

Date: July 6, 2021

To: Senior Budget Leaders
Operations and Finance Colleagues

From: Pam Elliott Cain, Senior Vice President for Operations and Finance
Jonathan Wickert, Senior Vice President and Provost
Toyia Younger, Senior Vice President for Student Affairs

Subject: **Budget Memo #1**
FY2021: Revenue Update, Federal Stimulus Funds, Retirement Benefits Savings
FY2022: Budget Information, Mandatory Fee Change

This communication and all subsequent budget memos are intended to be used for internal planning only. Please share among the leaders in your areas as appropriate.

FY2021

Revenue Update - The FY2021 budget was challenging, primarily attributed to the pandemic and the anticipated projected decline in revenues. The university's total budgeted revenue for the general fund was \$700.8M, which was \$41.2M less than the previous year. Actual tuition revenue for FY2021 exceeded budget for each of the summer, fall, winter session, and spring terms, for a total of \$20M (+4.5%). Indirect cost revenues are projected to exceed budget by \$1.7M (+8.8%). This \$21.7M of revenue exceeding budget has provided important resources to support the academic mission.

Federal Stimulus Funds. – Iowa State University has been awarded \$111.9M in federal funding from three COVID-19 related stimulus packages.

| <u>COVID-19 Federal Stimulus Funding Packages</u> | <u>Institutional Aid</u> | <u>Student Aid</u> |
|---|--------------------------|---------------------|
| 1 Coronavirus Aid, Relief, and Economic Security (CARES) | \$10,849,428 | \$10,849,429 |
| 2 Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) | \$21,592,836 | \$10,849,429 |
| 3 American Rescue Plan Act (ARPA) | \$28,835,709 | \$28,899,339 |
| TOTAL | \$61,277,973 | \$50,598,197 |

The student aid portions totaling \$50.6M are for emergency aid grants to students, the CARES and CRRSAA student aid portions have been dispersed. The institutional aid portions totaling \$61.3M, are for COVID response costs (testing, vaccinations, cleaning, etc.), recovery of student refunds, student/faculty/staff related needs (loaner laptops, internet connections, hot spots, etc.), lost revenues, and other related additional costs. Allowable transactions are being reviewed and processed centrally and will continue through FY2022.

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Retirement Benefits Savings – The temporary, 10-month retirement contribution reduction resulted in an estimated \$6.1M in savings for the university. The savings has been shared between units (\$1.5M) and central administration (\$4.6M) to address strategic initiatives.

FY2022

Revenue

FY2022 general fund revenue is budgeted to increase \$21.9M or 3.1% from FY2021 budget.

State Appropriations – Legislation from the 2020 General Assembly provided \$229.4M, which represents status quo funding for most line-item operating appropriations and provides the following increases:

- \$62,472 to the Veterinary Diagnostic Laboratory
- \$150,000 to Cooperative Extension to host the 2023 National Association of County Agricultural Agents (NACAA) conference
- \$1,810,195 for the biosciences initiative ecosystem

Federal Appropriations – Directed federal appropriations are expected to increase \$267K for the Agricultural Experiment Station.

Indirect Cost Recovery – Projected FY2022 indirect cost revenues that flow into the general fund are estimated to be \$21.1M which is \$1.9M greater than the FY2021 budget.

Tuition and Enrollment – The first reading of the tuition and fee proposal was held June 24th. The second reading and approval is expected to be July 28. Budget development will proceed utilizing a 3.5% tuition rate increase for undergraduate resident students and 3.9% for undergraduate non-resident, international, most graduate and professional students. The Executive MBA and Master of Real Estate Development rates will be 0%. The tuition rate proposal also substantially completes the simplification of the tuition rate structure. Tuition estimates are based on the May enrollments projections. Enrollment projections were rerun at the beginning of July to confirm that there were no budget adjustments necessary. Tuition is budgeted to increase \$16.7M

Mandatory Fee Change - The mandatory fee assessment structure has been updated beginning fall 2021 semester. A new “temporarily off-campus” category is a reduced mandatory fee designed for students who are studying abroad, student teaching, or participating in off-campus internships. The “distance education” mandatory fees are assessed to students who are seeking a degree in a fully online distance education program. Standard mandatory fees will continue to be assessed to all other students.

Expenses

Salary & Benefits - The salary policy for faculty, P&S staff, contract staff, and post-docs has been distributed by University Human Resources.

The AFSCME contract includes a 1.1% increase on July 1, 2021, and July 1, 2022. Another 1% merit increase was approved by the Board of Regents at its June 3 meeting effective for eligible staff on July 1. AFSCME negotiated a separate public safety contract with the same annual increase of 1.1% and a step increase of 4.5% for eligible employees.

TIAA/VALIC retirement contributions that were reduced to 8% beginning September 1, 2020, through June 30, 2021, will be restored to 10% effective July 1, 2021.

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Special approval for the recruitment of noncritical faculty and staff positions has been lifted for FY2022. Units should continue to review the need for positions to maintain our mission and support student success with the resources available.

FY2022 proposed fringe benefits pool rates that were submitted to the federal government for approval reflected changes in ISU benefits effective January 1, 2021. Final approved rates will be communicated when available. Proposed faculty rates decreased 1.4%, professional and scientific rates increased 0.5%, and merit staff increased by 1.8%.

| <u>Benefit Pool</u> | <u>Proposed Rate</u> |
|---------------------------------------|----------------------|
| Faculty | 26.3% |
| Graduate Assistants | 8.5% |
| Post Doc | 31.6% |
| Merit Salary & Hourly | 45.3% |
| Sr. Staff/Leadership | 14.1% |
| Contract, Professional and Scientific | 35.1% |
| Student | 0.6% |
| Miscellaneous/Non-Student | 9.3% |
| Americorps | 8.1% |

Retirement incentive option – The final report for the ISU retirement incentive program was released June 8, 2021. Of the 360 employee applications, 318 were approved for the program, with savings of \$14.6M in FY2022, which includes \$10.3M for the FY2022 general fund.

Utility Rates – The following final utility rates for FY2022 were communicated to campus in February.

| | Steam | Electricity | Chilled Water | Water | Sewer | Natural Gas |
|----------------------|--------------|--------------------|----------------------|--------------|--------------|--------------------|
| Per | 1000 lbs | kwh | ton hr | 1000 gal | 1000 gal | 100 cu ft |
| FY 22 Rates | \$18.1509 | 0.0932 | 0.2115 | 3.9254 | 5.4207 | 0.7257 |
| Change from FY 21 | 0.89% | 0.00% | 0.86% | 6.84% | 6.84% | 0.14% |

Allocation of Cost Pools - In FY2021, the allocated cost pools were distributed using a “frozen proportionality” method. For FY2022, the methodology defined under the RMM will be utilized to distribute all allocated expense pools.

Allocated Cost pools for FY2022 are expected to grow based on the approved salary policy (budgeted increase of 3.1%), collective bargaining agreements, and changes in the benefits rates. The increases are net of the RIO savings within these cost pools. Other cost increases include opening four new buildings, insurance premiums, external utility increases, and a new public health coordinator.

Capital Projects – The temporary freeze that was placed on renovations and capital projects in FY2021, will be rescinded across all divisions for FY 2022. New requested projects will follow normal university policies and processes.

Budget targets will be distributed by each senior vice president to the units in their division. Units will be asked to have their budgets entered in the Workday Planning system by noon on July 20th.

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c: Institutional Budget Management Team
Andrea Wheeler, President, Faculty Senate
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