

IOWA STATE UNIVERSITY

Restricted Funds Budget

Fiscal Year 2016

August 7, 2015

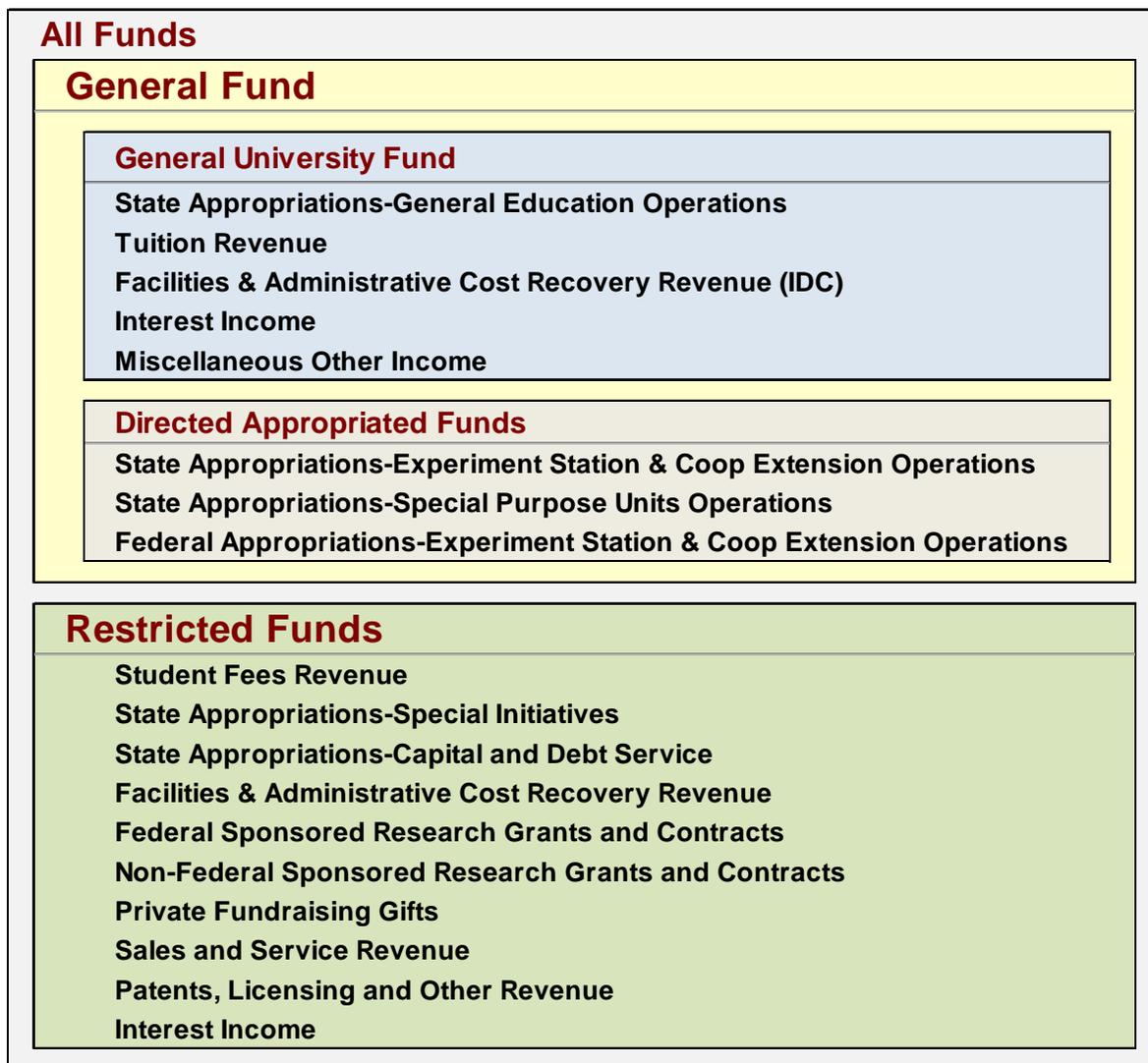
Iowa State University’s strategic plan, *Meeting the Challenges of the 21st Century*, is closely aligned with the land grant mission, and it reinforces the university’s sense of responsibility to the State of Iowa. Financial planning and budget development are grounded on the principles of educating 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 Restricted Fund budget is provided in this report. An overview of the FY2016 General Fund 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 Restricted Funds:

	Original FY15 Budget	Projected Changes	Final FY16 Budget
State Appropriations	32,857,834	(5,763,744)	27,094,090
Tuition and Fees	16,000,000	4,000,000	20,000,000
Federal Funding	173,000,000	(21,350,000)	151,650,000
U.S. Department of Energy-Ames Lab	43,000,000	4,000,000	47,000,000
Non-Federal Funding and Private Gifts	70,000,000	10,000,000	80,000,000
Facilities and Admin. Cost Recovery	10,000,000	(500,000)	9,500,000
Auxiliary Enterprises	203,000,000	50,000,000	253,000,000
Sales and Services	55,000,000	10,000,000	65,000,000
Capital Funding	40,000,000	-	40,000,000
Endowment Income	2,000,000	-	2,000,000
Interest	200,000	4,000,000	4,200,000
Other Income	25,000,000	2,000,000	27,000,000
Total Revenues	670,057,834	56,386,256	726,444,090

State appropriations

Based on appropriation legislation passed by the General Assembly during the 2015 legislative session, the university was appropriated the following:

- \$11,000,000 from state resources to begin construction of the Biosciences Facilities project
- \$13.2 million of the \$30.2 million appropriation to the Board of Regents as reimbursements of tuition revenue used to pay debt service on the university's academic building revenue bonds
- \$1,050,000 of the Regent's Innovation Fund to support economic development initiatives such as technology commercialization, entrepreneurship, and business growth.
- \$288,000 for the Grape and Wine Industry Institute
- \$1.23 million over three years for a pilot project on data collection for in-field agricultural practices
- \$330,000 for cancer-related equipment at the College of Veterinary Medicine

Tuition and Fees

All tuition revenue associated with courses that are offered for credit to a degree program, including credit courses that are delivered via distance education technology, is managed within the General University Fund. Revenue generated from non-credit courses (ex. professional development programs and conferences) is managed outside the General Fund.

Mandatory student fees are assessed to all students that enroll at Iowa State. Some increases were made to these fees for FY2016. Student user fees are also charged to students that choose to use certain university services. Some of the fees in this category were increased for FY2016 due to increase in the cost of delivering the service.

Special course fees and delivery fees¹ are assessed to students who enroll in courses. The revenue from these fees is used to fund specific costs that are above the course's general cost of instruction.

Federal Funding

Iowa State receives federal funding for both sponsored research programs and student financial aid. The federal funding for sponsored research programs and student financial aid were assumed to decrease, reflecting the impact of the 2013 sequestration on federally-sponsored funding awards.

U.S. Department of Energy - Ames Laboratory

Ames Laboratory is a government-owned, contractor-operated research facility of the U.S. Department of Energy that is run by Iowa State University. Funding from the U.S. Department of Energy for the Ames Laboratory is projected to be flat for FY2016, when compared to the FY2015 budget.

Non-Federal Funding and Private Gifts

The university receives funding from non-federal sources and from private gifts. Funding from these sources during FY2016 is expected to be flat, when compared to 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 for restricted funds is projected to decrease by \$500,000.

Auxiliary Enterprises

Auxiliary enterprise revenues primarily represent revenues generated by the Athletic Department, Residence Department, ISU Dining, Memorial Union, Student Health Center, University Book Store, Iowa State Center, Reiman Gardens, Parking System, Telecommunications System, and Utility System. Funding from these sources during FY2016 is expected to increase, when compared to the FY2015 budget, due primarily to student enrollment growth.

Sales and Service

Sales and Services revenues include university service centers (such as printing services, veterinary hospital, and chemistry stores) and unrestricted revenue (such as residual funds from workshops and conferences). Funding from these sources during FY2016 is expected to increase \$10 million, when compared to the FY2015 budget.

Capital Funding

Capital funding includes the funds used to finance major capital projects, excluding funding from capital appropriations. During FY2016, the university is expecting to utilize an estimated \$40 million to fund capital projects. Major capital projects during FY2016 include the

¹See Office of the Registrar website at <http://www.registrar.iastate.edu/fees/scf/>

Biosciences Facilities, a new residence hall east of the existing Buchanan Hall, and Marston Hall renovation.

Endowment Income

Endowment income includes earnings generated from the university's endowment funds. Investment returns are projected to continue to be at relatively modest levels during FY2016.

Interest 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.

Other Income

Other income includes income from a variety of activities including conference services, trademark royalties, etc.

EXPENDITURES

FY2016 Expense Budget

During its August 2014 meeting, the Board of Regents approved the university's FY2016 budget. The FY2016 expense budget included the following expense estimates for the Restricted Funds:

	Original FY15 Budget	Projected Changes	Final FY16 Budget
<i>Personnel</i>			
Faculty	69,000,000	4,000,000	73,000,000
Professional and Scientific Staff	102,000,000	3,000,000	105,000,000
General Services Staff	43,000,000	(2,000,000)	41,000,000
Student and Hourly Staff	24,000,000	-	24,000,000
Subtotal	238,000,000	5,000,000	243,000,000
<i>Non-Personnel</i>			
Supplies and Services	239,057,834	39,386,256	278,444,090
Building Repairs and Equipment	21,000,000	(4,000,000)	17,000,000
Student Aid	57,000,000	6,000,000	63,000,000
Debt Service and Plant Capital	115,000,000	10,000,000	125,000,000
Subtotal	432,057,834	51,386,256	483,444,090
Total Expenditures	670,057,834	56,386,256	726,444,090

Faculty and Professional & Scientific Staff

The university's salary policy, approved by the Board Office in June 2015, established a salary increase of 1.0% for individual faculty, and professional and scientific staff for whom annual performance evaluations found their performance to be satisfactory. 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 for FY2016 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 Restricted Funds budget assumes that student employment will be consistent with FY2015 and the related costs are expected to be flat, when compared to the FY2015 budget.

Supplies and Services

Due to efficiency initiatives, supplies and service activities that are funded by restricted funds, supplies and services costs are projected to increase by approximately \$39.4 million when compared to the FY2015 budget.

Building Repair and Equipment

Building costs for restricted funds are projected to decrease by \$4 million, primarily due to an expected decrease in utility costs. Equipment costs are projected to remain flat when compared to the FY2015 budget.

Student Aid

Student aid from federal sources for both undergraduate and graduate students is projected to increase by \$6 million due to an increase in student enrollment.

Debt Service and Plant Capital

Debt Service and Plant Capital costs for FY2016 are projected to increase by \$10 million when compared to FY2015. Major capital projects during FY2016 include the Biosciences Facilities, a new residence hall east of the existing Buchanan Hall, and Marston Hall renovation.