

Description of the Resource Management Model

by the
Budget Model Review and Implementation
Committee

May 1, 2007

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¹ Note: Diagrams are illustrative and need to be used in context of text, which provides important details.

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History of the Resource Management Model Development

- Jan. 24, 2007: President Geoffroy announces the decision to adopt the Resource Management Model, and assigns responsibility for developing and overseeing the implementation process to Executive Vice President and Provost Betsy Hoffman.
- Jan. 22, 2007: President Geoffroy accepts the January Report of the Budget Model Review and Implementation Committee.
- Nov. 1, 2006: President Geoffroy accepts the October Report of the Budget Model Review and Implementation Committee and asks for input and advice from his cabinet members, deans, the Faculty Senate and the Professional and Scientific Council by Jan. 18, 2007.
- July to Oct. 2006: Comment period during which feedback is solicited from all interested persons on the concept of the proposed model that was recommended in the Fourth Report of the Budget Model Development Committee.
- July 17, 2006: President Geoffroy names a new committee, the Budget Model Review and Implementation Committee, and charges the committee with coordinating a university-wide review of the proposed model for Iowa State and with developing plans for implementing the model.
- July 7, 2006: President Geoffroy accepts the Fourth Report of the Budget Model Development Committee and calls for review and refinement of the model recommended in the report.
- March 2006: The Budget Model Development Committee submits its third report that provides two alternative models.
- February 2006: In a February 13 open forum, members of the campus community comment on the second report of the Budget Model Development Committee.
- January 2006: The second report of the Budget Model Development Committee is issued.
- November 2005: An open forum to gather input on developing an alternative model draws about 55 faculty and staff.
- October 2005: The first report of the Budget Model Development Committee is issued.
- September 2005: President Geoffroy names a committee, the Budget Model Development Committee, and charges the committee with recommending a model that links the distribution of resources with a unit's responsibilities and performance.

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- August 2005: A campus study group begins considering alternative models that would stimulate progress on the university's strategic plan, encourage multi-year planning, respond to student enrollment patterns and offer more flexibility.
- May 2005: Budget leaders ponder alternative budget systems during a May 26 symposium, led by a Virginia-based consulting firm, Campus Strategies.

Section I Introduction

In 2005, Iowa State University began to review its model for distributing resources with the goal of developing a different approach that would distribute revenues and costs to units more consistently with their responsibilities and workloads. Over the next two years, many individuals and groups contributed to the development and refinement of a proposed model for the University. In January 2007, the President of Iowa State University reviewed recommendations and feedback from the university community and decided that the university would adopt the Resource Management Model as recommended by the Budget Model Review and Implementation Committee.

This is the final report from the Budget Model Review and Implementation Committee. It is intended to provide a comprehensive description of the model in a single document including the model's conceptual framework, major components, and implementation plans. This report draws on previous reports by Budget Model Review and Implementation Committee and predecessor groups (see <http://www.iastate.edu/~budgetmodel/reports>).

Overview

The primary differences between the university's current model for distributing resources and the Resource Management Model are that the Resource Management Model:

- more accurately links responsibilities with resource decisions,
- provides decision-makers with more transparent and relevant information,
- provides a more effective way to accomplish the goals of the university's strategic plan, and
- rewards units that focus on high quality education, research, and outreach programs.

The principles underlying the Resource Management Model include:

- distributes revenues to the Resource Responsibility Centers that generate the revenues in a manner that is transparent, easy to understand, and informed by data,
- allocates central administrative and support service costs to Resource Responsibility Centers that benefit from those services,
- insures a greater role for budget advisory committees that will provide advice for budgeting decisions, and
- provides university units with the flexibility to create Strategic Reserve Funds to be used for strategic multiple-year initiatives and for managing unexpected fluctuations of revenues or expenses.

One of the goals of the Resource Management Model is to better link resource distribution with the goals of the strategic plan. The revenue distribution formulas in the Resource Management Model are designed to maintain enrollment and increase sponsored research, both of which are elements of the strategic plan. Other strategic issues must be addressed through management processes and leadership decisions. The link between resource distribution decisions and the strategic plan is more transparent and explicit using the Resource Management Model.

Leading in a New Fiscal Environment

The Resource Management Model has the potential to better align revenues with performance and responsibilities, be more dynamic and responsive to a changing economic environment, and bring more transparency to the budgeting process. In addition, the model enhances strategic planning at the Resource Responsibility Center level through greater control over revenues and expenses and provides central leadership with the tools necessary to steer the university toward strategic goals and ensure fidelity to the university's mission.

Change of this magnitude is difficult, and a number of challenges will have to be addressed successfully to realize the potential benefits of the Resource Management Model. Successful adoption and implementation of the Resource Management Model will require strong leadership throughout the university beginning with the President through the Executive Vice President and Provost, the vice presidents, the deans, and the department chairs. This gives the college and division leadership flexibility to make decisions that best fit the circumstances of their area of responsibility while firmly tying each unit's success to the overall goals of the university.

Major leadership issues that need to be addressed at both the university leadership level and the college/division level include:

1. **Correcting resource inequities:** One concern that has been expressed is that the Resource Management Model will maintain unequal starting points because of historical inequities that are not addressed by the current model for distributing resources. In the past, workloads and responsibilities of units have changed, but the distribution of resources has not been adjusted to address those changes. Consequently, there are units that have little or no capacity to grow without first receiving additional resources. Because the Resource Management Model maintains these inequities in the base year and then rewards subsequent growth, units that are already operating near or even beyond capacity are at a permanent disadvantage.

The Budget Model Review and Implementation Committee recognized that workloads and responsibilities for units have changed and the current model of distributing resources did not adequately address those changes in a timely manner. This situation highlights one of the primary reasons that Iowa State University explored an alternative model. The Resource Management Model is not designed to immediately eliminate inequalities, but is designed to be more dynamic and responsive to changes moving forward. The committee believed that it was not practical to rebase the budgets of the resource units and implement the Resource Management Model simultaneously. In the base year, the model is neutral on adjusting for historical inequities. In subsequent years, the model provides university leadership with the Resource Management Fund as a mechanism to address these inequities.

2. **Maintaining a culture of collegiality:** The intended outcome of the Resource Management Model is to stimulate creativity and strategic planning. While some welcome this emphasis and suggest that some existing policies be relaxed to better encourage entrepreneurial activity, others argue that this could lead to unrestrained competition, overly aggressive or divisive behavior, and/or pressure to circumvent

existing policies. Current policies will need to be reviewed in light of the Resource Management Model. Existing coordination and oversight mechanisms may be adequate in some areas and may need to be strengthened in other areas. It is important for the administration to work with the Faculty Senate, P&S Council, and other groups to ensure that the university's policies and oversight mechanisms are appropriate for its budgeting process, mission, and strategic goals.

3. **Fostering a positive and proactive management culture that thrives in a period of change:** The Resource Management Model will cause changes in management processes and variability in budget outcomes at the Resource Responsibility Center level. Decisions at this level will have more budgetary consequences than is currently the case. Because the Resource Management Model represents a dramatic change to a critically important management process, it is unrealistic to expect that such a change will be implemented without requiring some adaptation in the culture of the institution. Although changes of this magnitude can cause significant levels of uncertainty and stress, the ability to change and adapt is essential at a time of dramatic change in the external environment. Examples of changes in culture and adaptations that will facilitate the implementation of the Resource Management Model include:
 - More encouragement and tolerance for risk-taking and innovation
 - More self-reliance in developing financial plans to support investment and innovation
 - Increased formation of long-term partnerships
 - Flexibility and timeliness in responding to changes in demand for academic programs, courses, and majors
 - Willingness to incorporate concepts of revenue generation and cost effectiveness in resource distribution decisions
 - Willingness to reduce or discontinue lower priority programs and services
 - Sustained focus on what is important when making resource distribution decisions

4. **Developing a multi-year/all-funds approach to planning and budgeting:** The Resource Management Model is an important and useful tool for achieving the goals of the institutional strategic plan. In addition to the formulae that drive the distribution of tuition and indirect cost recovery funds, providing incentives for student recruitment/retention and externally supported research/programs, the Resource Management Model provides other budgetary tools that university leaders can use to steer the university to fulfill its mission and achieve its strategic goals. These are:
 - The Institutional Excellence Fund and the Resource Management Fund. Because each of these funds is distributed based on leadership decisions after the base year of implementation university leaders must develop methods for linking distributions from these funds to performance and contributions to the achievement of university goals.
 - The ability to generate Strategic Reserve Funds, which is a significant change from the annual budget planning focus that has been the norm for decades at Iowa State University.
 - The incorporation of all funding sources, rather than the General Fund focus of the past. By considering all funding sources, the University can better allocate resources to its strategic plan goals.

- The budgetary consequences of interdependencies among university units are more explicitly understood and will allow unit administrators to more effectively create collaborations that tie resources to achievement of strategic plan goals.
5. **Developing the staff and skills to manage in the new environment:** Administrative faculty and staff at all levels of the institution will need to develop new skills or enhance existing skills in order to operate in the new fiscal environment. The success of the Resource Management Model will depend on a supportive environment that provides developmental opportunities to those who will assume new roles and responsibilities resulting from the implementation of the Resource Management Model. It is important that a group be given responsibility for identifying needs and promoting effective and efficient faculty and staff development opportunities during the transition period and throughout the implementation of the Resource Management Model.
 6. **Providing robust data systems to support budget development:** Budget development will be significantly more complex and data driven under the Resource Management Model. The ability to access, understand and extract data to support budget development activities will be essential. University data systems need to be upgraded to meet this need. Decision makers and fiscal managers will need to develop a comfort level with and facility for working with the new data systems.
 7. **Effectively utilizing the broad-based budget advisory structure:** The Resource Management Model creates a budget advisory structure that is more participative and broad-based than ever before. A key factor in the success of the model is the timely and useful input of these advisory groups into the decision-making process. Leaders of major administrative and support units need to communicate effectively with their advisory committees about the key service and budgetary issues facing their units for these groups to function effectively. Advisory committees of these units will need to focus on higher level oversight of service levels and costs without micromanaging budgetary details. Central administrators and their budget advisory committees will need to develop a shared set of principles governing their work. The broad charge to all advisory committees will include commitments of time and resources that will involve new participants in the budgeting process. Also, there are increased challenges for administrators to ensure that a more decentralized budget planning process conforms to expectations of the Board of Regents and clearly communicates the nature and impact of key budget planning decisions.

Summary

As Iowa State University changes from the traditional budgeting system to the Resource Management Model, it will face significant leadership challenges and opportunities. The model promises more direct and certain rewards for effective leadership.

However, the model must be coupled with management approaches that ensure a focus on quality and on the University's mission, goals, and strategic plans. The Resource Management Model is intended to support the major guiding principles and goals of the institution. As it is

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made clear in the strategic plan for Iowa State University, excellence is and will continue to be a core value of the institution. The Resource Management Model is intended to provide incentives for both revenue generation and cost reduction that will ultimately provide the resources necessary to support the mission, goals, and strategic plans of the institution. The Resource Management Model must support university leadership's decisions and should be coupled with a planning and decision-making approach that supports the mission, goals, and strategic plans of the institution.

Section II

Resource Management Model

The Resource Management Model represents a major change in the resource distribution methodology of the university. The ability to work effectively within this new fiscal environment requires that the many new concepts and processes of the Resource Management Model be clearly understood. The purpose of this section is to describe those concepts and processes.

Definition and Identification of Primary and Secondary Resource Units

As the Resource Management Model evolved, it became clear that greater precision in defining primary and secondary resource units was required to fully develop the policies, procedures, data and systems necessary to support the model. Twenty-one primary resource units have been defined within the Resource Management Model. These primary resource units, along with the responsible administrators, are listed in Table 1. The primary resource units include 14 Resource Responsibility Centers and seven major administrative and support units. Secondary resource units exist within each primary resource unit.

The 14 Resource Responsibility Centers generate revenues from external sources and receive expenses. The seven major administrative and support units do not directly generate revenue, but provide services to the Resource Responsibility Centers and to each other. Thus the expenses associated with the administrative and support units are pooled and allocated to the Resource Responsibility Centers. The Offices of the President and Executive Vice President and Provost are funded directly from state appropriation.

Secondary resource units include departments, programs, centers, institutes, and auxiliary units. The most up-to-date list of secondary resource units within each primary resource unit is available online at www.iastate.edu/~budgetmodel/SBU/SBU.shtml.

The Resource Management Model addresses revenue distribution and expense allocation only to the level of the primary resource units. It is designed to increase transparency in budgeting at that level. The Executive Vice President and Provost has generated principles for colleges to follow in developing budgeting processes for their secondary resource units that will enhance transparency, fairness, and accountability at that level. These principles are provided below.

"Colleges are responsible for strategic decision-making about revenues and expenses allocated through the university budget process. Each college will determine its decision processes in keeping with its governance documents ... college budgeting processes will be adjusted under these principles:

1. College review of revenues and expenses will be consultative. Each Dean will use an advisory council/committee with significant faculty membership, including at least one faculty senator. Size and representation of each college council/committee will likely

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differ, because of the substantially different college organizations and missions.

2. The Dean will communicate to members of the college annually on college goals, priorities, planning, and budget.
3. Deans retain administrative responsibility for all budget decisions. As is currently the case, deans will consult with faculty and department chairs on academic and curricular priorities."

Models for distributing revenue and expenses within Resource Responsibility Centers should be determined internally in collaboration among the Resource Responsibility Center's administration and faculty to best achieve the Resource Responsibility Center's strategic goals. Each Resource Responsibility Center administrator is best positioned to determine the resource distribution process that will be most effective within their unit. However, applying the distributions formulas and allocation methods of the Resource Management Model to secondary resource units is not recommended. There are potentially negative consequences of such a strategy. Because of their greater size and staff, primary resource units are better able to deal with volatility in revenues and expenses as well as the record keeping and forecasting demands that will be required for implementing the Resource Management Model.

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Table 1

Primary Resource Units in the Resource Management Model

Primary Resource Unit	Administrator
Resource Responsibility Centers	
College of Agriculture	Dean of Agriculture
College of Business	Dean of Business
College of Design	Dean of Design
College of Engineering	Dean of Engineering
College of Human Sciences	Dean of Human Sciences
College of Liberal Arts & Sciences	Dean of Liberal Arts & Sciences
College of Veterinary Medicine	Dean of Veterinary Medicine
Intercollegiate Programs	Associate Provost for Academic Programs and Dean of the Graduate College
Office of Research and Economic Development	Vice President for Research and Economic Development
Office of Extension and Outreach	Vice President for Extension and Outreach
Experiment Station	Director of Experiment Station
Revenue-generating service units and auxiliaries within the:	
Office of the President and Provost	President and Executive Vice President and Provost
Office of Business and Finance	Vice President for Business & Finance
Office of Student Affairs	Vice President for Student Affairs
Major Administrative and Support Centers	
University Leadership	President and Executive Vice President and Provost
Administrative Support Programs	Executive Vice President and Provost
Library	Dean of the Library
Student Services	Vice President for Student Affairs
Information Technology Services	Chief Information Officer
Business Services	Vice President for Business and Finance
Facility Services	Vice President for Business and Finance

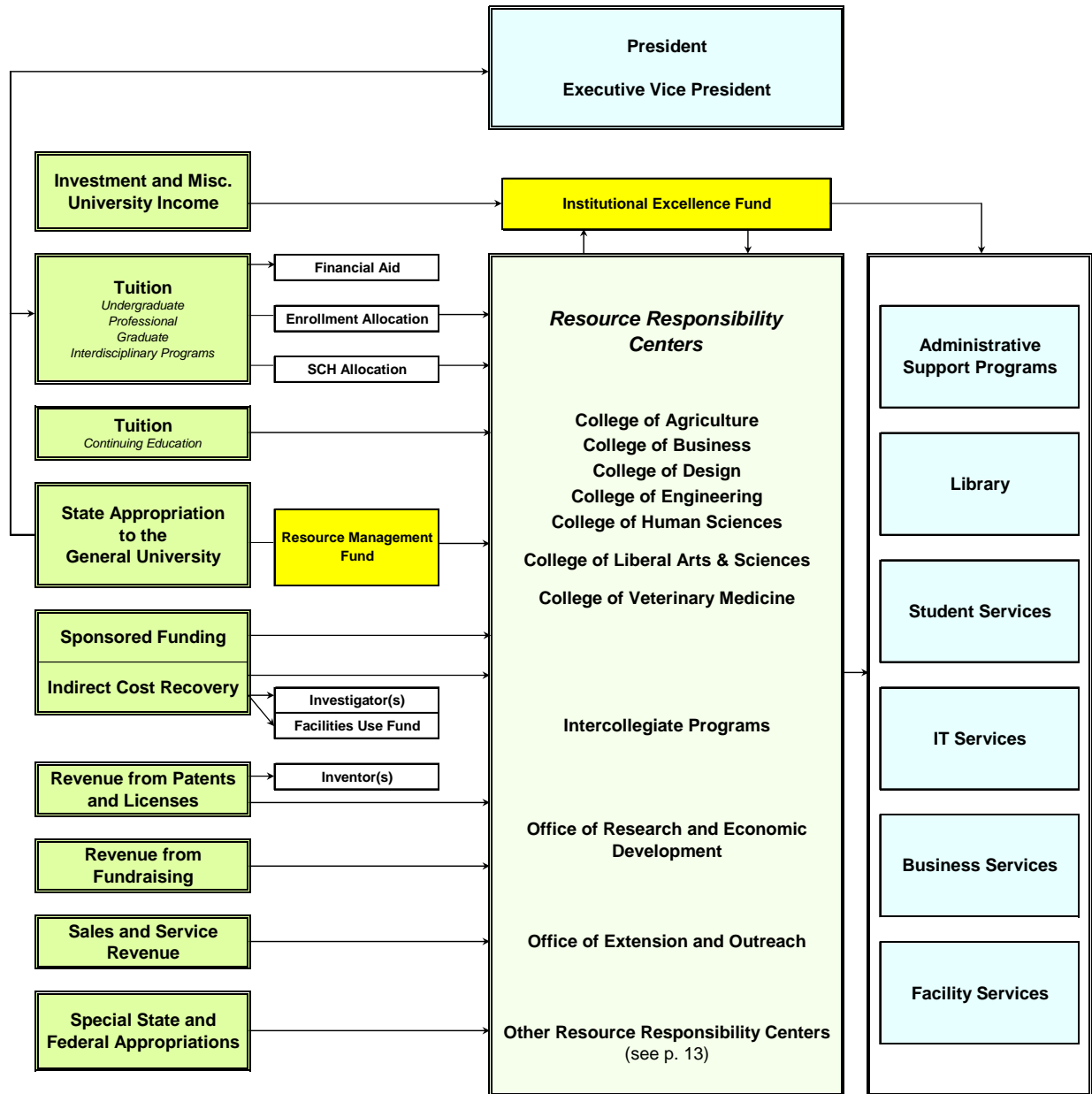
Resource Flow Diagram

The Resource Flow Diagram on the following page illustrates the Resource Management Model flow of resources into organizational units. The direction of the arrows depicts the flow of the resources. The university's primary external revenue sources are on the left side of the diagram as darker green boxes. Units to which revenue can be directly attributed are the Resource Responsibility Centers and are in the middle part of the diagram shaded in light green boxes.

Resources flow from the Resource Responsibility Centers to the Institutional Excellence Fund and expense pools associated with the six major administrative and support units listed on the right side of the diagram.

Diagram 1

Resource Flow Diagram²



Revenue Distribution

As described below and reflected in the Distribution of Tuition diagram (diagram 3), tuition will flow to colleges formulaically. The formulae are slightly different for each level of education.

² Diagrams are illustrative. This diagram is described in the text on page 15 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

Tuition distributions will be made from actual tuition collected. Non-collected tuition and the collection of prior year tuition bad debt will continue to be managed centrally.

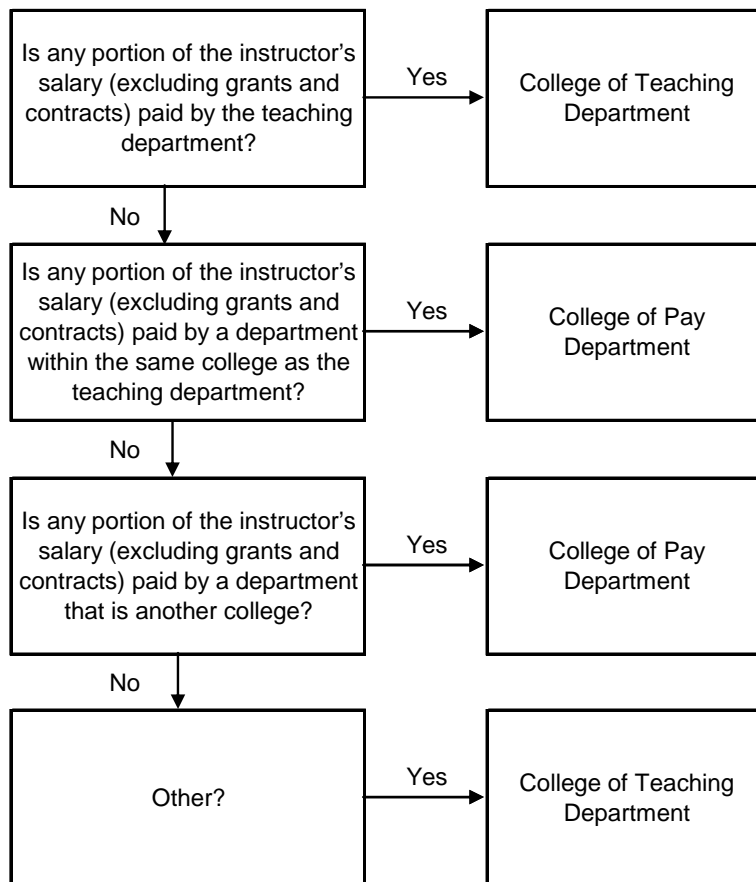
Undergraduate Tuition

Undergraduate student financial aid is first funded from gross undergraduate tuition revenue. Of the remaining tuition revenue, 25 percent is distributed to the college in which the student is enrolled. Enrollment is based on the student's primary major. The remaining 75 percent of net tuition is pooled and distributed based on the student credit hours taught by each college. Student credit hours, as classified by the Office of Institutional Research, are linked to the faculty member(s) teaching a course. The Office of Institutional Research uses a four-step process to determine the department to which student credit hours are credited. Diagram 2 outlines this process.

Diagram 2

Tuition Revenue Pay Department³

Answer these questions and stop at the first answer that is yes. That is the college that will receive the tuition revenue from the class.



If there are multiple faculty teaching a course, the total student credit hours are first split by faculty effort reported on the course information, then follow the four-step process.

³ Diagrams are illustrative. This diagram is described in the text on pages 16-17 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

The portion of net tuition revenue distributed based on enrollment will reflect the residency status of the student. The portion distributed on student credit hours will reflect the average revenue per student credit hour given the mix of resident and non-resident students on campus.

Differential undergraduate tuition. Tuition revenue, net of financial aid, generated from differential undergraduate tuition is distributed entirely to the college charging the differential tuition. Currently, only upper division engineering students are charged differential tuition at the undergraduate level.

Interdisciplinary undergraduate tuition. Tuition from students in interdisciplinary majors that are administered by only one college, then the 25 percent of tuition that follows enrollment is distributed entirely to the sole college administering the major.⁴ For interdisciplinary majors that are administered by two or more colleges, the 25 percent of tuition that follows enrollment will flow to a designated temporary holding pool for that major. The deans of the colleges will collaboratively decide on the distribution of those resources, with the first priority being appropriate support for the infrastructure of the cross-college major. The 75 percent of undergraduate tuition that follows student credit hours in courses that support the interdisciplinary major is distributed as described earlier because the primary cost for the delivery of these courses is in the faculty salaries paid by the academic colleges.

Professional Tuition

Gross tuition revenue from professional (veterinary medicine) students will first fund financial aid fund for professional students. The net tuition revenue will then be distributed to the College of Veterinary Medicine. When veterinary medicine students take undergraduate courses from colleges outside the College of Veterinary Medicine, a set amount of revenue is automatically transferred from the College of Veterinary Medicine to the college providing the course. The exact dollar amount of this transfer will not be less than the undergraduate distribution per student credit hour. If the course is an undergraduate level course, it is at the undergraduate rate.

Graduate Tuition

Gross tuition revenue from graduate students is distributed entirely to the college of enrollment. Because all tuition is distributed to the college of enrollment, colleges are fully responsible for any graduate tuition scholarships. In addition, when graduate students take courses outside their home college, a set amount of revenue is automatically transferred from the home college to the college providing the course. The exact amount of this transfer will not be less than the undergraduate distribution per student credit hour.

Tuition revenue generated from interdisciplinary graduate programs is distributed to the college home if the students' records on the Registrar's data lists a department that is within a college. If the major department is interdisciplinary and the student has selected a major professor, then the tuition is distributed to the major professor's primary rank department. As with other graduate

⁴ There was some discussion of whether having the 25 percent of undergraduate enrollment follow primary majors would create a disincentive for departments to support second majors. This is highly unlikely because the second major for many students is in the same college as their first major. Moreover, a strong incentive for supporting second majors is built into the model because of the tuition dollars that would follow the additional student credit hours generated by a double major.

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students, this college is responsible for any applicable graduate tuition scholarships and will have revenue automatically transferred to cover courses taken outside of the home college. For those students who do not have a major professor (typically first year students in these programs), the Graduate College, in cooperation with college deans, will manage the distribution of these revenues for degree programs that span two or more colleges.

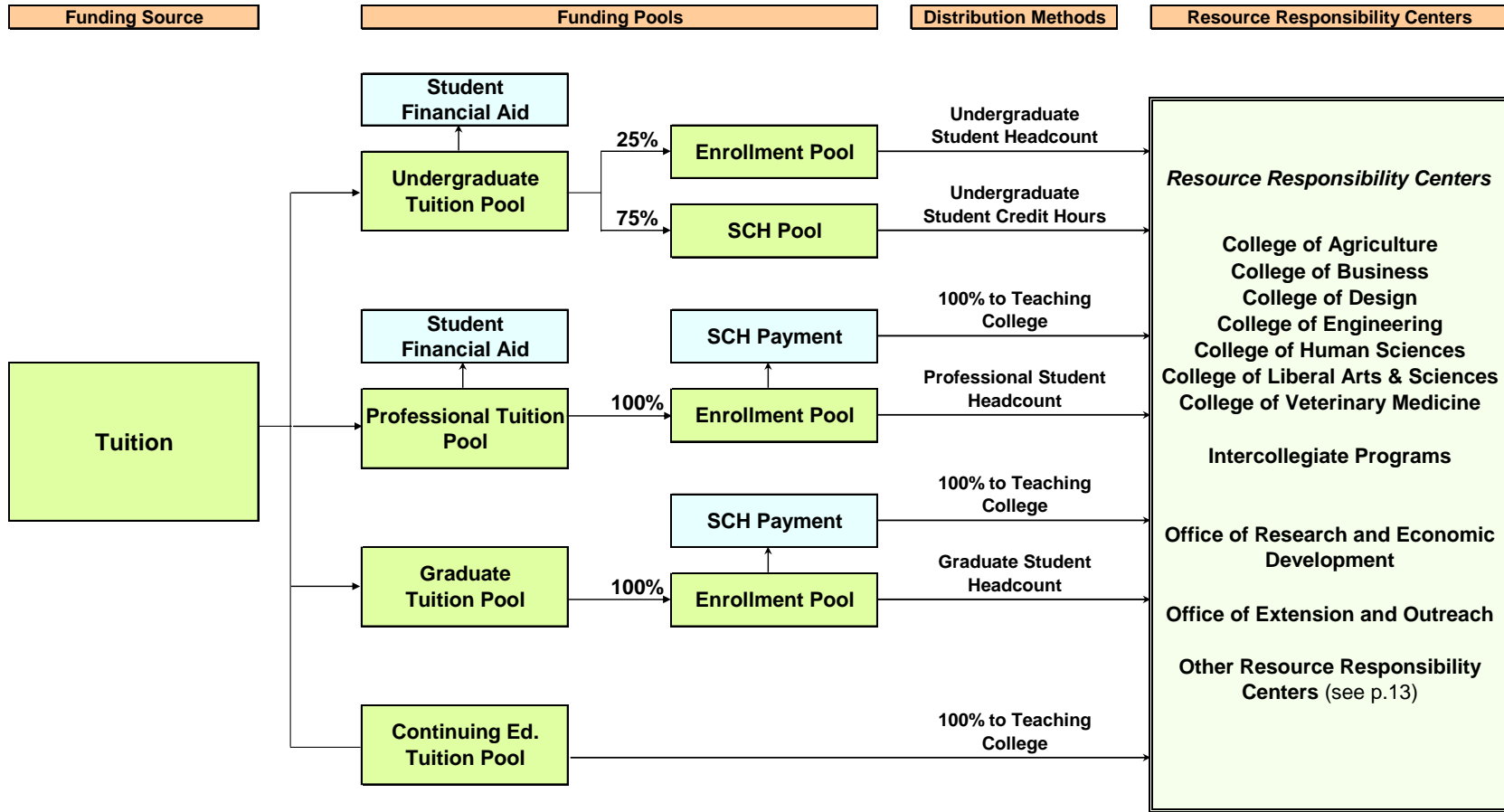
Continuing/Distance Education Tuition

Tuition revenue from continuing education credit courses is distributed to the college that offers the course. These revenues will continue to be managed outside the general fund and the colleges is expected to cover the full costs of offering these courses.

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Diagram 3.

*Distribution of Tuition*⁵



⁵ Diagrams are illustrative. This diagram is described in the text on pages 16-19 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

State Appropriation to the General University

As reflected in the State Appropriation to the General University flow diagram (diagram 4) and described below, the state appropriations that fund the General University is distributed:

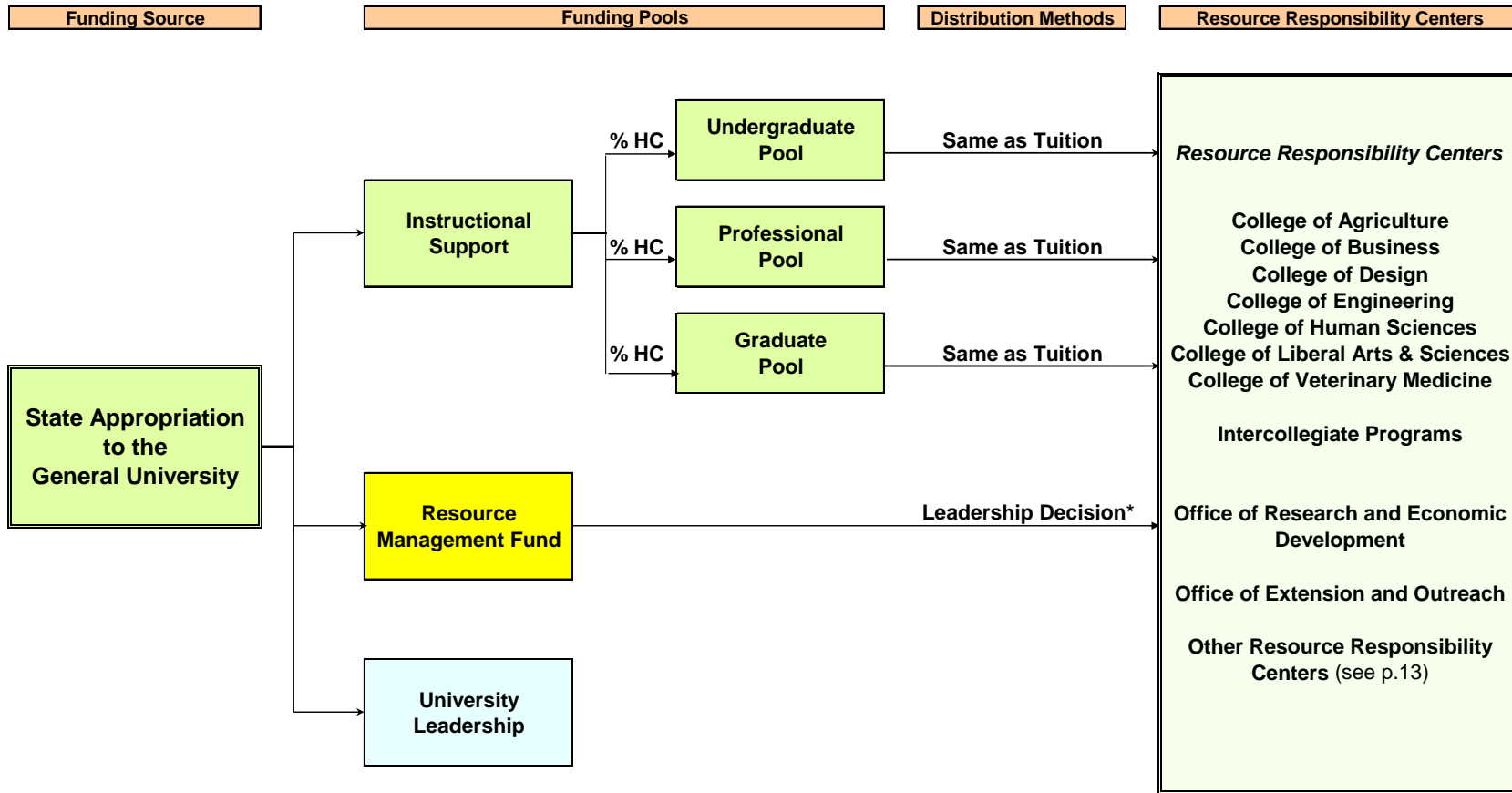
- To fully fund direct administrative expenses in the offices of the President and the Executive Vice President and Provost. The University Budget Advisory Committee will provide consultation in developing the budgets for these offices.
- To partially fund student recruitment, advising, retention, and instructional activities of colleges through the tuition pool. These funds are distributed to the undergraduate tuition, professional tuition, and graduate tuition pools proportional to the percent of total student enrollment at each level of education. Funds will then be distributed according to the same rules as for tuition at each level of education. The President and Provost, in consultation with their advisory committees, will make any necessary adjustments in the amount of state appropriation distributed like tuition.
- To fully fund the Resource Management Fund, which is distributed to the Resource Responsibility Centers within the General Fund. In the base year of the model the Resource Management Fund is the means of making Resource Responsibility Centers expense budgets (both direct expenses and allocated expenses) balance with their projected attributable revenues (tuition revenue, IDC revenue and directed appropriations). In future years, the Resource Management Fund is used at the discretion of the President and Provost to steer the university, carry out its mission, and accomplish the goals of the strategic plan.

Any adjustments in the distribution of general state appropriation are based on decisions made by the President and Provost. The University Budget Advisory Committee will provide consultation for these decisions.

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Diagram 4

*State Appropriation to the General University*⁶



⁶ Diagrams are illustrative. This diagram is described in the text on page 21 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

* In base year, Resource Management Fund

Sponsored Funding and Indirect Cost Recovery

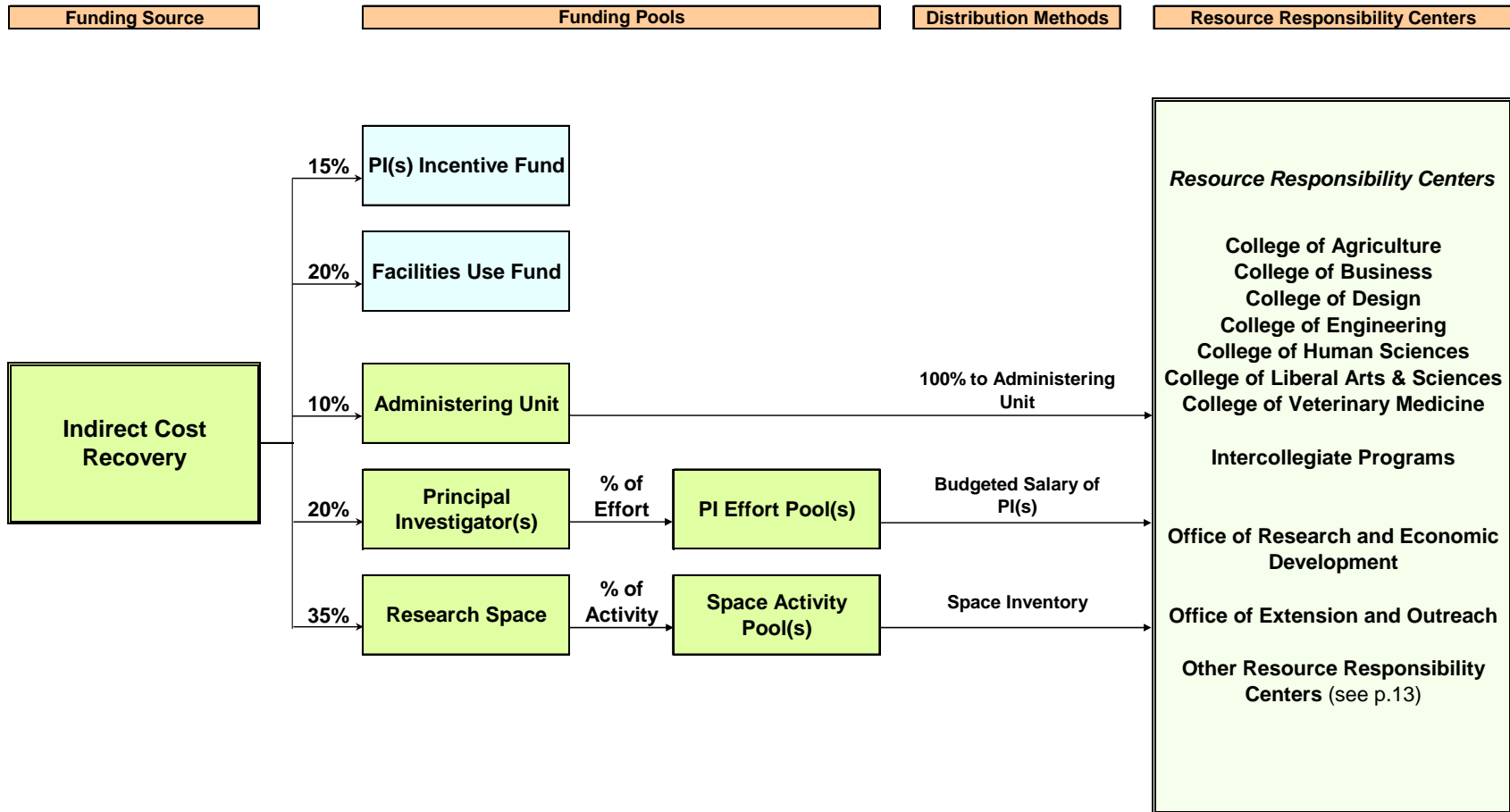
Direct expenses of the sponsored activity will continue to be managed by the Principal Investigator(s). This remains unchanged from the university's current practice.

The revenue from indirect cost recovery (IDC) associated with sponsored funding is distributed using a formula that reflects where the costs of the funded activity are incurred. The formula, outlined below, will distribute more IDC to the primary resource units incurring the expenses associated with the sponsored activity.

- 20 percent to the Facilities Use Fund – a central capital cost recovery fund used for infrastructure improvement costs. This is unchanged from the current distribution methodology.
- 15 percent to the Principal Investigator(s). This is unchanged from the current distribution methodology.
- 10 percent to the Resource Responsibility Center that is administering the grant.
- 20 percent to the Resource Responsibility Center in which the principal investigator's salary is budgeted (per the printed budget book). When an individual principal investigator's salary is budgeted between two or more Resource Responsibility Centers, this share of IDC revenue will be distributed based on the share of the individual's budgeted salary. When there are multiple co-principal investigators, this share of IDC revenue is first apportioned across co-principal investigators based on their percent of effort on the grant, and then the amount apportioned to each co-principal investigator will flow proportionally to the units responsible for his or her budgeted salary.
- 35 percent to the Resource Responsibility Center responsible for the site where the research is conducted. If there are multiple sites, this share of IDC revenue is distributed between the sites in proportion to the amount of work scheduled for each site.

Diagram 5

Distribution of Indirect Cost Recovery Revenue⁷



⁷ Diagrams are illustrative. This diagram is described in the text on page 23 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

Revenue from Fundraising

Revenue raised in collaboration with the ISU Foundation is distributed to the university unit that manages the activity as specified by the donor. This remains unchanged from the university's current practice of budgeting and financial management.

Revenue from Patents and Licensing

Revenue generated from patents and licensing is distributed directly to the respective university unit responsible for the patent or license. This remains unchanged from the university's current practice of budgeting and financial management.

Sales & Services Revenue

Revenues generated by sales and service activities conducted by departments, centers, and auxiliary units are distributed directly to the respective university unit responsible for sales and service activities. This remains unchanged from the university's current practice of budgeting and financial management.

Special State and Federal Appropriations

Iowa State University receives funding from special state appropriations to support unique aspects of its mission. Specifically, these funds help support the Cooperative Extension Service, the Agriculture and Home Economics Experiment Station, the Institute for Physical Research and Technology, the Small Business Development Center, the Leopold Center for Sustainable Agriculture, the Iowa Livestock Health Advisory Council, Veterinary Diagnostic Laboratory, and the ISU Research Park. The funding from these special state appropriations is distributed directly to these units as required by law.

In addition, Iowa State receives funding from federal appropriations to support its land grant mission. Specifically, these funds help support the Agriculture & Home Economics Experiment Station and the Cooperative Extension Service. ISU also receives funding from special congressionally-directed federal appropriations, which is distributed directly to these units as required by law.

Investment and Miscellaneous University Income

Investment income is earned from the investment of General Fund cash balances and, as such, is generated by the entire institutional financial framework. All revenues from this source partially fund the Institutional Excellence Fund.

Miscellaneous university income is generated from application fees and deferred billing charges. All revenues from this source also partially fund the Institutional Excellence Fund.

Institutional Excellence Fund

The Institutional Excellence Fund is invested in university units, at the discretion of the President and Executive Vice President, to fund important new initiatives, to accomplish strategic goals, and position the university to compete for cutting edge opportunities. The amount of this fund is determined by the President and Executive Vice President. The Institutional Excellence Fund is partially funded with the revenue from both investment and miscellaneous university income as

described above. The balance is funded by the Resource Responsibility Centers based on their proportion of total direct expenses.

Direct Expenses

Direct expenses are those expenses that are directly attributable to a resource unit. Traditionally, these expenses primarily included salaries, employee benefits and supplies and have been identified in the Budget Book. Units will continue to budget for their salaries, employee benefits and supplies similar to how they have in the traditional budget development process. Also, the services provided by support units that currently charge based on consumption, will continue to charge based on consumption and therefore will continue to be budgeted as direct expenses for those units that use those services.

Under the Resource Management Model, graduate tuition scholarships and utility expense are a direct expense for the resource units. Because all graduate tuition is distributed directly to the college of enrollment, colleges are responsible for directly funding any graduate tuition scholarships for their graduate students. Utility consumption will be metered by utility by building. The primary resource units, therefore, will be directly charged for the utilities consumed within the space they occupy.

Allocation of Expenses

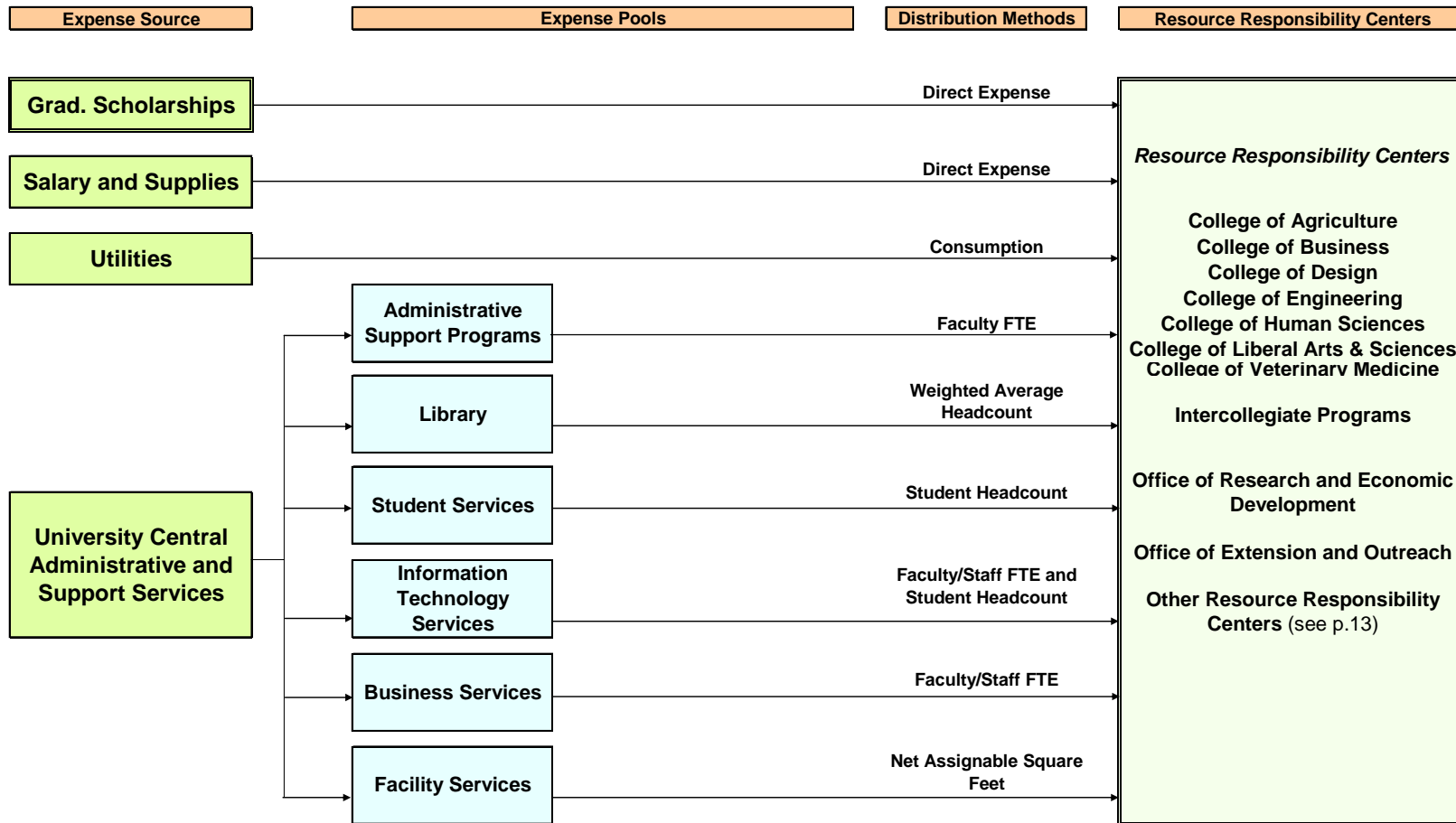
Because most expenses associated with the major administrative and support units cannot be charged based on consumption, proxies for usage for these services have been developed. The expenses associated with the major administrative and support units are aggregated into seven expense pools: University Leadership, Administrative Support Programs, Library, Student Services, Information Technology Services, Business Services, and Facility Services. The University Leadership expense pool is funded directly from the general state appropriation, as noted earlier. The other six expense pools are allocated to the Resource Responsibility Centers using an appropriate allocation method to ensure that the allocations are fair and proportional.

Methods of Allocating Expenses. The Budget Model Review and Development Committee identified a range of possible allocation methods that ranged in level of complexity from very basic to very complex, and concluded that an optimal balance of fairness and simplicity was met by using a single allocation method for each expense pool. The method selected for each pool is viewed as a fair proxy for usage and a reasonable way to allocate that expense pool.

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Diagram 6

*Expense Pools*⁸



⁸ Diagrams are illustrative. This diagram is described in the text on pages 26 and 28 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

University Leadership

The expenses included in this pool are those for the President's Office and the units that report to that office, including University Relations, Government Relations, Legal Services, University Marketing, and Internal Audit, and the direct administrative staff and space for the Office of the Executive Vice President and Provost. These expenses are fully funded from state appropriations.

Administrative Support Programs Expense Pool

The expenses in this pool are associated with central academic and research support units administered through the Provost's Office. These include the Center for Excellence in Learning and Teaching, Honors Program, Women in Science and Engineering, Women's Center, Institutional Research, Graduate College, Office for Sponsored Programs Administration, Office of Research Compliance and Assurances, and Laboratory Animal Resources. These expenses are allocated proportional to faculty full-time equivalent.

Business Services Expense Pool

The expenses in this pool are associated with central business services, including accounting, payroll, human resource services, accounts receivable, and the Treasurer's Office. These expenses are allocated proportional to faculty and staff full-time equivalent.

Student Services Expense Pool

The expenses in this pool are associated with central student services offered through the Division of Student Affairs. These expenses are allocated proportional to student head count.

Information Technology Services Expense Pool

The expenses in this pool are associated with central information technology services, including learning and teaching technologies, research and high performance computing, information technology facilities and training, university administrative information systems, networking and communications, and information technology security. These expenses are allocated proportional to the sum of faculty and staff full-time equivalent and student head count. Those information technology services that are currently billed on a consumption basis will continue to be billed on a consumption basis.

Library Expense Pool

The expenses in this pool are associated with the Library. These expenses are allocated proportional to a weighted average based on the type of employee and student. The weights assigned to each type are listed below:

- 3 - Faculty full-time equivalent, graduate/professional student head count
- 2 - Staff full-time equivalent
- 1 - Undergraduate student head count

Facility Services Expense Pool

The expenses included in this pool are associated with maintaining the institution's physical facilities and providing utility services. Utilities are charged directly to the primary resource units based on real-time consumption. Utility costs for buildings that are shared by more than one primary resource unit will be billed proportional to the net assignable square feet assigned to each unit. The expenses for maintaining the institution's physical facilities, such as custodial services and building maintenance, are allocated proportional to net assignable square feet.

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Table 2

Expense Allocation Methods

Expense Pools ⁹	Allocation Method
University Leadership	Not allocated – funded directly from the general state appropriation
Administrative Support Programs	Proportional to faculty full-time equivalent
Business Services	Proportional to faculty and staff full-time equivalent
Student Services	Proportional to student head count
Information Technology Services	Proportional to the sum of faculty full-time equivalent, staff full-time equivalent, and student head count (some services are billed based on consumption)
Library	Proportional to a weighted average count of faculty full-time equivalent, staff full-time equivalent, graduate/professional student head count, and undergraduate student head count using the following weights: 3-Faculty full-time equivalent, graduate/professional student head count 2-Staff full-time equivalent 1-Undergraduate student head count
Facility Services	Proportional to net assignable square feet (utilities will be based on consumption)

⁹ Allocated expenses are those currently funded by a general fund allocation. Other services will continue to be billed on a fee-for-service basis.

Section III

Budget Advisory Committees

The Resource Management Model underscores the administrative responsibilities of the president, the vice presidents, and other key administrators that manage central administration and support services. Moreover, it recognizes the need for transparent mechanisms for providing broad-based advice and counsel for budgetary and programmatic decisions. To ensure the balance between administrative management roles and advisory input into administrative decision-making, the model includes key, consultative advisory committees. These committees are not intended to supplant other advisory groups or mechanisms.

This section outlines the advisory committees in the Resource Management Model, their purpose, and how they will function. It also describes the optimal composition of each advisory committee, and how members will be selected.

Function and Purpose of Advisory Committees

Iowa State University has a long history of cooperative engagement between administrators and advisory groups and that continues in the Resource Management Model. The primary purpose of the advisory committees is to provide advice to administrators throughout the budget development process. Listed below are the key principles guiding the function of advisory committees:

- Each advisory committee has adequate representation of administrators, faculty, staff, and student leaders to ensure that a university-wide perspective informs the work of each committee (see the section on composition of advisory committees for more detail).
- The advisory committees' recommendations are advisory to the administrator and focus on recommending the level of funding required to efficiently provide the type and quality of service desired by the university community.
- The decision-making processes flow through administrative channels, with appropriate advice from the relevant budget advisory committee at each level.
- Administrators must consider advisory committee commentary and recommendations when developing budget plans/requests and provide feedback to the advisory committee.
- Administrators provide advisory committees with clear frameworks for programs and services, pertinent financial data (with emphasis on trends), explanations of income streams and their relationships to services and programs, and logistical support for advisory committee operations.

Specification and Structure of Advisory Committees

The Resource Management Model includes a university-level advisory committee and an advisory committee for each of the major administrative and support units – Office of the Provost, Library, Student Affairs, Information Technology Services, and Business and Finance. Each of the administrative units will be advised by at least one advisory committee. At the discretion of the administrator, additional advisory committees may be established. The mandatory advisory committees are described below.

University Budget Advisory Committee

The University Budget Advisory Committee advises the Executive Vice President on a broad range of functions that cross the entire university. Its deliberations are informed by advice from the respective administrative units, with clear accounting for all advisory committee recommendations and commentary. The committee's primary roles include:

- make recommendations on the annual distribution of revenues, reductions, and allocation changes
- identify and/or prioritize long-range initiatives within the Resource Management Model
- make recommendations on the use of the Institutional Excellence Fund
- review the budgets of the Offices of the President and Executive Vice President and Provost on a regular basis to ensure that these administrative functions of the university are being carried out effectively and efficiently
- provide advice and input to the Executive Vice President regarding the annual preparation and presentation of a unified set of budget recommendations to the President.

Administrative Support Programs Advisory Committee

The Administrative Support Programs Advisory Committee advises the Provost on the level of funding required to efficiently provide the desired type and quality of service for the following units: Center for Excellence in Learning and Teaching, Honors Program, Women in Science and Engineering, Women's Center, Institutional Research, Graduate College, Office for Sponsored Programs Administration, Office of Research Compliance and Assurances, and University Animal Research Station.

Library Advisory Committee

The Library Advisory Committee advises the Dean of the Library on the level of funding required to efficiently provide the type and quality of library services desired by the university community.

Student Affairs Advisory Committee

The Student Affairs Advisory Committee advises the Vice President for Student Affairs on the level of funding required to efficiently provide the type and quality of student services desired by the university community.

Information Technology Services Advisory Committee

Information Technology Services Advisory Committee advises the Chief Information Officer on the level of funding required to efficiently provide the type and quality of IT services desired by the university community.

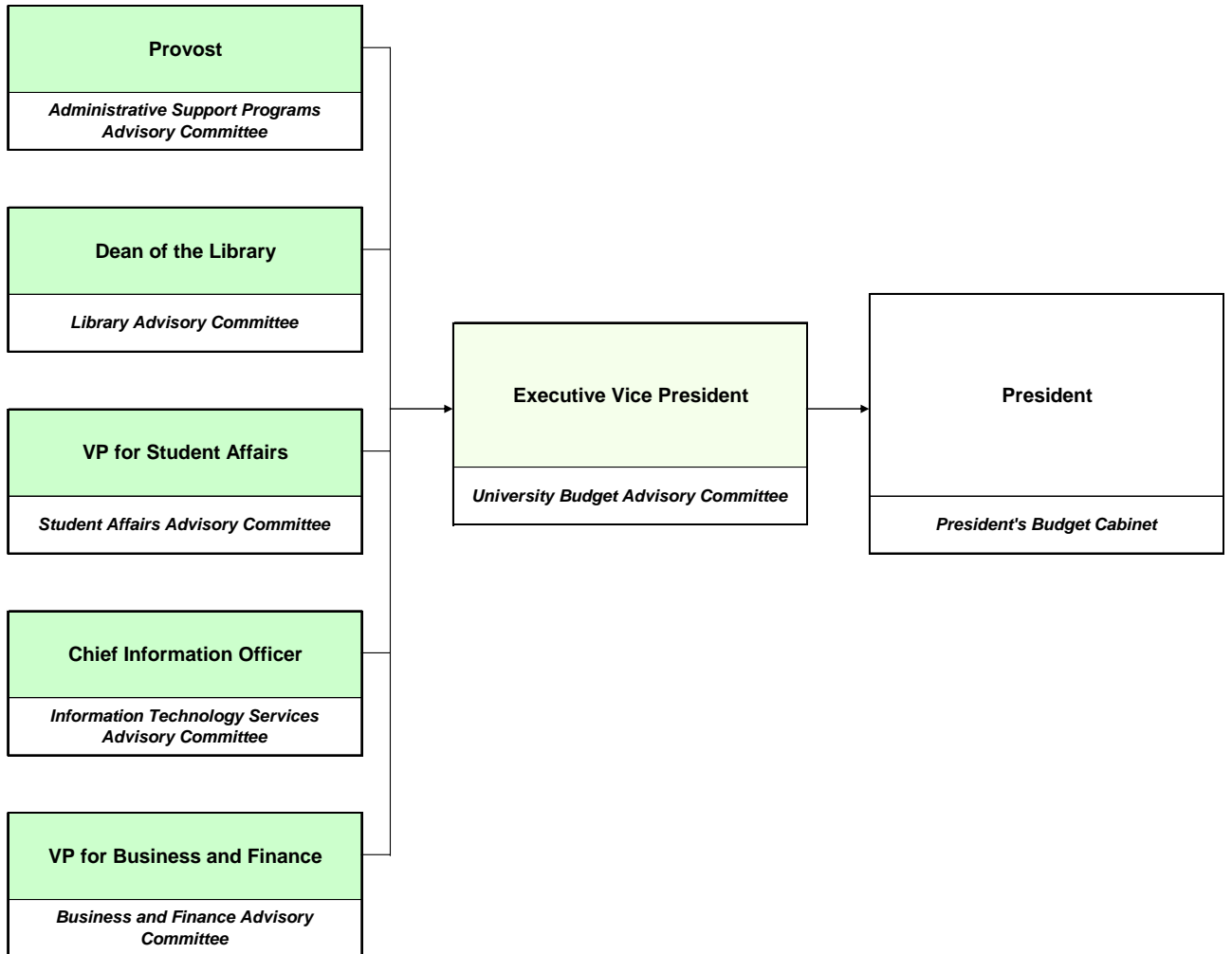
Business and Finance Advisory Committee

The Business and Finance Advisory Committee advises the Vice President for Business and Finance on the level of funding required to efficiently provide the type and quality of business services desired by the university community.

The Budget Advisory Diagram illustrates the working relationships between administrators and advisory committees. The diagram also highlights the relationship between the President and the President's Budget Cabinet.

Diagram 7

*Budget Advisory Diagram*¹⁰



¹⁰ Diagrams are illustrative. This diagram is described in the text on page 31 of the report "Description of the Resource Management Model" by the Budget Model Review and Implementation Committee.

Composition of Advisory Committees

Advisory committees are structured to be as small as possible and to follow the principles of representation, shared governance, diversity, and expertise. These principles require that each advisory committee be about 18 members. Advisory committees may also invite visitors to specific meetings in order to fully utilize expertise on campus.

Each committee includes representation from the Graduate and Professional Student Senate, Government of the Student Body, Professional and Scientific Council, Faculty Senate, Department Chair Cabinet, and Council of Deans. Each committee includes a faculty representative from each of the seven colleges. Many committees also include representation from the library, chief information officer, and the vice presidents' offices (Research and Economic Development, Business and Finance, Student Affairs, and Extension and Outreach). Representation from the Council of Deans and the Department Chairs Cabinet is listed as optional on many of the committees because the relatively small size of these two groups may make it challenging for them to identify representatives for each committee. Technically, any named group can decline to send a representative.

There is an important restriction on faculty representatives from the colleges and the library. Specifically, at least five of these representatives must not hold an administrative position at the level of department chair or higher. This restriction ensures strong representation from the general faculty and guarantees that faculty administrators will never outnumber non-administrative faculty on any advisory committee.

Selection Procedures for Advisory Committees

About half of the members on each advisory committee are appointed by virtue of their position (e.g., Faculty Senate President) or as the designated representative from one of the constituent groups named above. Faculty representatives from the colleges and the library are appointed through a nomination and selection procedure. Each college, and the library for most committees, is responsible for generating a slate of two to three nominees for each committee. The nominees will presumably be generated in consultation between the Dean and the representative body for each college, and each slate will include at least some faculty members who do not hold an administrative position of department chair or higher. Nominees are expected to have the requisite interest and knowledge to serve on the specific advisory committee. Deans are expected to include some diversity on each slate. The relevant administrator for each advisory committee will select one member from each slate, with attention to the requirement for a minimum of five non-administrative faculty members. Diversity will also be factored into the administrator's selections. For committees that are chaired by a faculty member, the administrator will select the chair from the same set of slates in year one before choosing the representative from each college, and the library when applicable.

Length of Appointments on Advisory Committees

The length of appointments on advisory committees is three years whenever possible to ensure continuity in the functioning of the committees. These appointments may be renewed once. Appointments will be limited to one year for members appointed by virtue of their office

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(e.g., P&S Council President, Faculty Senate President). All student appointments are listed as one-year, renewable terms, except in cases of student officers who will serve during their terms in office. Terms will be staggered whenever possible when the advisory committees are first formed to ensure continuity over time for the committees. When committees are first formed, the committee members who will normally receive a three-year term will receive a combination of two-year, three-year, and four-year terms.

The recommended composition, selection procedures, and length of appointments for each advisory committee are summarized in the tables that follow.

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Table 3
University Budget Advisory Committee (18 members total)

Number of Members	Group	Notes	Selection Method	Term
1	Executive Vice President and Provost	Committee Chair	Ex-officio	Continuous
1	Associate Vice President for Budget & Planning		Ex-officio	Continuous
1	Council of Deans		Council's designee	3 years
1	Department Chairs Cabinet		Cabinet's designee	3 years
2	Faculty Senate		Senate President Senate President-Elect	1 year 1 year
8	Faculty representation from each college and the library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
2	Professional & Scientific Council	President and President Elect	Council President Council President-Elect	1 year 1 year
1	Graduate & Professional Student Senate	President	GPSS President	1 year
1	Government of the Student Body	President	GSB President	1 year

^a. Each college and the library will submit two to three nominees to the Provost, who will select one person from each slate with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

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**Table 4
Administrative Support Programs Advisory Committee (15 plus 2 optional members)**

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
8	Faculty representation from each college/library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Office of Research & Economic Development		VP or designee	3 years
1	Student Affairs		VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
1	Government of the Student Body		GSB designee	1 year

^a. Each college and the library will submit two to three nominees to the Provost, who will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

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Table 5
Library Advisory Committee (16 members plus 3 optional members)

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Research & Economic Development Office		VP or designee	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
7	Faculty representation from each college	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Information Technology Services	Ex-officio, non-voting member	CIO or designee	3 years
1	Extension	Optional membership	VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
2	Government of the Student Body		GSB designees	1 year
1	Dean of Library	Ex-officio, non-voting member	Ex-officio	Continuous

^a. Each college will submit two to three nominees to the Dean of the Library. The Dean will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members

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Table 6
Student Affairs Advisory Committee (21 members plus 2 optional members)

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
7	Faculty representation from each college	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council	President or designee	Council's designee	3 years
1	Information Technology Services	Ex-officio, non-voting member	CIO or designee	3 years
1	Business and Finance	Ex-officio, non-voting member	VP or designee	3 years
2	Graduate & Professional Student Senate		GPSS President & designee	1 year
6	Government of the Student Body	GSB President and five other students	GSB President Five other U.G. Students ^b	1 year
1	VP for Student Affairs	Ex-officio, non-voting member	Ex-officio	Continuous

^a. Each college will submit two to three nominees to the Vice President of Student Affairs. The vice president will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

^b. In consultation with the Government of Student Body President, the Vice President for Student Affairs will select five additional undergraduate students to reflect different aspects of the student population (e.g., residence system, Greek system, adult students) and with attention to diversity.

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Table 7
Information Technology Services Advisory Committee (17 members plus 2 optional members)

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
8	Faculty representation from each college/library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Business and Finance		VP or designee	3 years
1	Student Affairs		VP or designee	3 years
1	Extension		VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
1	Government of the Student Body		GSB designee	1 year
1	Chief Information Officer (CIO)	Ex-officio, non-voting member	Ex-officio	Continuous

^a. Each college and the library will submit two to three nominees to the Chief Information Officer. The Chief Information Officer will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

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Table 8
Business and Finance Advisory Committee (17 members plus 2 optional members)

Number of Members	Group	Notes	Selection Method	Term
1	Faculty member selected as chair	Appointment independent of college affiliation	Nomination and selection ^a	3 years
1	Council of Deans	Optional membership	Council's designee	3 years
1	Department Chairs Cabinet	Optional membership	Cabinet's designee	3 years
1	Faculty Senate		Senate's designee	3 years
8	Faculty representation from each college/library	At least five must not hold an administrative position of department chair or higher	Nomination and selection ^a	Staggered 3-year terms
1	Professional & Scientific Council		Council's designee	3 years
1	Information Technology Services		CIO or designee	3 years
1	Student Affairs		VP or designee	3 years
1	Extension		VP or designee	3 years
1	Graduate & Professional Student Senate		GPSS designee	1 year
1	Government of the Student Body		GSB designee	1 year
1	VP for Business and Finance	Ex-officio, non-voting member	Ex-officio	Continuous

^a. Each college and the library will submit two to three nominees to the Vice President for Business and Finance. The vice president will select one person to chair the committee and one person from each college, with attention to diversity, expertise, and the requirement of at least five non-administrative faculty members.

Section IV Implementation

The Budget Model Review and Implementation Committee developed an implementation plan to phase out the current incremental model for distributing resources and phase in the Resource Management Model. The implementation plan outlined below has been modified from the committee's earlier recommendation based on feedback from central administration.

The committee recommends extending implementation of the model to encompass FY2008, FY2009 and FY2010, with the model being fully implemented for FY2010. The descriptions below articulate the budget development, financial management processes, and expectations for administrators of Resource Responsibility Centers and administrative support units for each fiscal year of the transition. The multi-year transition period will allow data systems and procedures that support the model to be tested and monitored. It will also provide time for decision-makers to become more experienced with the model's parameters and develop effective management practices for their operations within the new structure.

FY2008 Budgeting Cycle– the “Simulation Year”

The FY2008 budget will be developed using the traditional incremental budgeting model. Direct expense budgets will continue to be developed by the colleges and major administrative units. Central administration will continue to project tuition and IDC revenues at an institutional level and will develop and refine tools to project these revenues at the Resource Responsibility Center level.

After the start of FY2008, the parameters and methods of distributing revenue and allocating expenses of the Resource Management Model will be applied to restate the FY2008 budget. During the second quarter of FY2008, the restated FY2008 budget will be presented to college and division administrators in order to review the effects of applying the Resource Management Model to their respective FY2008 budgets.

During FY2008, an offline, parallel system will be used to simulate how actual revenues and expenses will be distributed under the Resource Management Model. This parallel system will provide an opportunity to test the procedures and processes of the new Resource Management Model and also provide some insight on the effectiveness of the revenue projection tools and underlying data systems. Throughout FY2008, unit administrators will be provided with periodic updates on the results of the offline simulation.

Unless unforeseen circumstances occur, fluctuations in revenues and expenses will be managed centrally. Resource Responsibility Centers' FY2008 budgets will not be adjusted to reflect differences between the budgeted and the actual revenues and expenses that are observed during the year. In other words, this will be a practice and training year with no budgetary consequences to units.

FY2009 Budgeting Cycle – the “Base Year”

FY2009 budget development will begin in the Fall of 2007 using the Resource Management Model's principles and procedures. The University Budget Advisory Committee will provide

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planning parameters and guidelines to ensure changes in direct expense budgets for FY2009 are fair for all units.

The major administrative and support units will develop their expense budgets, which should be completed by December 2007, with input from their advisory committees. Those budgets will then be allocated to all units.

Budget development for the Resource Responsibility Centers will involve developing both expense budgets and revenue budgets. The expense budgets will include direct expenses and allocated expenses. The revenue budgets will include tuition revenue projections and IDC revenue projections as well as the unit's share of the Resource Management Fund. The Resource Management Fund will be the means of making Resource Responsibility Centers' expense budgets (direct expenses plus allocated expenses) balance with their projected attributable revenues (tuition revenue plus IDC revenue plus directed appropriations). These budgeting activities will occur during the Spring term of 2008 and be completed by June 2008. FY2009 is the year that the base level of support from the Resource Management Fund is determined for each Resource Responsibility Center ("Base Resource Management Fund").

During FY2009, an online system will be used to distribute actual revenues and expenses under the Resource Management Model. Tuition and IDC revenues will be closely monitored both at the Resource Responsibility Center level and centrally. Significant variations between budgeted and actual tuition, IDC revenue and institutional costs will be managed to minimize or offset fluctuations at the Resource Responsibility Center when the variations are beyond the control of Resource Responsibility Center administrators. For example, high utility costs due to weather conditions may be offset but not costs that are due to administrative decisions at the Resource Responsibility Center level. In short, central resources will be used, if needed, to "hold harmless" for fluctuations that are not attributable to the decisions of the Resource Responsibility Center administrators.

FY2010 Budgeting Cycle – the "First Year"

The FY2010 budget will be developed using the Resource Management Model's principles and procedures during FY2009. For the major administrative and support units, this will involve working with the appropriate advisory committee to develop an expense budget that is allocated to all units. For the Resource Responsibility Centers, this will involve developing both expense budgets and revenue budgets using the FY2009 budgets as a starting point. The University Budget Advisory Committee will provide planning parameters on revenue and expense growth to guide this process. Tuition revenue projections will be based on expected enrollment and student credit hours at the college level.

The "Base Resource Management Fund", as determined in FY2009, will be the starting point for determining the FY2010 Resource Management Fund. In FY2010, the amount of the Resource Management Fund that is distributed to each Resource Responsibility Center may be adjusted from the "Base Resource Management Fund" as a result of decisions made by the President and Executive Vice President.

The Resource Management Model is fully implemented in FY2010, so fluctuations in revenue and/or expenses will be managed entirely by individual Resource Responsibility Centers and major administrative and support units. If there are catastrophic, uncontrollable, university-wide

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fluctuations in revenues and/or expenses during the year, university leadership may intervene to manage the institutional funding shortfall centrally.

Glossary

Administering Unit - A primary resource unit that is responsible for the administration of a sponsored funding project or grant. This primary resource unit will be distributed a portion of the indirect cost recovery revenue that is received into the university.

Advisory Committees - Groups appointed to advise administrators in the development of budgets for central administrative and support units.

Allocated Expense - Expenses associated with centrally funded administrative and support units that will be pooled into separate expense pools and allocated to the primary resource units based on various allocation proxy measures.

Base Year - The base year for the Resource Management Model will be FY2009. This is the fiscal year in which the budget includes both expense budgets and revenue budgets. In the base year, the Resource Responsibility Centers will be provided with a balancing allocation (see Resource Management Fund (RMF)) that makes their total resources equal to their traditionally determined direct expense budget plus their allocated indirect expenses.

Budget Model - Model used for distributing resources, both revenues and expenses.

Budget Model Development Committee - President Geoffrey named the Budget Model Development Committee in September 2005 to create and test an alternative budget model for Iowa State University. This committee issued four reports during 2005 and 2006, which are online at <http://www.iastate.edu/~budgetmodel/reports/reports.shtml>.

Budget Model Review and Implementation Committee - President Geoffrey named the Budget Model Review and Implementation Committee to review the Alternative Budget Model #3, which had been developed by the Budget Model Development Committee.

Budget Model Study Group - President Geoffrey asked the Budget Model Study Group to study alternative models with the goal of recommending changes to Iowa State University's resource distribution processes.

Direct Expenses - Expenses that are incurred directly by the resource units. These expenses have traditionally been funded through the distribution of resources using the historical incremental budget model.

First Year - The first year of the Resource Management Model will be FY2010. The FY2010 budget will be developed using the Resource Management Model principles and procedures during FY2009.

Institutional Excellence Fund (IEF) - A fund created by university leadership to be used primarily for non-recurring strategic investments as directed by the President and Executive Vice President.

Resource Management Fund (RMF) - Funds allocated to Resource Responsibility Centers in addition to revenues directly attributed to the RRCs under the model. In the Base Year

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the amount of the Resource Management Fund allocation will make the total resources available to the RRC equal to their direct expenses as determined in the traditional budget model plus the allocated expenses. In future years, the distribution of the Resource Management Fund may change as a result of changes in state appropriations or as a result of a strategic leadership decision. The President and Executive Vice President in consultation with the University Budget Advisory Committee are responsible for making RMF distribution decisions.

Resource Management Model (RMM) - The term to describe the resource distribution model that was developed at Iowa State University through broad-based input. The model is an adaptation of Responsibility Center Management concept that assigns most revenues to the units responsible for generating the revenue and more fully distributes costs, including facility and central administrative costs, to the revenue generating units.

Resource Responsibility Centers (RRC) - These are the primary resource units that generate revenue and/or receive funding from outside sources.

Revenue - External income and funding coming into the university, including tuition, state appropriation, special state and federal appropriations, sponsored funding, indirect cost recovery, revenue from patents and licenses, sales and service revenue, and investment and miscellaneous income.

Simulation Year - The FY2008 budgeting cycle will be developed using the traditional incremental budget model. After the start of the fiscal year, the parameters and methods of distributing revenue and allocating expenses of the Resource Management Model will be applied to restate the FY2008 budget. Also during FY2008, an offline, parallel system will be used to simulate how actual revenues and expenses will be distributed under the Resource Management Model.

Strategic Plan - Iowa State University currently is operating under the 2005-2010 strategic plan, which can be seen at <http://www.iastate.edu/~strategicplan/>.

Strategic Reserve Funds (SRF) - The new, nonreverting funds that primary resource units can use to support longer-term initiatives and to help manage fluctuations in revenues and expenses across fiscal years.

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