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## PRESIDENT'S LETTER

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### INDIANA STATE UNIVERSITY'S 1999-2001 BIENNIAL BUDGET REQUEST

Dear Colleagues and Friends of ISU:

As the budget session of the Indiana General Assembly opens, the importance of the state operating appropriation to Indiana State University and the process by which it is determined come into sharp focus for the University community. The State of Indiana operates on a biennial budget cycle and decides the components of that budget in the first year of the biennium in what is known as the "long" or "budget" session of the General Assembly. Legislators met for an organizational session last November. Following a recess at the end

of the year, they reconvened and will operate full time from January to April 30 to pass legislation, including the biennial budget.

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#### The Biennial Budget Process

For the University, the biennial budget request process began last spring when Indiana's public institutions of higher education met with the Commission for Higher Education to jointly determine the financial parameters of the higher education requests. The universities' budget requests were submitted to the State Budget Agency and the Commission for Higher Education on the first of August.

Last fall, I appeared before the Commission for Higher Education and the State Budget Committee to present ISU's request and to discuss issues of concern. The public universities

will work together during the legislative session to advocate for passage of the higher education budget request.

During the first two months of the new year, the other public university presidents and I will appear before the House Ways and Means and Senate Finance committees to explain budget requests and to respond to questions from the legislative members of these committees. It is expected that the House of Representatives will pass its budget by mid-February and the State Senate by early to mid-March. By late March or early April, House and Senate fiscal leaders will meet in a budget conference committee to resolve differences and, ultimately, pass the state biennial budget.

#### ISU's Biennial Budget Request

For ISU, this means that the largest component of our revenue — the state appropriation — will not be known until about May 1, two months prior to the implementation of the 1999-2000 budget year on July 1. ISU's Office of Planning and Budgets and the President's Planning and Resources Committee (PPARC) are already reviewing various budget scenarios to prepare for potential outcomes. As the budget bill moves through

## PRESIDENT'S LETTER

the legislative process, we will begin to see what issues are of greatest priority to the General Assembly, and we will be able to predict the most likely budget possibilities and their impact on ISU.

In the 1999-2001 biennial budget request, the University requested an increase of 3 percent to allow it to maintain the breadth and quality of its programs and services and an additional 1 percent for compensation, making for a total increase requested of 4 percent. This "maintenance" portion of our request totals an additional \$3,926,762, a 3.8 percent increase, in the first year of the biennium, and \$4,076,052, a 3.6 percent increase, in the second. This difference occurs because base adjustments for enrollment loss (minus \$334,733) and increases in the number of undergraduate degrees granted (\$696,000) are added in the first year. The special line item request for the DegreeLink program (\$500,000) follows the same parameters as the operating budget, with an additional request of \$18,779, or 3.8 percent, in the first year and \$19,493, or 3.8 percent, in the second.

Another important component to our budget request is what is sometimes known as "quality improvement" requests. Each biennium, the universities identify initiatives which are of highest priority to the individual institutions and the student and taxpayer communities they serve. For this budget request, most universities, after conferring with policy makers, determined that keeping up with changes in information technology was a top priority. ISU has requested \$3,139,479, or a 3 percent increase, in the first year of the biennium, and \$3,362,407, an additional 3 percent, in the second year to enhance the use of technology in the classroom.

Most of the request focuses on the purchase of equipment, faculty development, and the provision of technical staff support necessary to help faculty transform pedagogy to include technology. Other specifics include the enhancement of the University's ability to compete for technical staff in an increasingly competitive marketplace and student support personnel for students enrolled in DegreeLink courses. In the second year of the biennium, the University has requested funding to continue the programming for the "First Year Experience" initiative.

In addition to this Operating Budget request, the University has submitted a request for additional capital funds. This Capital Budget request has as its highest priority the full funding of the repair and rehabilitation and infrastructure formula which would yield \$7.5 million in the

biennium for the specific purpose of maintaining the state's investment in the University's buildings and infrastructure. In addition, the University has requested funding for:

- 1) The replacement of its more-than-40-year-old power plant for \$16,775,000;
- 2) Completion of the Advanced Communications Services Network for \$5 million;
- 3) Installation of an elevator in Stalker Hall and the renovation of the facade for a total of \$3.2 million; and
- 4) The purchase of residential and commercial properties within the perimeters of the campus for \$750,000.

The biennial budget process is a year-long process and rightfully becomes a very high priority for the president and the staff of the Office of Planning and Budgets. At the same time that we are advocating for additional funding, we are planning internally for the next budget. In the PPARC sessions and in other meetings on campus, we are frequently asked how the biennial budget request relates to our operating budget, how decisions are made, and what the budget priorities are and historically have been for the University. The following are the most frequently asked questions about the University's budget and our funding sources.

### 1. What percentage of ISU's operating budget is funded through state appropriations and student fees? How has that mix changed over the years?

For the 1997-98 fiscal year, state appropriations made up 73 percent and student fees 23 percent of the University's operating budget. An additional 4 percent is collected from interest income and other miscellaneous fees. The mix of appropriations and student fees has changed over the last decade, with a slightly higher percentage of expenditures being paid through student fees. Universities estimate the biennial student fee increases as part of the biennial budget request. In the 1999-2001 biennium, student fees are expected to increase on an

	State App.	Fees	Other
1998-99	72.4%	25.3%	2.3%
1997-98	72.6%	24.9%	2.5%
1996-97	70.9%	26.5%	2.6%
1995-96	71.5%	25.9%	2.6%
1994-95	70.7%	25.2%	4.1%

## PRESIDENT'S LETTER

average of 3 percent each year. The chart on the previous page shows the contribution of each revenue stream to the University's operating budget over a five-year period.

### 2. What might we expect from the General Assembly this year, given that there is a state surplus and a robust economy?

The state surplus, though large, cannot be used to support on-going operating expenditures such as university operating budgets because there is little likelihood that the state can sustain such surplus levels over a long period of time. It is possible that the State Legislature would use surplus funds for one-time expenditures such as construction or for one-time investments in information technology.

ISU has requested 8.6 percent and 7.8 percent increases to the operating appropriation for years 1999-2000, and 2000-01, respectively, in the hopes that the growing

Curriculum and Academic Affairs, and Graduate Council); chairperson of the Support Staff Council; and the president of the Student Government Association. In the Fall Semester, priorities for the 1999-2000 budget constituted the primary focus of several meetings. In addition, each vice presidential unit has given me a five-year budget plan which outlines the highest priorities for each of those areas. These plans have also been discussed in the PPARC meetings.

### Unavoidable Expenditures

In the planning process, there are certain unavoidable expenditures which must be funded before other priorities are considered. In the 1999-2000 fiscal year, these "unavoidables" include a 10 percent increase to fund ISU's portion of health care costs (\$769,000), a 3 percent increase in student financial aid to offset the expected 3 percent increase in fees

### Growth in Revenue Sources and Budget Compared to the CPI

	State Operating Appropriation	Student Fees	ISU Budget	Fiscal Year CPI
1997-98	2.8%	4.0%	1.6%	1.8%
1996-97	4.6%	4.9%	3.4%	2.9%
1995-96	3.0%	4.5%	1.5%	2.7%
1994-95	-0.3%	6.9%	1.2%	2.9%
1993-94	-0.5%	6.9%	3.2%	2.6%
1992-93	1.1%	7.9%	0.7%	3.1%

economy will allow for greater investment in higher education.

### 3. Once the appropriation is known, how will ISU determine its operating budget priorities?

There are several ways that the administration seeks input on budget priorities. The PPARC was formed to provide representation from every sector of the campus community.

PPARC members include: the president and vice presidents; the chairperson and vice chairperson of the University Faculty Senate; the chairpersons of five University Faculty Senate standing committees (Administrative Affairs, Faculty Affairs, Faculty Economic Benefits,

(\$195,000), a 1.4 percent increase to the TIAA-CREF to fund the waiting period change recommended to and made by the Board of Trustees in the spring of 1998 (\$80,000), and a 1 percent increase to pay for expected increases in fuel costs (\$50,000). These "unavoidable" budget items total \$1,094,000 or approximately 1 percent of the University's total operating budget. Once the "unavoidable" category is determined, all other additional revenue is subject to discussion.

### Past Priorities

One of the best ways to understand priority issues is to study what has been given highest consideration

## PRESIDENT'S LETTER

### Five-Year Priority Increases

ISU Budget	Fiscal Year CPI	Faculty Avg Comp.	Support Staff Avg. Comp.	Adm./Prof. Avg. Comp.
1997-98	1.8%	3.1%	3.5%	3.1%
1996-97	2.9%	4.8%	6.2%	4.2%
1995-96	2.7%	4.5%	5.0%	4.5%
1994-95	2.9%	3.3%	2.9%	3.0%
1993-94	2.6%	3.2%	3.2%	2.9%

### Five-Year Priority Increases

ISU Budget	Fiscal Year CPI	Library	Student Fin. Aid
1997-98	1.8%	4.0%	8.2%
1996-97	2.9%	9.0%	4.5%
1995-96	2.7%	9.0%	4.5%
1994-95	2.9%	8.4%	9.4%
1993-94	2.6%	10.2%	7.0%

in past years. Over the last six years, new money from the state appropriation and student fees has been invested in the areas of compensation (both salary and fringe benefits), student financial aid, the library, and information technology. The charts above show the relative increases to the total budget, state appropriation, student fees, compensation, student financial aid, and library and how those increases relate to the Consumer Price Index (CPI).

#### 4. How has the University managed to give raises higher than the increases in the total budget?

In the years when revenue did not increase, or did not increase at a rate large enough to provide for increases to compensation, the president asked each vice presidential area to re-allocate positions and/or a portion of its Sup-

plies and Expense budgets to a central pool from which compensation was funded. This strategy allowed for compensation increases for a slightly smaller staffing table.

#### 5. In the case of reallocations from the faculty, what has been the effect on the faculty-student ratio?

We have successfully maintained ISU's attractive student-faculty ratio. In the 1992 fiscal year, the faculty-student ratio was 14.9, and in 1998, it was 15.5. ISU continues to rank very favorably with regard to this important ratio. Since 1992, the University also has filled approximately 180 new tenure-track positions. Full-time tenure-track faculty still make up about 76 percent of the total faculty. That percentage also has remained relatively constant.

## PRESIDENT'S LETTER

### Expenditure Allocation Ratio

Fiscal Year	1994	1995	1996	1997	1998
Instruction and Academic Support	55.46%	58.80%	59.15%	58.81%	60.91%
Public Service	1.07%	0.88%	1.02%	1.06%	0.87%
Student Services	4.25%	5.91%	5.33%	5.74%	5.99%
Oper. & Maint. Plant	12.06%	10.94%	11.09%	11.27%	10.43%
Institutional Support	16.06%	11.70%	12.32%	12.14%	11.91%
Student Aid	5.57%	5.43%	5.08%	5.28%	5.90%
Mandatory Transfers	5.54%	6.34%	6.00%	5.69%	3.99%

Formula: Expenditure (by function or program) divided by Total Educational and General Expenditures and Mandatory Transfers  
Source: Annual Financial Reports FY94 to FY98

#### **6. Have expenditures for instruction and academic support increased or decreased during the immediate past?**

Expenditures for instruction and academic support have been given the highest priority and have increased as a percentage of total expenditures, as have expenditures for student services. Efforts also have been made to reduce expenditures for institution support (i.e., administration and plant operations). The table above displays this very desirable trend.

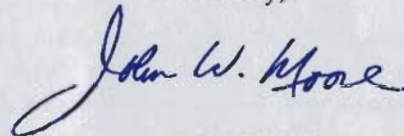
#### **Priorities for the 1999-2000 Operating Budget**

In discussions currently under way with the PPARC, it is likely that compensation, student financial aid, the library, and technology will continue to be high priorities for the campus community. This committee will follow closely the higher education portion of the state's budget as this budget moves through the process.

I hope you will agree that our expenditure priorities have

been responsible within the financial constraints that have faced the University during the past several years. As we plan for the next biennium, 1999-2001, the Administration will continue to consult and communicate with campus constituencies. Of course, every effort will be made to tell ISU's story effectively to our public policy makers in Indianapolis. I am confident that we will be successful because our mission and contributions are valued by our fellow Hoosiers.

Sincerely,



John W. Moore