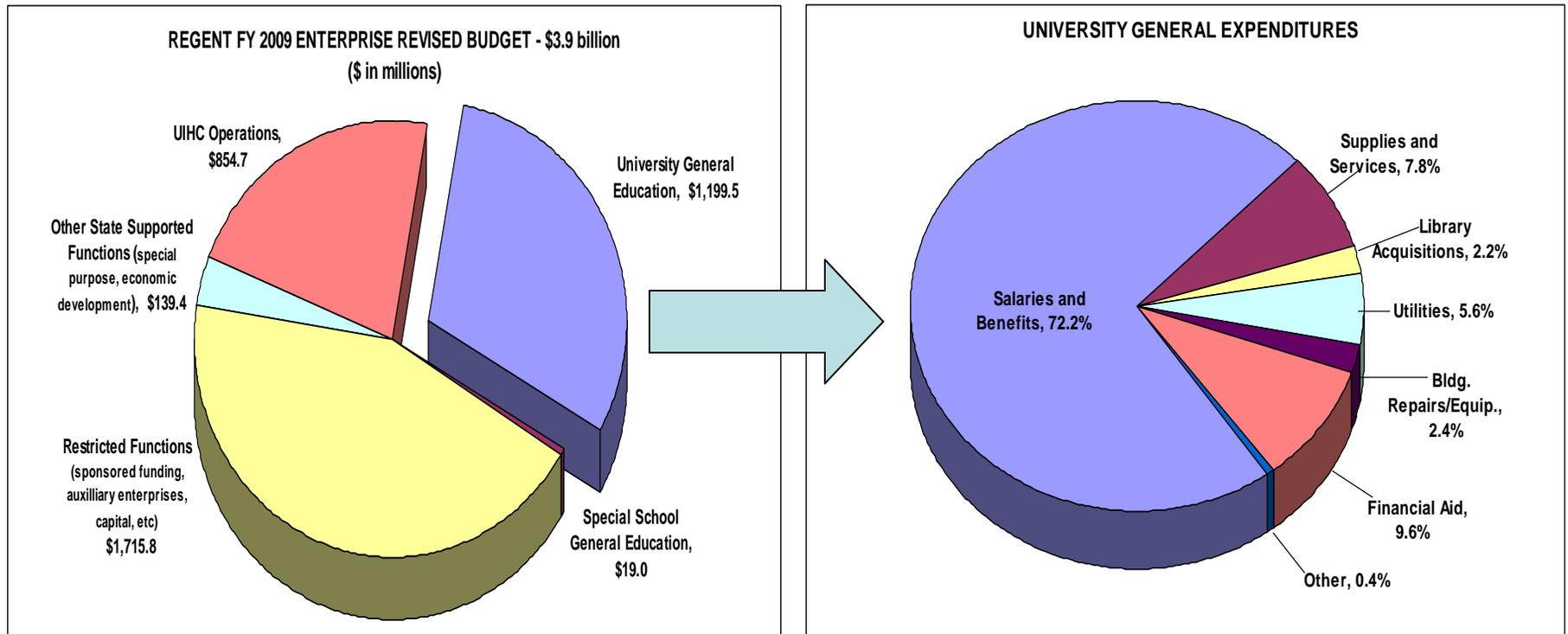




Regent Institutions FY 2010 Budget Update

- **Review General Appropriations** impact on the budget
- **Examine federal stimulus bill**; American Recovery and Reinvestment Act (ARRA)
 - Opportunities for the Universities: research and affordability
 - Impact on state budget and the Regents' state base budget appropriation
- **Review approach** to balancing the budget
- **Share preliminary directions** on budget

Budget Details



State Base Budget Challenge

FY2010 General University Appropriation reductions

\$ 7.0M reversion FY09 (governor's request)

\$10.5M reduction FY09 (1.5% across-the-board)

\$44.5M reduction FY10 (governor's January proposal – 6.5%)

\$24.4M additional reduction by Legislature

= \$86.4M recurring cut

Additional internal challenge

\$86.4M cut in 18 months (Jan. 2009 – June 2010)

+ unknown dollars in committed and unavoidable cost increases for salaries & wages, fringe benefits, utilities, inflation, etc.

American Reinvestment and Recovery Act (ARRA)

“In a global economy where the most valuable skill you can sell is your knowledge, a good education is no longer just a pathway to opportunity - it is a prerequisite. The countries that out-teach us today will out-compete us tomorrow.”

- President Barack Obama, 2/24/09

Stimulus Bill Opportunities for Education

- Research
- Affordability
- State Fiscal Stabilization Funds (SFSF)
 - Awarded to Governors by formula
 - Competitive grants awarded by Secretary of Education

Stimulus Bill Opportunities: Research

The stimulus bill includes more than \$21B in research funding opportunities: \$18B for the conduct of R&D, and \$3.5B for R&D facilities and capital equipment.

- NIH received \$10.4B (Annual budget - \$29B)
- NSF received \$ 3.0B (Annual budget - \$ 6B)
- Department of Energy, National Institute for Standards and Technology, and NASA were other key beneficiaries

Managing the Opportunity:

- Agency-specific mechanisms for disbursement
- One-time funding; two-year interval
- Stringent quarterly reporting requirements

Stimulus Bill Opportunities: Affordability

- Raises the maximum Pell Grant award by \$500 to \$5,350
- Invests additional money in Federal Work Study - \$200 million.
- Increases Hope Scholarship maximum tax credit from \$1,800 to \$2,500 and increases availability of credit from two years to four years.
 - Families with incomes up to \$160K can claim the full credit.
 - Low income students with no federal tax liability will be able to claim up to \$1,000, because the tax credit is refundable.

Additional changes requested in the President's budget:

- Index the Pell Grant above inflation
- Expand the Perkins Loan program – potentially expand number of students receiving from 500,000 to 2.7 million.
- Saves taxpayers \$4B annually by originating all new loans in the direct lending program rather than subsidize a guaranteed student loan program

Stimulus Bill Opportunities: State Fiscal Stabilization Fund (SFSF)

FOUR GUIDING PRINCIPLES:

- **Spend quickly to save and create jobs.**
- **Improve student achievement through school improvement and reform.**
- **Ensure transparency, reporting and accountability.**
- **Invest one-time *ARRA* funds thoughtfully to minimize the "funding cliff."**

ARRA – State Fiscal Stabilization Funds (SFSF)

TWO MAJOR CATEGORIES:

STATE GOVERNORS – Formula

- Education - \$40.1B
- General - \$ 8.2B

SECRETARY of EDUCATION – Competitive

- Race to the Top - \$4.35B available for multi-state application to improve education quality and results
- Teacher Incentive Fund - \$200M
- Teacher Quality Enhancement - \$100M
- Statewide Data Systems - \$250M

State Fiscal Stabilization Fund

State of Iowa's Share = \$472M

- \$386M (81.8%) to K-12 and Higher Education

- Must not fund below 2006 levels

- Must be used to restore funding to the greater of **2008 or 2009** for **2009, 2010 & 2011**

- If funds insufficient then must proportion funds to shortfall

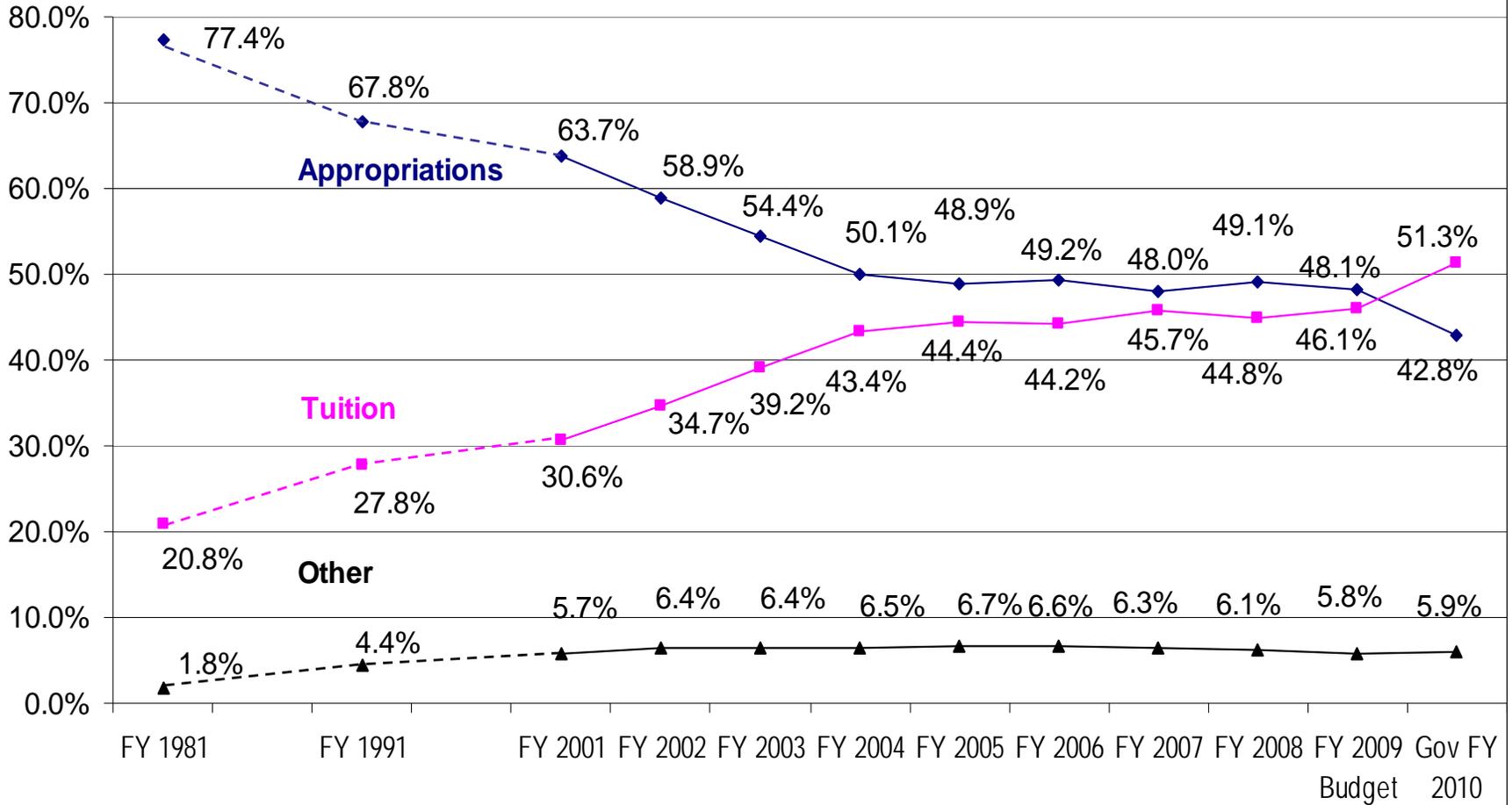
- May be used for education and general, mitigate tuition for in-state students and modernization/renovation/repair of facilities used for instruction, research, student housing

- Some prohibitions

- \$86M (18.2%) for General Purpose

- Used for public safety and other government services which include assistance for elementary and secondary education and public institutions of higher education

REGENT UNIVERSITY GENERAL EDUCATION FUNDING WITHOUT ARRA



Board of Regents, State of Iowa
University of Iowa, Iowa State University, University of Northern Iowa

State Base Budget with ARRA

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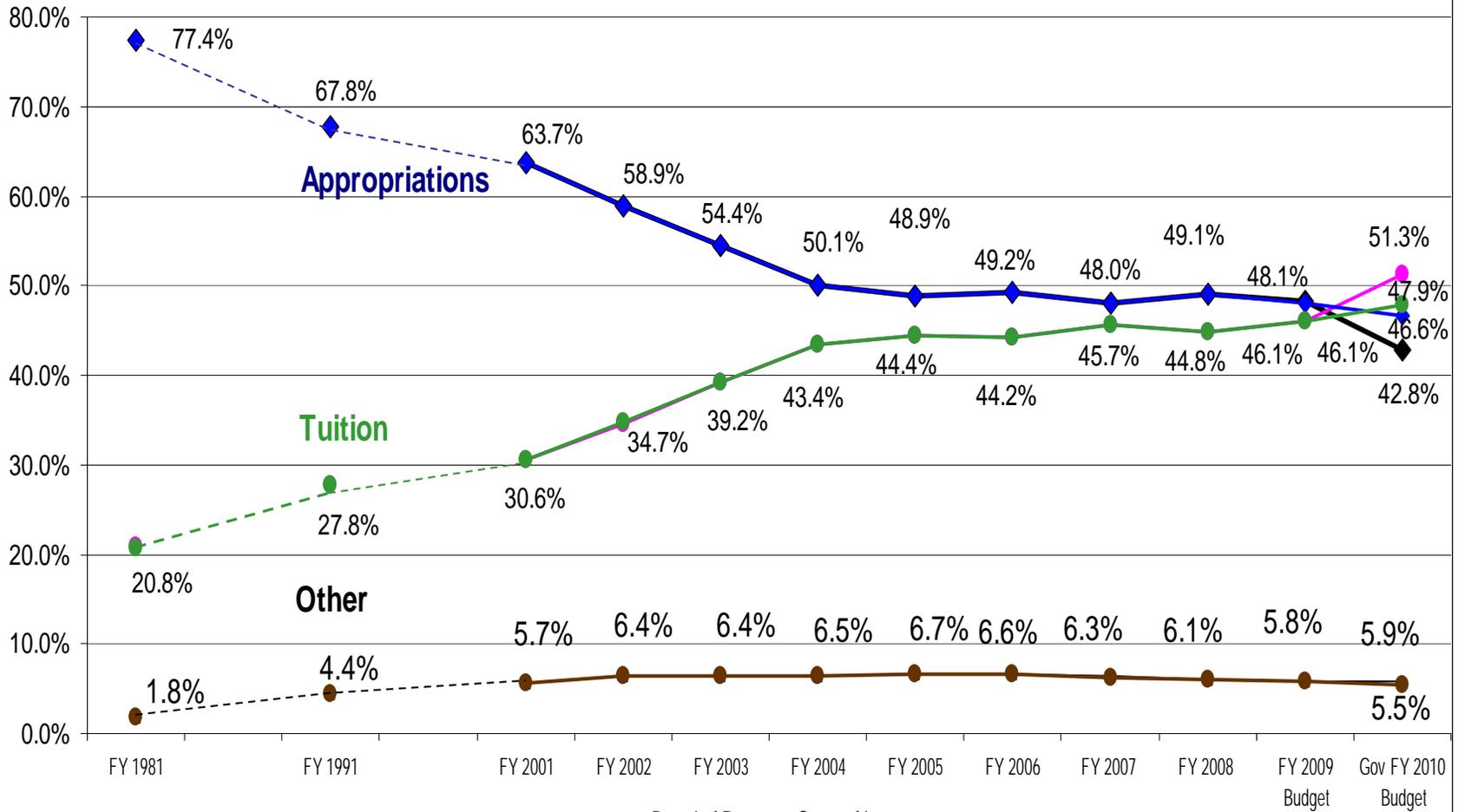
=\$86.3M recurring cut

ARRA funds appropriated by Legislature

+\$80.3M Education/General Stimulus Funds

=\$ 6.0M recurring cut

REGENT UNIVERSITY GENERAL EDUCATION FUNDING WITH ARRA



Board of Regents, State of Iowa
University of Iowa, Iowa State University, University of Northern Iowa

On-going Budget Efficiencies

- Collaborative Purchasing
- Fleet Operations
- Risk Management
- Iowa Public Radio
- Internal Audit
- Institutional Efficiencies

Budget Planning Strategies

- Administrative strategies
- Academic strategies
- Human resource strategies
- Business system strategies
- Facilities, technology and other capital strategies

In each category, look for opportunities to:

- Restructure for efficiency and effectiveness
- Reduce cost
- Defer investments
- Improve productivity and service
- Generate additional revenue

Regents Budget Goals

Continue to stabilize and strengthen the Regent institutions financial model to address future needs.

- ✓ Stimulus funds provide needed, but temporary relief; in 2012, the drop-off appears sudden and severe.
- ✓ No alternative but to continue to cut costs and reduce base budget.
- ✓ Must grow reliable sources of recurring revenue, including tuition, sponsored funding, private support, etc.
- ✓ Will need to urge the state to enter into a new financial compact in 2012.

Since tuition dollars are essential, we must continue to find creative ways to discount the cost of education in relation to financial need.