

IOWA STATE UNIVERSITY

General Fund Budget

Fiscal Year 2016

August 7, 2015

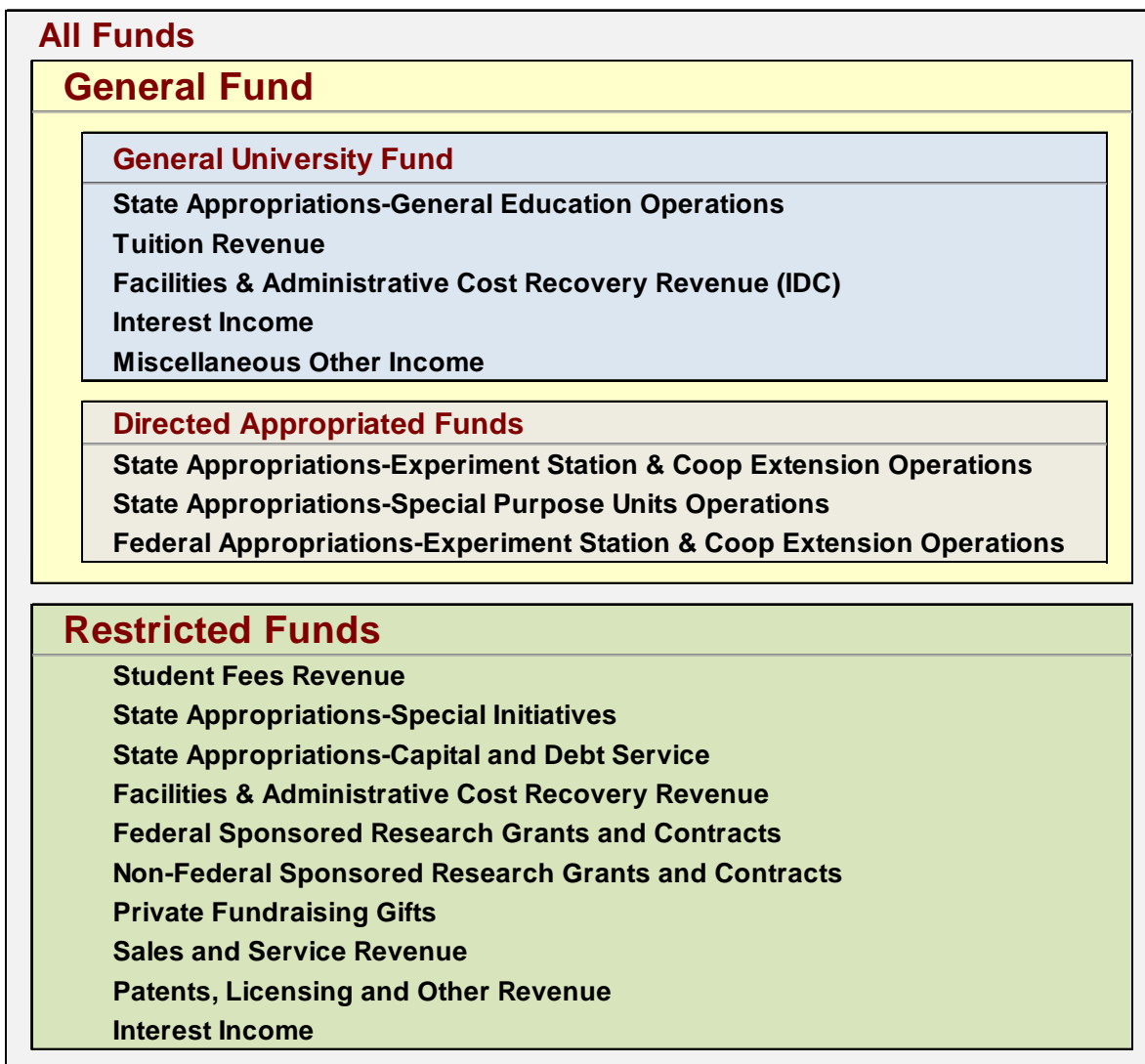
Iowa State University's strategic plan, *Meeting the Challenges of the 21st Century*, is closely aligned with the land grant mission, and it reinforces the university's sense of responsibility to the State of Iowa. Financial planning and budget development are grounded on the principles of educating and serving students; innovating and discovering through research; and extending our impact beyond campus to improve the lives and livelihoods of Iowans.

The university's planning is an ongoing, integrated process that encompasses a multi-year planning horizon and culminates in an annual operating budget. The university's annual operating budget for the upcoming fiscal year is submitted to the Board of Regents and has historically been reviewed and approved during its August meeting.

University Funding Sources

Iowa State University generates revenue and receives funding from various sources. The various revenue and funding sources are classified and accounted for in either the General Fund or Restricted Funds as illustrated in Diagram 1.

Diagram 1



General Fund

General University Fund

The revenue and funding that is managed within the General University Fund are used to support the general operations for:

- General education operations - teaching activities, the university library, information technology services, academic administration, and academic support services
- Research and economic development administration and support services
- Extension and outreach administration and support services
- Central student, business and facility administration and support services

Directed Appropriated Funds

The revenue and funding that is managed within the Directed Appropriated Funds is used to support:

- Agriculture Experiment Station
- Cooperative Extension Services
- Special purpose units

Restricted Funds

Restricted funds are specifically designated for, or restricted to, a particular purpose or enterprise. The revenue and funding that is managed with Restricted Funds are used to support:

- Sponsor-funded education operations and activities
- Sponsor-funded research projects and activities
- Fee-based student services and activities
- Fee-based services offered by extension services
- Fee-based services offered by university service centers
- Auxiliary enterprises
- Capital projects and debt service

The university's total FY2016 budget is approximately \$1.4 billion. An overview of the FY2016 General Fund budget is provided in this report. An overview of the FY2016 Restricted Funds budget is provided in a separate report.

FUNDING AND REVENUES**FY2016 Revenue Budget**

During its August 2015 meeting, the Board of Regents approved the university's FY2016 budget, which included the following funding and revenue projections for the General Fund:

	Original FY15 Budget	Projected Changes	Final FY16 Budget
State Appropriations-General Education	180,945,807	1,236,045	182,181,852
State Appropriations-Directed	56,574,162	-	56,574,162
Tuition	381,740,000	14,987,000	396,727,000
Facilities and Admin. Cost Recovery	17,775,000	425,000	18,200,000
Federal Appropriations-Directed	14,405,000	1,000,000	15,405,000
Interest	2,750,000	-	2,750,000
Other Income	1,375,850	-	1,375,850
Total Revenues	655,565,819	17,648,045	673,213,864

GENERAL UNIVERSITY FUND

Iowa State University utilizes the Resource Management Model, a responsibility-centered and incentive-driven approach, for the development of its General University Fund operating budget. The model is designed to link resources with responsibilities, offer better flexibility as priorities evolve, and build in incentives to support university goals and strategies. The FY2016 budget represents the seventh year of developing the General University's Fund operating budget using this framework.

State Appropriations

Based on appropriation legislation passed by the General Assembly during the 2015 legislative session, the university's FY2016 general education appropriation is \$1,236,045, or 0.7%, higher than what was appropriated in FY2015¹.

Tuition Revenue

In December 2014, the Board of Regents approved the following base tuition increases for FY2016:

- *Undergraduate student tuition*
 - *No increase for resident tuition*
 - *1.2% increase for nonresident tuition*
- *Graduate student tuition*
 - *1.75% increase for resident tuition*
 - *1.2% increase for nonresident tuition*
- *Professional student tuition*
 - *3.2% increase for both resident and nonresident tuition*

Enrollment at Iowa State University continues to be strong and is projected to be another record-setting year with enrollment expected to exceed 35,000. Serving these students is a consistent focus as operating budgets are developed. Given the approved tuition rates, and

¹ House File 658

enrollment projections generated in May 2015, tuition revenue is projected to be \$15 million higher than the FY2015 budget.

Facilities and Administrative Cost Recovery Revenue

Facilities and Administrative (F&A) costs, formerly referred to as "IDCs", are costs incurred by the university to support research, education, or outreach projects. The F&A cost recovery rate is negotiated at regular intervals with the U.S. Department of Health and Human Services (DHHS) and include facilities and administrative components across the university. The university's current DHHS-negotiated F&A rate for on campus sponsored activities is 50.0% for organized research, 51.0% for instruction and 32.0% for other sponsored activities; and 26.0% for off-campus sponsored activities.

F&A cost recovery revenue is projected to increase by \$425,000. This projection is reflecting the last two years' increase in sponsored funding awards.

Interest and Other Income

Interest and other investment income are earned from cash balances of funds managed within the General University Fund. Various billing and application fees are also managed within the General University Fund. Investment returns from the General Fund's investment portfolio, as well as other income for FY2016 are expected to generate similar as FY2015.

Reallocations

Reallocating resources toward institutional priorities is an ongoing part of the financial planning and budget development process. For the FY2016 General University Fund, approximately \$19.4 million will be reallocated to support university priorities. The amounts reallocated to each of these priorities are provided below.

DIRECTED APPROPRIATED FUNDS

State Appropriations

The university receives state appropriations that are directed to support specific activities of the university. Based on appropriation legislation passed by the General Assembly during the 2015 legislative session, the appropriations that fund these specific activities did not change.

	<u>FY2015</u>	<u>FY2016</u>
<i>Education Appropriations²</i>		
Agriculture Experiment Station	\$29,886,877	\$29,886,877
Cooperative Extension Service	\$18,266,722	\$18,266,722
Leopold Center	\$397,417	\$397,417
Livestock Disease Research (ILHAC)	\$172,845	\$172,845
<i>Economic Development Appropriations³</i>		
Center for Industrial Research and Service	\$1,365,602	\$1,365,602
Small Business Development Center	\$1,037,345	\$1,037,345
ISU Research Park	\$122,355	\$122,355
<i>Agriculture and Natural Resources Appropriations⁴</i>		
Veterinary Diagnostic Laboratory	\$4,000,000	\$4,000,000
Iowa Nutrient Research Center	<u>\$1,325,000</u>	<u>\$1,325,000</u>
Total	\$56,574,162	\$56,574,162

² House File 658

³ Senate File 499

⁴ Senate File 494

Federal Appropriations

Federal appropriations are provided to support the university's Agriculture Experiment Station and Cooperative Extension Service programs. The directed federal appropriations that support the core elements of the Cooperative Extension Service are projected to increase by \$650,000. In addition, \$350,000 of existing federal appropriations for Cooperative Extension Service programs was reallocated to the General Fund from funds that have historically been accounted for as restricted.

	<u>FY2015</u>	<u>FY2016</u>
Agriculture Experiment Station	\$5,405,000	\$5,405,000
Cooperative Extension Service	\$9,000,000	\$10,000,000

EXPENDITURES**FY2016 Expense Budget**

During its August 2015 meeting, the Board of Regents approved the university's FY2016 budget. The FY2016 expense budget included the following expense estimates for the General Fund:

	<u>Original FY15 Budget</u>	<u>Projected Changes</u>	<u>Final FY16 Budget</u>
<i>Personnel</i>			
Faculty	250,363,000	3,522,200	254,185,200
Professional and Scientific Staff	131,750,300	2,531,200	136,881,500
General Services Staff	46,135,000	749,200	42,984,200
Student and Hourly Staff	5,705,000	(1,540,000)	4,965,000
Subtotal	433,953,300	5,262,600	439,015,900
<i>Non-Personnel</i>			
Supplies and Services	96,992,519	1,161,445	100,853,964
Library Acquisition	12,000,000	-	11,500,000
Building Repairs and Equipment	25,740,000	6,840,000	30,580,000
Student Aid	86,880,000	4,384,000	91,264,000
Subtotal	221,612,519	12,385,445	234,197,964
Total Expenditures	655,565,819	17,648,045	673,213,864

Faculty and Professional & Scientific Staff

Approximately \$2.86 million of the General Fund was committed for annual performance-based salary increases. General Fund funding was also committed for other compensation costs beyond performance-based salary adjustments, such as faculty and staff recruitment, faculty promotions, P&S staff reclassifications, and market salary adjustments to address the increasingly competitive job market. Employee insurance plans offered to faculty and professional and scientific staff have been performing very well, so the university's costs associated with these plans are expected to be the same as FY2015.

General Services Staff

The terms for the 2016/2017 AFSCME contract included a 2.5% adjustment to the pay matrix on July 1, 2015, as well as the continuation of step increases of 4.5% for eligible employees on their anniversary dates. The contract also included a \$20/month premium cost-share by the employee for health insurance. Given the fact that the university's contribution to the state's

insurance plan has kept pace with the plan costs, and given the \$20/month cost-share, the university's insurance costs for merit employees are projected to be flat for FY2016.

Student and Hourly Staff

Students are employed across the university and their compensation costs are funded from a variety of funding sources. The FY2016 budget assumes that funding for student employment will shift from General Fund to Restricted Funds, primarily sponsored research, private gifts, or endowments.

Priorities and Initiatives

The university's FY2016 General Fund budget planning and development process was guided by four overarching priorities. Below is an overview of the commitments made to each of these priorities.

Enhancing Student Experience and Success

Over \$23.5 million in new and reallocated funding was committed to enhance university programs and services that ensure students have the best and most successful college experience possible, both in and out of the classroom. In particular, commitments were made to expand class offerings and advising support, increase utilization and training for hybrid instruction, classroom improvements, continued expansion of the wireless network, enhanced bus services, creation of the Student Organization Event Sponsorship Program, and an increase investment in scholarships and financial aid to support a growing student body.

Expanding Research and Scholarly Promotion

Investments of \$4.9 million were committed to expand the university's research enterprise and promote scholarly work. Specifically, commitments were made for faculty hires and start-up costs (including 12 Presidential High Impact hires), graduate student recruitment and retention initiatives, and the enhancement of research support (including the new Grants Hub).

Promoting Economic Development

Over \$440,000 of funding was committed to promote and support the state's economic development efforts. Modest investments were made to support the efforts of the Office of Economic Development and Industry Relations. Extension and Outreach has committed funds for joint faculty appointments in the colleges to support economic development, food and the environment, health and well-being, and K-12 youth outreach programs.

Ensuring a Welcoming, Inclusive, & Safe Campus

Nearly \$570,000 was committed to campus beautification projects, campus cultural facilities, diversity and inclusion initiatives, and enhancements to ensure safety for faculty, staff and students. For example, the university is in the process of hiring a senior-level position for leading the university's efforts in diversity, and funding was committed for creating a comprehensive student wellness program.

Other cost increases

There are projected increases in costs associated with property and liability insurance, city services, utility services, software licenses, regulatory compliance, and library acquisitions. The Kingland Office Building is projected to open by the end of the 2015 calendar year and several university administrative units will occupy the second floor of that building. In total, approximately \$2.2 million of funding was committed to fund these non-discretionary costs.