

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: FY 2001 Unrestricted Endowment Budget
Date: September 5, 2000

Recommended Actions:

1. Approve the unrestricted endowment portion of the Restricted Fund Budget totaling \$321,320 for the Iowa Braille and Sight Saving School.
2. Approve the proposed guidelines for the School's use of unrestricted endowment funds as outlined below.

Executive Summary:

In July 2000, the Board approved the Iowa Braille and Sight Saving School final FY 2001 general fund operating budget of \$4,911,297 and the FY 2001 restricted fund budget, except for the use and expenditure of the unrestricted endowment funds. The School had proposed to use over \$500,000 of its reported \$4.3 million of endowment funds in FY 2001.

During the July meeting, questions were raised about procedures relative to the use of unrestricted endowment funds. Neither the School nor the Board has policies or procedures concerning use of the funds. Superintendent Thurman agreed to work with the Board Office on the matter. The Board deferred approval on the uses of unrestricted endowment funds until further analysis was conducted.

After discussion between the School and the Board Office, the following guidelines for the planned expenditure of unrestricted endowment funds were agreed upon:

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.

Background:

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. Historically, the School has utilized unrestricted endowment funds to supplement the educational and residential services provided to its students to the extent that general fund resources were not available.

The School has a total endowment of \$4.3 million. Approximately 22% of the total endowment represent endowments with very strict criteria for expenditure of these funds. The School, in consultation with the Board Office, would like to initiate discussions with the Attorney General Office to seek relief for the restrictions. Any proposed changes would be presented to the Board for approval.

As of June 30, 2000, the unrestricted endowment has an estimated fund balance of \$2.9 million at market value. This endowment fund balance has grown significantly over the last several years. From FY 1997 through FY 1999, the gross fund balance increased by 30.5%. When considering average expenditures of approximately \$100,000 per year during that same period, the net fund balance increased by 23.3%.

Analysis:

As noted in the July memorandum, the School proposed to shift allowable expenditures from the general fund to the endowment to compensate for the shortfall from state appropriations for state salary policy increases. The School had proposed to use \$397,432 of unrestricted endowment funds to support programs/activities.

Earnings on the unrestricted portion are expected to be just under \$400,000 for FY 2000. Utilizing the proposed guidelines previously outlined as the basic parameter for budgeting the unrestricted endowment funds, the average earnings over the preceding three years (FY 1998 – FY 2000) is expected to be about \$350,000.

The School proposes to use \$304,320 of endowment funds during FY 2001 for general operating expenditures and \$17,000 for one-time expenditures for a total of \$321,320, which is less than the proposed parameter.

The proposed uses of the unrestricted endowment funds are detailed on the following page. It includes \$145,000 for building repairs. As noted in the School's Capital Register in docket memorandum IBSSS B-1, \$114,000 of these unrestricted endowment funds will be used to upgrade the School's heating, ventilating and air conditioning system in Rice Hall.

The Board Office recommends approval of the proposed unrestricted endowment usage.

IBSSS Proposed Uses of Unrestricted Endowments

On-going Operating Expenditures*

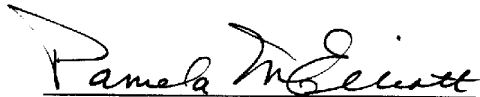
A. Summer school program supplement	10,000
B. Public Information Campaign	30,000
C. Student Recreation/Leisure activities.....	3,500
D. Extra-curricular activities (residential and outreach students).....	20,000
E. Building Repair	145,000
F. Equipment.....	13,000
G. Educational Program Improvement	10,000
H. Art instruction services and supplies.....	20,000
I. Music therapy services	26,220
J. Therapeutic horseback riding.....	21,600
K. Miscellaneous other expenditures	5,000
Subtotal	\$304,320

FY 01 One-time Expenditures*

A. Furniture/Furniture – Main reception and admin. Wing.....	12,000
B. Consultation for Historical archives and 150 th Celebration.....	5,000

Total FY 2001 Unrestricted Endowment Fund Budget\$321,320

* IBSSS proposes to expend endowment resources only to the extent that general fund resources are not available.


Pamela M. Elliott

Approved: 
Frank J. Stork