhancing women's sports operation budgets when appropriate and providing capital improvements as funding allows. The University has significantly increased the women's sports operation budgets. A comparison of the FY 2001 budget to the FY 1999 actual shows a 15% increase in women's basketball operations, a 33% increase in softball operations, a 39% increase in volleyball operations and a 14% increase in soccer operations.

Deb A. Hendrickson

Approved: _____
Frank J. Stork

