

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Operating Budgets for FY 2005 and Budget Adjustments for FY 2004
Date: June 7, 2004

Recommended Actions:

1. Refer to the individual institutional memoranda, 8a through 8h, for discussion of detailed budgets and budget ceiling adjustments.
 2. Approve the distribution of the Regional Study Centers FY 2005 appropriations as follows:
 - Quad-Cities Graduate Study Center \$157,144;
 - Tri-State Graduate Center \$77,941; and
 - Southwest Iowa Regents Resource Center \$105,956.
-

Executive Summary:

Budget Process Approval of the institutional budgets consists of two steps:

1. In April, the Board considered key budgetary issues to provide guidance in the development of the institutional budgets.
2. This month, the Board is asked to approve the final budgets.

Definitions The Regent institutions have two basic types of funds within the budgets:

General funds include operating appropriations, some federal funds, interest income, tuition and fee revenues, reimbursed indirect costs, and sales and services for fundamental operations of the institutions.

Restricted funds are specifically designated or restricted for a particular purpose or enterprise and include capital appropriations, tuition replacement, gifts, sponsored funding from federal and private sources, athletics, as well as other auxiliary or independent functions such as residence, parking, and utility systems.

FY 2004 Only Iowa State University requested a budget adjustment for its Cooperative Extension budget as a result of federal funding changes.

FY 2005 Budgets The final composite FY 2005 institutional general fund operating budgets, including the operations of the University of Iowa Hospitals and Clinics, total \$1.7 billion. The total institutional restricted fund budgets total \$1.4 billion for a combined total of \$3.1 billion.

INSTITUTIONAL FY 2005 BUDGETS
(in thousands)

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
SUI	\$1,167,919	\$ 737,200	\$1,905,119
ISU	422,511	510,900	933,411
UNI	139,443	139,742	279,185
ISD	9,051	1,175	10,226
IBSSS	<u>5,191</u>	<u>1,734</u>	<u>6,925</u>
Total	\$1,744,115	\$1,390,751	\$3,134,866

In developing the individual budgets, the institutions were guided by the strategic plans of the Board and each respective institution. Successful strategic planning depends, in part, upon the best use of available resources.

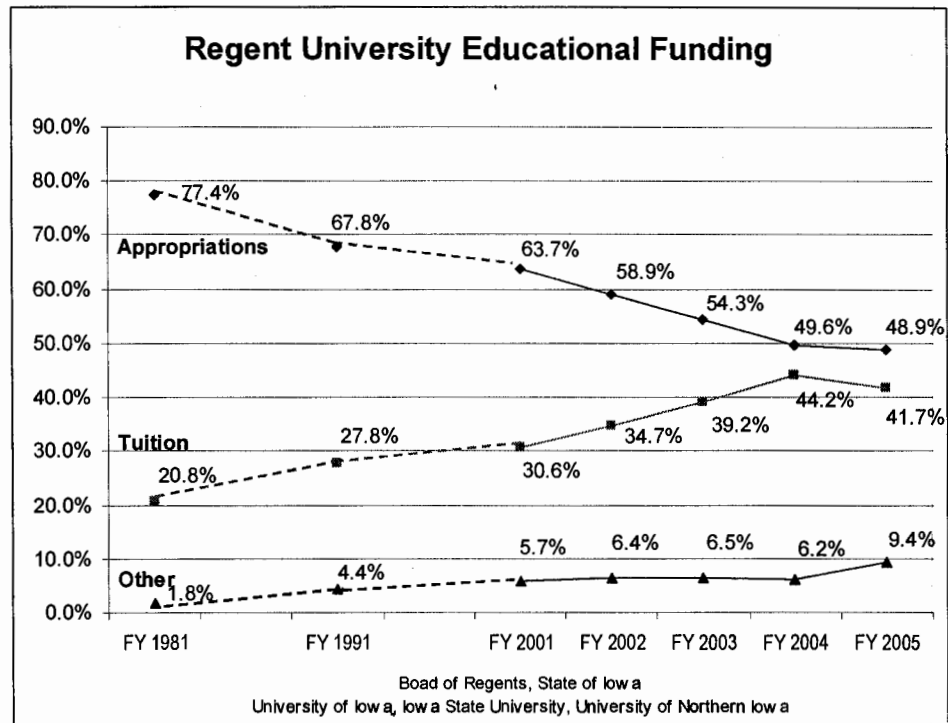
The institutions prioritized departmental funding based on final state appropriations, estimated tuition revenues, and identified reallocations of existing resources.

Changes Any changes from previously submitted budgets are addressed in each institutional Agenda Item.

Budget Challenges For the past several years, the Regent institutions have faced significant budget challenges with declining state appropriations. The Board and the institutions have taken various actions to increase revenues and control expenditures.

The Board has significantly increased tuition over these years to support the quality of its higher education in the general university budget units, but the increased tuition has not covered the state cuts and shortages in funding for state mandated salary increases. The universities have focused efforts in prioritizing academic programs, implementing efficiencies, and soliciting more sponsored research.

This has resulted in a shifting of resources as shown in the following table.



Residence System

Residence systems, which include dining services, are operated by each of the Regent universities as part of their educational responsibilities. The residence systems are self-supporting operations and do not receive state-appropriated funds for operations or capital improvements.

Residence System budgets total \$121 million for all three universities.

The final budgets for the University of Iowa and Iowa State University residence systems have changed from the preliminary budgets submitted to the Board in March. Details are included in Agenda Items 8b and 8c.

Athletics

Intercollegiate athletics at the Regent universities are not self-supporting activities. Each University provides some general university support to its athletic department, and student fees support either debt service or operations of the athletic departments.

The final FY 2005 athletic budgets of the universities total \$80.7 million. General university support and student fees vary significantly by university.

Further details are provided in Agenda Item 8a.

Board Office

The final FY 2005 operating budget totals slightly under \$2.5 million including state appropriations of \$1.2 million and institutional allocations of \$1.3 million, which represents the same level of funding as FY 2004 after adjustments for the state across-the-board budget reduction. Further details are provided in the Board Office budget in Agenda Item 8g.

Background:

Board Budget Process

In April, the Board considered key budgetary issues to provide guidance in the development of the institutional budgets:

1. Revenues changes
2. Reallocations
3. Salary increase policies
4. Unavoidable mandatory and inflationary costs
5. General fund support for athletics
6. Economic development issues
7. Capital projects / building repairs

This month, the Board is asked to approve the general and restricted fund budgets.

Tuition replacement appropriations for the debt service of academic building revenue bonds are included in the restricted fund budgets, as are the amounts for the residence system functions, athletic department activities, and other auxiliary functions associated with the educational missions of the institutions.

Analysis:

General Fund

The general fund operating budgets for the five Regent institutions, including the UIHC budgets, were developed by the institutions based on the strategic plans of the Board and each institution and the actions of the General Assembly and the Governor.

FY 2005 General Funds

	<u>Total Budget</u>	<u>Direct State Appropriations</u>	<u>State Appropriations Changes*</u>
SUI	\$1,167,919,231	\$271,989,628	0
ISU	422,510,550	226,996,287	0
UNI	139,442,656	78,377,656	0
ISD	9,051,200	8,468,249	368,537
IBSSS	<u>5,190,937</u>	<u>4,737,675</u>	<u>206,183</u>
TOTAL	\$1,744,114,574	\$590,569,495	\$574,720

* From revised FY 2004 appropriations.

Appropriations

The FY 2005 general fund operating budgets for the Regent institutions include state appropriations of \$590.6 million.

- FY 2005 state appropriations included increases of \$574,720 for the special schools and no increases for the universities.
- No state appropriations were provided for salary increases to implement the state's salary policy at the Regent universities or the Board Office.

Tuition

The Board's tuition policy is intended to maintain quality and effectiveness as well as improve quality, thereby recognizing the aspirations of the Board and the institutions for achieving excellence. Critical to the successful implementation of the Board's strategic plan is securing sufficient resources.

In November 2003, the Board approved an 8.3% increase in undergraduate resident base tuition for FY 2005.

**FY 2005 Budgeted
Tuition and Fee Revenues**

	<u>Total Budget</u>	<u>Gross Increase</u>	<u>Net Increase¹</u>
SUI	\$206,271,000	\$7,979,007	\$4,706,627
ISU	161,719,009	1,909,743	1,166,272
UNI	<u>58,000,000</u>	<u>1,900,000</u>	<u>1,550,000</u>
Total	\$425,990,009	\$11,788,750	\$7,422,899

¹ Excludes surcharges and student aid; includes enrollment growth.

Other Revenues

The institutions receive indirect cost recoveries on various grants and contracts. The following table shows the expected revenue in FY 2005 and the change from FY 2004. This revenue source is dependent on new awards and renewals and the timing of grant and contract expenditures.

**FY 2005 Budgeted
Indirect Cost Recoveries**

	<u>Total Budget</u>	<u>Change</u>
SUI	\$45,220,356	(\$771,244)
ISU	17,253,000	2,253,000
UNI	1,900,000	325,000
IBS	<u>70,817</u>	<u>1,083</u>
Total	\$64,444,173	\$1,807,839

Reallocations

In October 2003, the Board approved a revised reallocation policy to be incorporated into the Policy Manual. The following represents the key components of the reallocation policy for FY 2005 through FY 2009:

- Each institution must reallocate at least 1.0% of its continuing base general fund budget for focused strategic initiatives.
- Each initiative must be fully described, similar to initiatives requesting state appropriations or outside funding, and should address the following criteria:
 - Relationship of initiatives to institutional strategic plans.
 - Other proposed funding source requests, such as state appropriations or tuition, for similar or connected initiatives.
 - Benefits associated with initiatives to the institution and/or the state such as:
 - Desired outcomes of initiatives
 - Potential for enhancement of external funding (leveraging of resources)
 - Expected impact on the state's economic development
- The institution is to describe results/progress of the initiatives funded by reallocations as part of the annual comprehensive fiscal report.
- The institution would provide a summary, in general terms, of the reallocated funding.

The Regent institutions budgets indicate reallocations have surpassed the 1% target for focused strategic initiatives as illustrated in the following table.

FY 2005 Budgeted Reallocations

	Other <u>Initiatives</u>	Strategic <u>Initiatives</u>	% of FY 2004 <u>Final Budget</u>	<u>Total</u>	% of FY 2004 <u>Final Budget</u>
SUI	\$3,649,961	\$5,013,039	1.1%	\$8,663,000	1.9%
ISU	1,406,128	7,103,031	1.7%	8,509,159	2.0%
UNI	0	5,501,016	4.0%	5,501,016	4.0%
ISD	0	89,409	6.0%	89,409	6.0%
IBSSS	<u>16,076</u>	<u>130,036</u>	3.0%	<u>146,112</u>	3.0%
	\$5,072,165	\$17,836,531		\$22,908,696	

Salary Policies

The Board of Regents highest priority for the FY 2005 budget requests was full funding of salaries from state appropriations. Quality faculty and staff are essential to the implementation of the Board's and institutions strategic plans. To recruit and retain top faculty in a global market place, the Regent universities must remain competitive.

The Regent institutions have several bargained employee contracts requiring the institutions to fund salary increases for FY 2005 even though there has been no funding provided for the increases. This includes AFSCME, for which the state is completely responsible for the bargaining agreement.

Salaries are the largest expenditure item at the Regent institutions as illustrated in the following table:

FY 2005 Budget	
Salaries as % of Budget	
SUI*	75.6%
ISU*	71.5%
UNI*	79.1%
ISD	79.4%
IBSSS	83.0%

* General University only

Student Aid Set-Aside

It is essential that the universities attract quality students as well as provide affordable higher education which requires a mix of need-based aid and merit aid from tuition set-aside.

During its tuition discussion in November 2002, the Board directed the universities to distribute at least 15% of gross tuition revenue annually for student financial aid with a focus on need-based aid.

The following table shows student aid by institution. All of the universities have exceeded the minimum requirement established by the Board in November 2003.

Student Aid Set-Aside			
	Increase In Student Aid <u>Set-Aside</u>	Total Proposed Student Aid <u>Set-Aside</u>	Student Aid Set-Aside as <u>% of Tuition</u>
SUI	\$1,605,890	\$35,422,000	17.2%
ISU	420,143	35,979,748	22.2%
UNI	350,000	10,450,000	18.0%

Restricted Fund

The FY 2005 restricted fund budgets of the Regent institutions total \$1.4 billion and include capital appropriations, tuition replacement appropriations, residence system functions, athletic department budgets, as well as other auxiliary functions associated with the educational missions of the institutions.

FY 2005 Restricted Fund Budgets	
SUI	\$737,200,000
ISU	510,900,220
UNI	139,741,863
ISD	1,175,342
IBSSS	<u>1,733,814</u>
	\$1,390,751,239

Capital appropriations for FY 2005 total \$23.3 million and reflect the actual amounts specifically appropriated for FY 2005 by past General Assemblies and planned draw downs of state funds.

The FY 2005 tuition replacement appropriation is \$24.3 million. Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue Bonds. Tuition and fee revenues are used for debt service payments on Academic Building Revenue Bonds. The tuition replacement appropriation replaces that university revenue.

FY 2005 Restricted Appropriations

	<u>Capital Appropriations</u>	<u>Tuition Replacement Appropriations</u>
SUI	\$11,000,000	10,502,145
ISU	1,949,100	9,280,863
UNI	9,880,000	4,522,404
ISD	385,000	0
IBSSS	<u>115,000</u>	<u>0</u>
Total	\$23,329,100	\$24,305,412

Residence System The final FY 2005 residence system revenue budgets of the universities, totaling \$121.0 million, are based on the rates approved at the April 2004 Board meeting.

FY 2005 Residence System Revenue Budgets

SUI	\$38,852,574
ISU	57,961,398
UNI	<u>24,163,706</u>
Total	\$120,977,678

Athletics

The FY 2005 university athletic revenue budgets total \$80.7 million as illustrated in the following table.

FY 2005 Budgeted Athletic Revenues

	<u>SUI</u>	<u>ISU</u>	<u>UNI</u>	<u>Total</u>
Sports Income	\$21,328,000	\$10,052,002	\$1,201,400	\$32,581,402
Alumni/Foundation				
Corp Support/ Sponsorship	4,912,689	4,326,500	540,000	9,779,189
Athletic Conference				
NCAA Support	10,609,000	5,527,184	223,296	16,359,480
General University Support ¹	1,923,359	2,637,717	4,649,323	9,210,399
Student Fees	1,526,431	1,125,000	1,275,725	3,927,156
Other Income	<u>5,179,000</u>	<u>3,380,711</u>	<u>325,500</u>	<u>8,885,211</u>
Total	\$45,478,479	\$27,049,114	\$8,215,244	\$80,742,837

Athletic budgets are presented in detail in Agenda Item 8a.

Deb A. Hendrickson Approved: Gregory S Nichols
Deb A. Hendrickson Gregory S. Nichols

**BOARD OF REGENTS
STATE OF IOWA
FY 2005 GENERAL FUND OPERATING BUDGETS**

AGENDA ITEM 8

University of Iowa										
RESOURCES	Univ.	Univ. Hosp.	Psych. Hosp.	CDD	Oakdale Campus	Hyg. Lab	Family Prac.	SCHS	Special Purpose	Subtotal
APPROPRIATIONS										
General	\$219,937,344	\$27,284,584	\$7,043,056	\$6,363,265	\$2,657,335	\$3,802,520	\$2,075,948	\$649,066	\$2,176,510	\$271,989,628
Other	-	-	-	-	-	-	-	-	-	-
RESOURCES										
Federal Support	-	-	-	-	-	-	-	-	-	2,725,293
Interest	1,399,656	-	-	-	6,000	-	15,000	-	-	1,420,656
Tuition and Fees	206,271,000	-	-	-	-	-	-	-	-	206,271,000
Reimb. Indirect Costs	40,853,000	2,868,400	911,900	180,000	325,000	82,056	-	-	-	45,220,356
Sales and Service	-	622,082,216	10,861,744	2,299,135	-	2,838,685	-	175,000	-	638,256,780
Other Income	125,000	537,600	-	-	75,000	-	-	1,297,918	-	2,035,518
Subtotal - Inst. Income	248,648,656	625,488,216	11,773,644	2,479,135	406,000	2,920,741	15,000	4,198,211	-	895,929,603
TOTAL RESOURCE BUDGET	\$468,586,000	\$652,772,800	\$18,816,700	\$8,842,400	\$3,063,335	\$6,723,261	\$2,090,948	\$4,847,277	\$2,176,510	\$1,167,919,231
EXPENDITURES										
Fac. & Inst. Off. Salaries	206,133,000	25,215,000	1,873,500	679,900	-	-	1,660,758	520,869	660,133	236,743,160
Prof. & Sci. Staff Salaries	72,533,000	242,244,900	9,025,400	4,004,800	79,395	4,024,820	303,887	2,501,748	747,302	335,465,252
General Service Staff Sal.	72,391,000	114,121,700	4,318,000	2,474,900	1,491,695	2,080,423	90,678	882,590	169,360	198,020,346
Hourly Wages	3,048,000	6,227,200	130,500	209,600	-	16,752	8,861	203,500	10,722	9,855,135
Subtotal - Salaries	354,105,000	387,808,800	15,347,400	7,369,200	1,571,090	6,121,995	2,064,184	4,108,707	1,587,517	780,083,893
Prof. and Scientific Supp.	32,491,000	228,603,700	2,359,500	1,230,800	360,424	592,266	26,764	728,570	565,751	266,958,775
Library Acquisitions	11,413,000	-	-	-	-	-	-	-	-	11,413,000
Rentals	1,470,000	4,679,500	8,300	25,000	-	9,000	-	-	-	6,191,800
Utilities	20,628,000	15,486,400	1,101,500	217,400	990,621	-	-	-	-	38,423,921
Bldg. Repairs	6,054,000	7,376,500	-	-	125,000	-	-	-	-	13,555,500
Auditor of State Reimb.	500,000	-	-	-	-	-	-	-	-	500,000
Equipment	6,503,000	8,817,900	-	-	16,200	-	-	10,000	23,242	15,370,342
Aid to Individuals	35,422,000	-	-	-	-	-	-	-	-	35,422,000
Subtotal - Other Expenses	114,481,000	264,964,000	3,469,300	1,473,200	1,492,245	601,266	26,764	738,570	588,993	387,835,338
TOTAL EXPENDITURES	\$468,586,000	\$652,772,800	\$18,816,700	\$8,842,400	\$3,063,335	\$6,723,261	\$2,090,948	\$4,847,277	\$2,176,510	\$1,167,919,231

BOARD OF REGENTS
STATE OF IOWA
FY 2005 GENERAL FUND OPERATING BUDGETS

RESOURCES	Iowa State University							Univ. of Northern Iowa	ISD	IBSSS	FY 2005 General Fund Total
	Gen. Univ.	Exp. Station	Coop. Ext.	Special Purpose	Subtotal	Univ. of Northern Iowa	ISD				
APPROPRIATIONS											
General	\$173,189,751	\$31,019,520	\$19,738,432	\$3,048,584	\$226,996,287	\$78,377,656	\$8,468,249	\$4,737,675	\$590,569,495		
Other	-	-	-	-	-	-	169,342	88,643	257,985		
RESOURCES											
Federal Support	-	4,125,373	8,800,000	-	12,925,373	-	54,000	234,450	15,939,116		
Interest	1,370,000	-	-	-	1,370,000	600,000	25,000	3,500	3,419,156		
Tuition and Fees	161,719,009	-	-	-	161,719,009	58,000,000	-	-	425,990,009		
Reimb. Indirect Costs	17,253,000	-	-	-	17,253,000	1,900,000	-	70,817	64,444,173		
Sales and Service	373,000	-	-	-	373,000	565,000	322,693	35,813	639,553,286		
Other Income	1,863,881	5,000	5,000	-	1,873,881	-	11,916	20,039	3,941,354		
Subtotal - Inst. Income	182,578,890	4,130,373	8,805,000	-	195,514,263	61,065,000	413,609	364,619	1,153,287,094		
TOTAL RESOURCE BUDGET	\$355,768,641	\$35,149,893	\$28,543,432	\$3,048,584	\$422,510,550	\$139,442,656	\$9,051,200	\$5,190,937	\$1,744,114,574		
EXPENDITURES											
Fac. & Inst. Off. Salaries	145,694,116	19,142,570	5,970,660	688,419	171,495,765	63,450,643	3,342,184	1,700,804	476,732,556		
Prof. & Sci. Staff Salaries	59,437,913	7,460,460	15,755,808	1,425,383	84,079,564	24,204,187	1,804,639	496,268	446,049,910		
General Service Staff Sal.	44,980,679	3,149,738	2,701,333	268,553	51,100,303	20,844,406	2,042,839	2,110,362	274,118,256		
Hourly Wages	4,172,000	420,800	420,084	96,152	5,109,036	1,859,839	-	-	16,824,010		
Subtotal - Salaries	254,284,708	30,173,568	24,847,885	2,478,507	311,784,668	110,359,075	7,189,662	4,307,434	1,213,724,732		
Prof. and Scientific Supp.	24,365,511	4,341,332	3,372,547	478,777	32,558,167	10,749,380	1,019,069	564,369	311,849,760		
Library Acquisitions	8,497,981	-	-	-	8,497,981	1,891,520	8,226	7,212	21,817,939		
Rentals	1,094,307	-	160,000	-	1,254,307	911,200	-	-	8,357,307		
Utilities	20,223,941	91,983	13,000	-	20,328,924	3,458,345	357,997	125,165	62,694,352		
Bldg. Repairs	5,884,432	70,000	-	-	5,954,432	1,000,000	338,000	110,257	20,958,189		
Auditor of State Reimb.	431,682	-	-	-	431,682	235,000	57,000	26,000	1,249,682		
Equipment	5,006,331	350,000	150,000	91,300	5,597,631	388,136	81,246	50,500	21,487,855		
Aid to Individuals	35,979,748	123,010	-	-	36,102,758	10,450,000	-	-	81,974,758		
Subtotal - Other Expenses	101,483,933	4,976,325	3,695,547	570,077	110,725,882	29,083,581	1,861,538	883,503	530,389,842		
TOTAL EXPENDITURES	\$355,768,641	\$35,149,893	\$28,543,432	\$3,048,584	\$422,510,550	\$139,442,656	\$9,051,200	\$5,190,937	\$1,744,114,574		

**BOARD OF REGENTS
STATE OF IOWA
FY 2005 RESTRICTED FUNDS BUDGETS**

REVENUES	SUI	ISU	UNI	ISD	IBSSS	FY 2005 Restricted Total
APPROPRIATIONS						
Other	-	-	\$108,673	-	-	\$108,673
Tuition Replacement	\$10,502,145	\$9,280,863	4,522,404	-	-	24,305,412
Capital	11,000,000	1,949,100	9,880,000	\$385,000	\$115,000	23,329,100
RESOURCES						
Federal Support	215,600,000	142,861,586	26,250,000	127,752	222,290	385,061,628
Interest	-	2,237,610	2,000,000	30,000	-	4,267,610
Tuition and Fees	38,400,000	15,965,418	13,857,770	-	-	68,223,188
Reimbursed Indirect Costs	20,700,000	8,192,115	-	-	-	28,892,115
Sales and Service	197,600,000	44,289,042	72,200,000	627,590	1,216,229	315,932,861
Other Income	243,397,855	286,124,486	10,923,016	5,000	180,295	540,630,652
Subtotal - Inst. Income	715,697,855	499,670,257	125,230,786	790,342	1,618,814	1,343,008,054
TOTAL REVENUES	\$737,200,000	\$510,900,220	139,741,863	\$1,175,342	\$1,733,814	\$1,390,751,239
EXPENDITURES						
Fac. & Inst. Off. Salaries	\$89,500,000	\$54,844,588	\$4,624,016	\$336,664	\$1,277,661	\$150,582,929
Prof. & Sci. Staff Salaries	131,300,000	77,714,777	12,850,000	151,722	5,000	222,021,499
General Service Staff Salaries	33,300,000	36,930,197	10,300,000	30,998	49,681	80,610,876
Hourly Wages	18,400,000	19,275,984	6,250,000	-	-	43,925,984
Subtotal - Salaries	272,500,000	188,765,546	34,024,016	519,384	1,332,342	497,141,288
Prof. and Scientific Supplies	160,000,000	164,556,765	42,350,000	133,507	216,972	367,257,244
Library Acquisitions	-	-	3,200	1,600	-	4,800
Rentals	13,000,000	-	920,400	-	-	13,920,400
Utilities	7,300,000	8,434,560	2,371,500	40,000	-	18,146,060
Building Repairs	3,800,000	13,001,788	3,895,000	460,000	174,500	21,331,288
Auditor of State	-	-	-	250	-	250
Equipment	13,900,000	6,702,087	3,200,000	20,601	10,000	23,832,688
Aid to Individuals	44,700,000	36,497,721	14,250,000	-	-	95,447,721
Debt Service	50,000,000	29,588,268	9,663,747	-	-	89,252,015
Plant Capital	172,000,000	63,353,485	29,064,000	-	-	264,417,485
Subtotal - Other Expenses	464,700,000	322,134,674	105,717,847	655,958	401,472	893,609,951
TOTAL EXPENDITURES	\$737,200,000	\$510,900,220	\$139,741,863	\$1,175,342	\$1,733,814	\$1,390,751,239