President Miles’ Response to Governor Culver’s FY 2010 Budget

January 30, 2009

On Tuesday of this week, Governor Culver recommended FY 2010 appropriation reductions of 6.5% for most State agencies, including State appropriations to the Board of Regents for the University of Iowa, Iowa State University, the University of Northern Iowa, the Iowa School for the Deaf, and the Iowa Braille School and Sight Saving School.

In light of the economic challenges facing Iowa and our nation, it is prudent and necessary to revise State expenditures downward to match anticipated receipts. And, given our passion for providing the highest quality education for all Iowans, we applaud the Governor’s decision to exempt from these reductions appropriations related to essential pre-school through secondary education.

However, the Board of Regents was recently asked to identify spending reductions totaling 2.5%, or $17.5 million. Now, the proposed 6.5% spending reduction for FY 2010, if adopted, would result in a cumulative reduction of State appropriations to the Regent enterprise (compared to the original 2008-09 budget) of 9.0%, or approximately $62 million. The current cuts have already resulted in hardships to Iowa’s public universities and special schools. Nowhere will these hardships be felt more keenly than at the University of Iowa, which is still recovering from significant flood damage to its campus and has requested approval for short-term financing to address anticipated cash flow shortfalls.

As the Legislature considers the Governor’s budget proposal, it is appropriate to place the current crisis in a larger context.
It has taken decades of significant investment and hard work to create the outstanding public higher education system Iowans enjoy today. The University of Iowa and Iowa State University are 2 of only 60 universities in the country (from a total of more than 4,200) selected for membership in the prestigious Association of American Universities – an association of the preeminent public and private research universities in North America. The University of Northern Iowa has ranked second in Midwest top public comprehensive universities by U.S. News and World Report for twelve consecutive years. Collectively, Iowa’s public universities educate more than 69,000 students.

The Iowa School for the Deaf and the Iowa Braille and Sight Saving School are unique public resources in providing educational opportunities to Iowa students who are hearing or vision impaired. Both schools serve K-12 students from throughout the state on their campuses, and the Iowa Braille and Sight Saving School serves many non-resident students through its statewide system for vision services.

Our immediate fiscal challenges aside, there is reason to be concerned about whether the State of Iowa is continuing to make the level of investment in Iowa’s public universities and special schools to continue the quality that we have come to expect.

The last eight years have been less than encouraging. In 2001, appropriations from the State to support the general education – i.e., teaching – budget of the University of Iowa, Iowa State University, and the University of Northern Iowa, totaled $549 million, or 64% of our general education budget. From that point, general education appropriations declined in each year from 2002 through 2007. Thanks to the leadership of this Governor and the Iowa Legislature, funding was restored in 2008 to slightly more than 2001 levels, and increased modestly again in FY 2009. Still, by FY 2009, State appropriations had dropped to less than 50% of our general education budget. The real value of the State’s FY 2009 contribution to Iowa’s public universities and special schools is $94 million less than 2001.

The result has been a reduction of 625 State-supported employees over the last 8 years, the majority of whom were teaching faculty. Faculty and staff salaries have lagged behind their peers which reduces our competitiveness in recruiting quality faculty for student instruction. Undergraduate, resident tuition has doubled, and student debt has skyrocketed, both of which
restrict student access to an affordable education. It is a testament to the universities’ success in identifying productivity and efficiency enhancements, attracting additional funded research (which grew from $358 million in 2001 to $474 million in 2009), and growing enrollments, that our tuition levels remain below our peers and that the burden to our students and their families has not been greater.

The unavoidable truth is that the proposed 2010 budget would once again reduce the State’s contribution to the Board of Regents’ general education budget below 2001 levels.

If further reductions in State appropriations are required, our primary focus will be, as always, to provide a high-quality, accessible education to Iowans, to engage in cutting-edge research that demonstrably improves the quality of life for Iowans and others, and to provide needed services and promote economic growth for Iowa. To maintain these critical initiatives, in the short term, Iowa’s public universities and special schools will adjust spending levels as needed, while at the same time attempt to minimize any negative impacts to our institutions and communities, particularly with respect to the quality or accessibility of our academic programs to students. This is certain to be a difficult task. Potential actions that may be required include deferring open positions, limiting or eliminating salary increases, implementing furloughs, and eliminating positions.

Our larger task, and greater challenge, will be to review and, where appropriate, rethink, our expenditures to ensure that we are directing our resources toward the central educational, research, and service mission of our institutions. Accordingly, this will require our institutions to undertake an in-depth look at all major expense line items in the operating budget to include: analyzing salaries and benefits; improving efficiencies and productivity; assessing the potential for consolidating or downsizing academic programs that have low enrollment levels or are considered less central to our mission; improving utilization of facilities; and/or adjusting teaching and research loads. We will revisit our capital expenditure plans. And, importantly, we will explore additional ways to further increase the return on investment of $1.58 generated by our institutions from non-tax payer revenue sources for every $1.00 of State appropriations to our general education budget.
This review will be led by the head of each of our institutions, and we strongly support their efforts to solicit the active participation of their faculty, staff, and students in developing effective responses to our budget challenges.

In crisis there is opportunity. And Iowa’s public universities and special schools are committed to seizing this opportunity to refocus our institutions, invest in areas of excellence, and prepare to expand upon their many contributions to this great State and her citizens.

Note: At its meeting on February 3, 2009, the Board of Regents will receive a briefing from Patrice Sayre, Chief Business Officer, on the proposed FY 2010 budget reductions. The Board will then ask the institutions to begin working to finalize their budgets in preparation for presenting their recommendations to the Board once the State’s 2010 budget has been finalized and approved by the Governor.