

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: FY 2005 Budgets — University of Iowa
Date: June 7, 2004

Recommended Actions:

Approve the University of Iowa's final FY 2005 general fund operating budget, including the operations of the University of Iowa Hospitals and Clinics of \$1,167,919,231 and the restricted fund budget of \$737,200,000 for a total of \$1,905,119,231.

Executive Summary:

Final FY 2005 Budget The University of Iowa prepared its final FY 2005 detailed budgets in accordance with the strategic plans of the Board and of the University. The FY 2005 budgets consist of the general fund and the restricted fund budgets.

General Fund The University's general fund operating budget of \$1.2 billion is organized into 14 budgetary units, which reflect separate and distinct state appropriations to the University.

The primary FY 2005 revenue sources include:

- Sales and services (mostly from UIHC) of \$638.3 million,
- State appropriations of \$272.0 million,
- Tuition and fees of \$206.3 million,
- Indirect cost recoveries of \$45.2 million, and
- Federal support of \$2.7 million.

The following table shows FY 2005 budgets by appropriation unit compared to final revised FY 2004 budgets.

	FY 2004 <u>Final Budget</u>	FY 2005 <u>Budget</u>	\$ <u>Change</u>
General University	\$461,180,581	\$468,586,000	\$7,405,419
University Hospital	607,947,195	652,772,800	44,825,605
Psychiatric Hospital	18,625,209	18,816,700	191,491
Center for Disabilities and Development	8,707,739	8,842,400	134,661
Oakdale Campus	3,063,335	3,063,335	0
Hygienic Laboratory	6,712,142	6,723,261	11,119
Family Practice	2,103,948	2,090,948	(13,000)
SCHS	5,057,957	4,847,277	(210,680)
Special Purpose			
Center for Biocatalysis and Bioprocessing	881,384	881,384	0
Economic Development*	247,005	247,005	0
Iowa Birth Defects Registry	44,636	44,636	0
Iowa Substance Abuse Consortium	64,871	64,871	0
Primary Health Care	759,875	759,875	0
State of Iowa Cancer Registry	178,739	178,739	0
TOTAL	\$1,115,574,616	\$1,167,919,231	\$52,344,615

*Includes Center for Advanced Drug Development, Oakdale Research Park, and Innovation Center.

General University The General University budget represents the central educational operating unit of the University.

This final budget of \$468.6 million includes direct state appropriations of \$219.9 million, tuition and fees of \$206.3 million, and indirect cost recoveries of \$40.9 million.

Budgeted salaries of \$354.1 million represent 75.6% of the FY 2005 budget. Student financial aid of \$35.4 million represents 7.6% of the budget and 17.2% of tuition and fees.

No state appropriations were provided for salary increases to implement the state's salary policy.

The University proposes to allocate its general fund operating budget by its strategic planning goals:

Strengthening Undergraduate Education	\$149.9 million
Achieving Premier Graduate and Professional Programs	172.4 million
Fostering Distinguished Research, Scholarship, and Artistic Creation	69.9 million
Facilitating Interdisciplinary Interaction in Teaching, Research, and Service	13.8 million
Developing a Highly Productive Organization	62.6 million
Total	\$468.6 million

University Health Care Units Four of the 14 general fund appropriation units comprise the University Health Care units — Hospitals and Clinics (UIHC), Psychiatric Hospital, the Center for Disabilities and Development, and Specialized Child Health Services (SCHS).

With the 9.5% rate increase approved by the Board in May and the anticipated increases in patient volume, the University projects FY 2005 total revenues as follows:

	FY 2005 Revenues	% Increase from FY 2004
UIHC	\$652.8 million	7.4%
Psychiatric Hospital	18.8 million	1.0%
Center for Disabilities and Development	8.8 million	1.6%
SCHS	4.8 million	(4.2)%

The increase in Sales and Service revenue at UIHC of \$44 million can be attributed to the following: a) rate increase (\$14.8 million), b) volume increase (\$19.7 million), and c) change in reimbursement rates from contracts with governmental and commercial payers (\$9.5 million).

Other Appropriations Units The other appropriation units in the general fund include the Oakdale Campus, University Hygienic Laboratory, Family Practice Program, Center for Biocatalysis and Bioprocessing, Iowa Substance Abuse Consortium, State of Iowa Cancer Registry, Primary Health Care, Iowa Birth Defects Registry, and Economic Development. Summaries of these units begin on page 14.

Restricted Fund The restricted fund budget of \$675.4 million includes resources and expenditures related to sponsored programs, auxiliary enterprise functions, independent operations, bonding activities, and capital projects. State appropriations for capitals are included in the restricted fund budget. (See details on page 17.)

The Residence System and Athletic Department budgets are part of the restricted fund budget and, as such, are presented this month for approval.

Residence System The Residence System FY 2005 budget was previously presented to the Board in March. Revenue projections have decreased slightly and expense projections have increased slightly from the preliminary budget. (Attachment A, page 20.)

Athletics The final Athletic Department FY 2005 budget of \$45.5 million represents 6.2% of the restricted fund budget and is detailed in Agenda Item 8a (Operating Budgets for FY 2005 - Athletics).

Background:

Board Budget Process

In April, the Board considered key budgetary issues to provide guidance in the development of the institutional budgets. This month, the Board receives the general and restricted fund budgets for approval.

Analysis:

General Fund

The FY 2005 general fund operating budget for the University of Iowa is \$1.2 billion and is distributed among the following units:

	<u>Total Budget</u>	<u>State Appropriations</u>
General University	\$468,586,000	\$219,937,344
University Hospital	652,772,800	27,284,584
Psychiatric Hospital	18,816,700	7,043,056
Center for Disabilities and Development	8,842,400	6,363,265
Oakdale Campus	3,063,335	2,657,335
Hygienic Laboratory	6,723,261	3,802,520
Family Practice	2,090,948	2,075,948
SCHS	4,847,277	649,066
Special Purpose		
Center for Biocatalysis and Bioprocessing	881,384	881,384
Economic Development*	247,005	247,005
Iowa Birth Defects Registry	44,636	44,636
Iowa Substance Abuse Consortium	64,871	64,871
Primary Health Care	759,875	759,875
State of Iowa Cancer Registry	178,739	178,739
TOTAL	\$1,167,919,231	\$271,989,628

*Includes Center for Advanced Drug Development, Oakdale Research Park, and Innovation Center.

Appropriation Shortfall

No state appropriations were provided for salary increases to implement the state's salary policy.

Salary Policy

The University's overall objective is to achieve, from all sources of funds, an average non-union faculty and professional and scientific staff salary increase policy in the range of 1.0% - 2.5%. Deans and Vice-Presidents will have discretion within the range. These increases will be based on performance. Units must also compensate for promotion and reclassification, or resolve issues relating to gender or ethnicity concerns, compression problems, market adjustments or other special needs within the overall salary policy.

FY 2005 salary increases for all general education fund employee groups will be funded through reallocations.

General University The SUI General University appropriation unit represents the central educational operating budget and includes its eleven colleges, other units and central administration.

- College of Liberal Arts and Sciences
- College of Business Administration
- College of Dentistry
- College of Education
- College of Engineering
- College of Law
- College of Medicine
- College of Nursing
- College of Pharmacy
- College of Public Health
- Graduate College.

Other Units include the:

- Library
- Continuing Education
- Summer Session
- Information Technology Services

Central Administration includes the:

- Office of the President
- Office of the Provost
- Office of the Vice President for Research
- Office of University Relations
- Office of the Vice President for Student Services
- Office of the Vice President for Finance and Operations

The following table shows the general university revenues and expenditures for the final revised FY 2004 budget and the proposed FY 2005 budget.

**University of Iowa - General University
Budget Comparisons**

	FY 2004 Revised Budget	FY 2005 Proposed Budget	Change Over/(Under)
REVENUES			
Appropriations	\$219,937,344	\$219,937,344	\$ 0
Interest	900,000	1,399,656	499,656
Tuition and Fees	198,291,993	206,271,000	7,979,007
Reimbursed Indirect Costs	41,926,244	40,853,000	(1,073,244)
Other Income	<u>125,000</u>	<u>125,000</u>	<u>0</u>
TOTAL REVENUES	\$461,180,581	\$468,586,000	\$7,405,419
EXPENDITURES			
Salaries	\$349,938,469	\$354,105,000	\$ 4,166,531
Prof. /Scientific Supplies	32,991,793	32,491,000	(500,793)
Library Acquisitions	10,872,574	11,413,000	540,426
Rentals	1,500,000	1,470,000	(30,000)
Utilities	18,928,738	20,628,000	1,699,262
Building Repairs	6,104,692	6,054,000	(50,692)
Auditor of State	471,016	500,000	28,984
Equipment	6,557,189	6,503,000	(54,189)
Aid to Individuals	<u>33,816,110</u>	<u>35,422,000</u>	<u>1,605,890</u>
TOTAL EXPENDITURES	\$461,180,581	\$468,586,000	\$ 7,405,419

The summary sheet on page 20 of this docket memorandum identifies uses of new revenues and reallocations.

Appropriations

The FY 2005 general fund operating budget for the General University unit is \$468.6 million, including state appropriations of \$219.9 million. No state appropriations were provided for salary increases to implement the state's salary policy.

- Tuition Revenues** The University has projected FY 2005 tuition and fee gross revenues of \$206.3 million with an increase of \$7.9 million, consisting of:
- \$11.4 million from the Board-approved 8.3% tuition rate increase for resident students and 4.9% increase for non-resident students
 - \$5.4 million decrease from planned increases in student enrollment that did not materialize in FY 2004
 - \$1.9 million from surcharges in Colleges of Law, Nursing, Pharmacy, Dentistry, Public Health, Medicine, and Business
- Other Revenues** The University estimates a decrease of \$1.1 million in budgeted indirect cost recoveries. This revenue source is dependent on new awards and renewals and the timing of grant and contract expenditures.
- Reallocations** The FY 2005 budget reflects internal reallocations totaling \$8.7 million. The reallocations represent 1.9% of the revised FY 2004 budget. The University has identified 1.1% of strategic reallocations as required by the Board's new reallocation policy.

**The University of Iowa
FY 2005 FINAL BUDGET
Summary of Reallocations
General University**

From:	FY 2004 Unit Budget Reductions	3,000,000
	FY 2005 Task Force Savings	2,000,000
	Savings from Fringe Rate Change	<u>3,663,000</u>
	Total Reallocations	\$ 8,663,000
To:	Strategic Initiatives:	
	Salaries (Faculty and P&S 1.7%)	4,446,039
	Library Acquisitions	540,000
	State Cancer Registry	<u>27,000</u>
	Subtotal Strategic Initiatives	5,013,039
	Other	
	AFSCME Bargained Costs	2,571,000
	COGS Bargained COLA Increase (1%)	300,000
	Oakdale Operation and Maintenance	500,000
	Utility Inflation	<u>278,961</u>
	Subtotal Other Reallocations	3,649,961
	Total Reallocations	\$ 8,663,000
	2004 General Fund Budget Total	\$461,180,581
	Total Reallocations as % of Budget	1.9%
	Strategic Reallocations as % of Budget	1.1%

Unit Budget Reductions (3,000,000)

In April 2004, the Board was informed of a decision to reduce the General University unit by \$3 million in order to balance the FY 2004 budget. This reduction was accomplished using a differential approach that exempted Student Financial Aid and Library acquisitions and reduced administrative units by a higher percentage than collegiate units. The University is planning to make these reductions permanent for FY 2005 and beyond.

FY 2005 Task Force Reductions (\$2,000,000)

Using the final report from the General Education Fund Task Force which identified \$12 million in potential reductions, the University President has identified \$2 million in targeted reductions for FY 2005.

Intercollegiate Athletics	(\$ 300,000)
Utilities	(\$ 250,000)
Custodial Services	(\$ 250,000)
Fringe Benefit Cost Savings	(\$ 200,000)
N-title Program	(\$ 200,000)
University of Iowa Research Foundation	(\$ 200,000)
Audio Visual, Video Center, Conferences and Institutes	(\$ 150,000)
Information Technology	(\$ 150,000)
Childcare Subsidies to Student Financial Aid Budget	(\$ 100,000)
University Relations Publications	(\$ 55,000)
Printing Services	(\$ 50,000)
KSUI & WSUI	(\$ 45,000)
Museum of Art	(\$ 30,000)
Elimination of Bottled Water Purchases	(\$ 20,000)
Total	(\$2,000,000)

Decisions regarding up to an additional \$10 million of targeted reductions in the Report will be made in the next several months. These decisions will be implemented for the FY 2006 budget and beyond.

Savings From Fringe Benefit Rate Changes (\$3,663,000)

As reported to the Board in April 2004, fringe benefit rates for FY 2005 have been negotiated and finalized with the Federal Government and these new rates will generate savings in fringe benefit costs over FY 2004. These lower fringe benefit rates are primarily due to favorable experience in the utilization of health care.

Reallocations for Strategic Initiatives:

Salaries - \$4,446,039

As the result of comprehensive salary market studies conducted this year for faculty and non-union professional and scientific staff, the University has decided to reallocate significant funds to provide salary increases to help ensure competitiveness in the recruitment and retention of faculty and non-union professional and scientific staff.

Funds equal to 1.7% of faculty and non-union professional and scientific salaries plus fringe benefits costs will be reallocated to each General Education Fund supported budgetary unit. This amount is derived from

central reallocations. Additional collegiate and departmental reallocations will be utilized as a means to increase average salary adjustments for those units beyond 1.7%.

Faculty quality and vitality are the hallmark features of a successful University. As faculty are continually asked to teach more or larger classes, generate more grant, contract, or practice revenue to support their salaries, publish scholarly work in increasingly competitive venues, and direct students, staffs, and programs, a University must be able to offer salaries and benefit packages that recognize their numerous contributions and reward them for their successes.

The University is most at risk of losing outstanding associate professors to other schools whose salaries are much higher. For example, over 80% of the departments by College of Liberal Arts and Sciences (CLAS) have salaries at the associate professor level that are lower than salaries at other schools and over 70% of CLAS departments pay full professors less than elsewhere, often as much as \$10,000 to \$15,000 less (after accounting for cost of living adjustments). The dean in CLAS and most other colleges have had to raid the salary increments of full professors and top associate professors to make competing offers at the assistant professor level.

The University cannot afford to hold faculty salaries at their current level. Colleges have been given the authority to increase average faculty salaries by up to 2.5% in FY 2005. However, given the fact that these increases are to be funded through reallocations, individual collegiate actions will vary widely. It is likely that whatever increases the Colleges are able to support in FY 2005, it will not be enough to change the University's relative peer faculty salary rankings.

The Carver College of Medicine has incentive based salary policies for the salaries supported by the College of Medicine Faculty Practice Plan (FPP) and salaries for faculty in the basic sciences.

- Clinical faculty have flexible salary allocations based on productivity in patient care services.
- Faculty Practice Plan departments have the option of paying out a portion of the approved salary policy as lump sum payments quarterly or annually rather than as recurring base salary. The sums are paid out based on volume of clinical care provided by individual faculty members at UIHC.
- Several departments of the Faculty Practice Plan have significant expense management challenges. Those departments are not planning to provide raises on July 1, 2004. The College of Medicine will review their financial performances on January 1, 2005. If they can support a salary policy of 1.7% or less, their faculty may receive raises retroactive to July 1, 2004.
- The College of Medicine is in the second year of a pilot program in the basic science departments (Anatomy, Biochemistry, Microbiology, Pharmacology, and Physiology & Biophysics) to further encourage acquisition of additional extramural funding. The College makes lump

sum incentive payments mid-year for faculty within departments meeting their financial goals and who bring in extraordinary extramural funding to offset their salary cost by greater than 50%.

Pay matrices for professional and scientific staff are proposed to increase 0% at the minimum and 4% at the maximum. This represents a partial step toward correcting compression within pay grades. Compression, as well as the general lack of progressing within pay grades, has increased in recent years for long-term professional and scientific staff, as a result of prior year adjustments to professional and scientific minimums in response to the increasing overlap between the merit bargaining and professional and scientific pay schedules.

Library Acquisitions - \$540,000

The Library is a vital component of the University's academic, scholarly, and research missions. Maintaining collections has been a struggle over the past decade as publishers have continually passed along double digit price increases unto library buyers. In addition, the dollars recent poor performance against foreign currencies has caused further loss of purchasing power for the University's library acquisition budget. The net impact of these two factors could reduce the purchasing power of the acquisition budget by as much as 20% in some areas.

As a result of University's strategic commitment towards the acquisition budget in the past and good management by the Libraries, the University has been able to maintain their relative ranking among the top research libraries. The University plans to continue this strategic investment in FY 2005 by reallocating funds to support a 5% inflationary increment to the Library's acquisition budget.

State Cancer Registry - \$27,000

The State of Iowa Cancer Registry was successful last year in receiving a seven year renewal of its contract with the National Cancer Institute (NCI). Support from NCI over the seven-year period will total \$26.4 million. During negotiations, NCI mandated a higher level of cost sharing than was provided in the past seven-year period. The accelerated level of cost sharing is to be phased over the seven-year period. This reallocation represents the second year in phasing to the higher level of cost sharing.

Reallocations for Other Initiatives:

AFSCME Contract Costs - \$2,571,000

Salary increases and the employer share of fringe benefit increases will be provided for AFSCME employees as specified in the contract.

COGS Bargained COLA Increase (1%) - \$300,000

The University is planning to reallocate funds to cover the cost of a bargained 1 % COLA increase for Graduate Assistants.

Oakdale Operations and Maintenance - \$500,000

The University is planning to provide a reallocation to the Oakdale Campus to address increasing costs primarily due to steep increases in the price of fuels necessary to operate Oakdale's utility enterprise. At the same time,

space on the Oakdale Campus is being utilized increasingly for academic purposes. This allocation is necessary to provide for this disparity between projected revenues and essential operations and maintenance expenses.

Utility Inflation - \$278,961

General utility expenses are expected to increase by \$1.8 million in FY 2005. This increase includes amounts necessary to accommodate the extraordinary rising costs of purchased fuels (coal and natural gas) used in heating and cooling academic facilities. The increase also includes additional debt service payments for expanded chilled water production capacity. A larger portion of this \$1.8 million increase (\$1,528,000) will be supported through new revenue.

Expenditures

The University proposes to use new tuition revenues as follows:

Student Aid Set-Aside (20.1% of new tuition revenue)	\$1,605,890
Professional School Tuition Supplement (net of student aid set-aside)	1,666,490
Undergraduate Education	2,000,000
Utility Inflation	1,528,039
Opening New Buildings	394,000
Risk Management – Property Insurance	111,000
Collective Bargaining Costs	100,000
Shift in Base Funding – FY 2004	<u>573,588</u>
Total	\$7,979,007

A brief description of the priorities to be funded with new tuition revenue follows:

Student Aid Set-Aside - \$1,605,890

Financial aid will be increased in order to maintain it at a level of 17% of anticipated tuition.

Professional School Tuition Supplement (net of student aid set-aside)
\$1666,490

Tuition supplements represent earmarked amounts for specific colleges and purposes previously approved by the Board. Students enrolled in the applicable colleges pay this supplement as a part of overall tuition and receive directly the benefits of these additional resources. Budgeted tuition revenue within this category for FY 2005 includes Business (MBA/MAC), Dentistry, Law, Nursing, Public Health, Medicine and Pharmacy.

Undergraduate Education - \$2,000,000

For the past three years, the University of Iowa's first year student enrollments have topped 4,000 students. This represents significant growth over the number of new students admitted at any point in the 1990s. This trend is expected to continue in the Fall of 2004.

The Office of the Provost has had to make strategic investments in temporary and permanent faculty to assist the undergraduate colleges in managing the larger number of students. This new funding allocation will be used to replace funds lost to recent budget reversions and enable the Office of the Provost to maintain crucial support of faculty positions in the College of Liberal Arts and Sciences, Business, Education, Engineering, Medicine, and Nursing

Utility Inflation - \$1,528,039

Utility expenses are expected to increase by \$1.8 million. The University is planning to fund this increase through a combination of reallocations and new tuition revenue.

Opening New Buildings - \$394,000

The cost of maintaining the Blank Honors Center for 2 months is \$73,000, the Pomerantz Center for 2 months is \$87,000, and the Journalism Building for 6 months is \$234,000. These amounts include utilities, maintenance and custodial, as well as information technology costs.

Risk Management – Property Insurance - \$111,000

Insurance premiums are expected to increase by approximately 15-18% for FY 2005. The increase is primarily due to unfavorable loss experience within the industry and higher reinsurance costs related to flood exposures. The events of September 11, 2001 continue to impact availability and cost of reinsurance for catastrophic exposures like flood.

Collective Bargaining Costs - \$100,000

This is intended to cover projected increases in charges assessed for bargaining professional services.

**University of Iowa – Health Care Units
Budget Comparisons**

	FY 2004 Final Budget	FY 2005 Proposed Budget	Change Over/(Under)
REVENUES			
Appropriations	\$41,339,971	\$41,339,971	0
Federal Support	2,749,293	2,725,293	(24,000)
Reimbursed Indirect Costs	3,658,300	3,960,300	302,000
Sales and Service	590,774,145	635,418,095	44,643,950
Other Income	<u>1,816,391</u>	<u>1,835,518</u>	<u>19,127</u>
TOTAL REVENUES	\$640,338,100	\$685,279,177	\$44,941,077
EXPENDITURES			
Salaries	\$390,127,626	\$414,634,107	\$24,506,481
Prof. /Scientific Supplies	214,032,974	232,922,570	18,889,596
Rentals	4,756,000	4,712,800	(43,200)
Utilities	15,214,100	16,805,300	1,591,200
Building Repairs	7,376,500	7,376,500	0
Equipment	<u>8,830,900</u>	<u>8,827,900</u>	<u>3,000</u>
TOTAL EXPENDITURES	\$640,338,100	\$685,279,177	\$44,941,077

Health Care Units

The health care budget consists of four different appropriation units:

- University of Iowa Hospitals and Clinics (UIHC),
- Psychiatric Hospital,
- Specialized Child Health Services (SCHS), and
- The Center for Disabilities and Development).

All proposed budgets are based upon the 9.5% rate increase for patient charges approved by the Board in May.

No state appropriations were provided for FY 2005 salary increases to implement the state's salary policy.

University of Iowa Hospitals and Clinics (UIHC)

The University of Iowa Hospitals and Clinics focus in FY 2005 is consistent with prior years: preserving high quality patient care, supporting the companion missions of teaching and research, and protecting the ability to recruit and retain highly skilled health care staff members.

The final FY 2005 general fund operating budget for the University Hospitals and Clinics is \$652.8 million, including state appropriations for the Indigent Patient Care Program of \$27.3 million.

- UIHC predicts that state appropriations will cover approximately 25.2% of the value of care rendered to indigent patients for FY 2005.
- The state appropriation represents 4.2% of the University Hospitals and Clinics FY 2005 projected revenue.

Growth in demand for patient services is anticipated for FY 2005. To meet this increase in demand, the UIHC is increasing cardiovascular services, expanding operating room and intensive care services, opening the new radiation oncology Center of Excellence, and continuing to expand initiatives to lower length of stay to allow more admissions.

The University reports that the UIHC continues to face challenges with reduced revenues from Medicare, Medicaid, and the Indigent Patient Care Program. The combined effect of these payment restrictions will be to reduce the amount that UIHC receives for its patient care services, including state appropriations, to approximately 49.7% of gross charges.

In FY 2005, UIHC will continue to collaborate with the University, including the Carver College of Medicine (CCOM), with both direct and indirect support. UIHC FY 2005 budget includes:

- \$33.8 million for the support of certain CCOM professional services, such as supervision of laboratories, graduate medical education, specific clinical services and jointly sponsored programs.
- \$35.6 million for the purchase of University services, including certain administrative services, utilities and other general services.

Psychiatric Hospital

The Psychiatric Hospital provides tertiary level specialized patient care services to Iowa citizens and serves as a primary clinical teaching unit for the University's health sciences colleges as well as a base for clinical research and instruction.

The final FY 2005 general fund operating budget for the Psychiatric Hospital is \$18.8 million, including state appropriations of \$7.0 million. The state appropriation represents 37.4% of the Psychiatric Hospital's FY 2005 projected revenue.

Center for Disabilities and Development

The Center for Disabilities and Development provides diagnostic, evaluative, planning and treatment services to children with cerebral palsy, mental retardation, myelodysplasia, chronic asthma, and other disorders. The interdisciplinary clinical teaching model is used to train professional students. Professionals also demonstrate and teach in the community setting and in learning laboratories. The staff undertakes investigative efforts relating to clinical treatment techniques and teaching methods.

The final FY 2005 general fund operating budget for the Center for Disabilities and Development is \$8.8 million, including state appropriations of \$6.4 million. The state appropriation represents 72.0% of the Center's projected FY 2005 revenues.

Specialized Child Health Services

The University of Iowa Hospitals and Clinics, through the Specialized Child Health Center (SCHS), provide statewide health services and resources to Iowa children and families with specialized health care needs. Funding allows for state-of-the-art cancer chemotherapy and diagnostic studies on

all cancer patients in the state of Iowa, with the ability to receive such treatment locally; and allows for a home-based therapy program for the treatment of hemophilia and infant healthcare services, not otherwise consistently available throughout the state.

The final FY 2005 general fund operating budget for SCHS including Cancer, Hemophilia, High Risk Infant, Mobile and Regional Clinics, and Muscular Dystrophy is \$4.8 million, including \$649,066 in direct state appropriations. The state appropriation represents 13.4% of the projected FY 2005 revenues.

Oakdale Campus

The Oakdale campus provides a working environment to stimulate research and outreach activities, which include the University Hygienic Laboratory, the Obermann Center for Advanced Studies, the Technology Innovation Center, and other academic and health-care related activities.

The final FY 2005 general fund operating budget for the Oakdale Campus is \$3.1 million, including state appropriations of \$2.7 million. The state appropriation represents 86.7% of the projected FY 2005 revenues.

University Hygienic Laboratory

The Hygienic Laboratory serves as Iowa's only state public health and environmental quality laboratory and is statutorily obligated to provide such laboratory scientific services. Specific scientific services include areas such as bacteriology, diagnostic immunology, parasitology, mycobacteriology, mycology, virology, radiochemistry health physics, industrial hygiene, air quality, water quality, limnology pesticide analysis, inorganic chemistry, and organic chemistry.

The final FY 2005 general fund operating budget for the University Hygienic Laboratory is \$6.7 million, including state appropriations of \$3.8 million. The state appropriation represents 56.5% of the FY 2005 revenues.

Family Practice Program

This statewide Family Practice Training Program provides opportunities for newly graduated physicians to continue their training through community-based residencies in family practice. Each of the eight training sites in seven Iowa communities consists of a model family practice office in which residents train under supervision of clinical instructors. The training program is decentralized to gain training capacity and favorably affect the distribution of graduates.

The final FY 2005 general fund operating budget for the Family Practice Program is \$2.1 million including state appropriations of \$2.1 million. The state appropriation represents 99.2% of the projected FY 2005 revenues.

Eighty percent of the appropriated funds will be spent on the University of Iowa affiliated family physician training programs consistent with statutory requirements and twenty percent will be spent on university-sponsored activities in support of the community-based training programs.

Special Purpose Appropriations The Special Purpose Appropriations units include the Center for Biocatalysis and Bioprocessing, Economic Development, Iowa Birth Defects Registry, Iowa Substance Abuse Consortium, Primary Health Care, and the State of Iowa Cancer Registry.

Center for Biocatalysis and Bioprocessing The Center for Biocatalysis and Bioprocessing (CBB) serves as the primary contract research facility for biocatalysis and bioprocessing in the state of Iowa. Biocatalysis/bioprocessing technologies are necessary to implement "biotechnology" based approaches to solve the problems in agricultural, chemical, nutritional, and pharmaceutical industries.

The CBB laboratories are an essential link in technology transfer and provide unsurpassed fermentation, biocatalysis, and bioprocessing facilities and equipment for the conduct of multi-disciplinary industry/academic research.

The final FY 2005 general fund operating budget for the Center for Biocatalysis and Bioprocessing is \$881,384. This unit is funded entirely by state appropriations.

Economic Development The FY 2005 economic development appropriations total \$247,005 and include funding for the Center for Advanced Drug Development, the Oakdale Research Park, and the Innovation Center.

Center for Advanced Drug Development (CADD) \$110,343

CADD works with the Division of Pharmaceutical Service of the University of Iowa College of Pharmacy to offer unique capacity to produce, under contract, limited quantities of new medicines under FDA approval. It is the only FDA registered facility in a College of Pharmacy in the U.S. The Center addresses a crucial economic need to shorten the lead-time between new pharmaceutical discoveries in the laboratory and their commercialization in the market place.

Oakdale Research Park/Technology Innovation Center \$136,662

The Oakdale Research Park represents a substantial commitment to further sustained interaction with business. It offers leased building sites and laboratory space to corporations engaged in research and development and related production and marketing activities.

The Technology Innovation Center (TIC) is a business incubator for start-up companies. TIC offers new technology-based business ventures a nurturing business environment that includes cost-effective laboratory and office space, shared equipment and services and access to relevant University research expertise and resources.

Iowa Birth Defects Registry The Iowa Birth Defects Registry monitors the types and frequency of birth defects within the State of Iowa and provides information to the departments of Public Health and Education.

Iowa is one of only seven states with an active surveillance program with information collected directly from medical records in hospitals and clinics.

Iowa Substance Abuse	<p>The final FY 2005 general fund operating budget for the Iowa Birth Defects Registry is \$44,636. It is funded entirely by state appropriations.</p>
	<p>The Iowa Consortium for Substance Abuse Research and Evaluation is an alliance committed to strengthening substance abuse prevention and intervention activities through collaborative research in the state of Iowa.</p>
	<p>The Consortium's Advisory Board includes representatives from the University of Iowa; University of Northern Iowa; Iowa State University; state departments of Public Health, Education, Public Safety, Corrections, and Drug Control Policy; and representatives from local substance abuse service agencies.</p>
	<p>The final FY 2005 general fund operating budget for the Iowa Substance Abuse Consortium is \$64,871. It is funded entirely by state appropriations.</p>
Primary Health Care	<p>The primary health care initiative has emphasis in four areas including:</p> <ul style="list-style-type: none"> • A computerized information system to track the supply and distribution of Iowa pharmacist, dentists, physician assistants, and advanced nurse practitioners; • Rural physician support program to provide practice coverage for rural doctors who are absent; • An integrated health professions education project to foster interdisciplinary teamwork in primary care to improve patient health and quality of life as well as to prepare health profession students to work cooperatively within the rural community; and • Support for the Department of Family Medicine to strengthen departmental efforts to increase the selection of family medicine careers by SUI medical graduates.
	<p>The final FY 2005 general fund operating budget for Primary Health Care is \$759,875. It is funded entirely by state appropriations.</p>
State of Iowa Cancer Registry	<p>The State of Iowa Cancer Registry is part of the National Cancer Institute's (NCI) Surveillance, Epidemiology, and End Results (SEER) Program dedicated to cancer data collection, reporting, and evaluation.</p>
	<p>The NCI mandates that a portion of funding for the Registry be obtained from non-federal sources.</p>
	<p>The final FY 2005 general fund operating budget for the State of Iowa Cancer Registry is \$178,739.</p>
Restricted Fund	<hr/> <p>Restricted funds for FY 2005 total \$737.2 million. Capital appropriations for FY 2005 include \$3.6 million for the Classroom Building / Journalism. Tuition replacement is estimated to be \$10.5 million.</p> <p>Revenues in the restricted fund budget are derived from federal and non-federal support for sponsored programs (primarily research and student aid), sales and services, reimbursed indirect costs, tuition and fees from sources such as continuing education, bond proceeds, tuition replacement appropriations, and capital appropriations.</p>

Other income includes items such as non-federal gifts, grants and contracts, interest, dividends and capital gains and losses, workshops and seminars, royalties, rental of equipment, sales salvage and recycling, parking and other fines, other miscellaneous revenue, commissions, and non-credit course fees.

University of Iowa – Restricted Fund

	FY 2005 Proposed Budget
REVENUES	
Capital Appropriations	\$11,000,000
Tuition Replacement	10,502,145
Federal Support	215,600,000
Intra State Receipts	5,497,855
Bonds and Loans	134,700,000
Tuition and Fees	38,400,000
Reimbursed Indirect Costs	20,700,000
Sales and Services	197,600,000
Other Income	<u>103,200,000</u>
TOTAL REVENUES	\$737,200,000
EXPENDITURES	
Salaries	\$272,500,000
Prof. /Scientific Supplies	160,000,000
Rentals	13,000,000
Utilities	7,300,000
Building Repairs	3,800,000
Equipment	13,900,000
Student Aid	44,700,000
Debt Service	50,000,000
Plant Capital	<u>172,000,000</u>
TOTAL EXPENDITURES	\$737,200,000

The restricted fund includes the Organized Activities Fund, the Auxiliary Enterprise Fund, the Current Restricted Fund and the Plant Fund.

Residence System

The University is proposing a FY 2005 residence system budget with expected revenues of \$38.9 million and proposed expenses for operations of \$28.3 million, with \$10.6 million net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. These projected net revenues are \$310,429 lower than the preliminary budget submitted to the Board in March.

Factors leading to the decreased net income projections are:

- Slightly lower contract income from University Apartments resulting from the decision to not increase rates for the upcoming year
- Lower projected interest income due to changes in the timing of capital expenditures

- Significantly higher food cost inflation estimates based on current market conditions
- Higher utility rate increases than originally estimated

Voluntary reserve balances at June 30, 2005 are projected to be \$12,792,343. This amount is \$732,387 lower than projected in March, due primarily to lower projected net revenues and timing differences of projected capital expenditures.

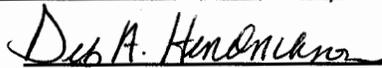
Occupancy projections for the residence system remain relatively unchanged from the time of the preliminary budget. Current enrollment projections for new first-year students are consistent with recent years, and at this projected level, demand for residence hall space is projected to meet or exceed capacity for fall 2004.

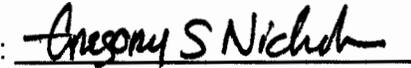
At the time of the preliminary budget submitted to the Board in March, the University was planning for construction of a proposed new west campus residence hall beginning during fiscal 2004-05, and an associated bond issue to finance the construction. Because the anticipated construction of the new building has been delayed, the final budget for 2004-05 has been adjusted to remove the proposed additional debt service and the estimated June 30, 2005 balance in the bond construction fund related to the project.

Revenues are based on rates approved by the Board at its meeting of April 21, 2004, fall residence hall occupancy of 5,498, residence hall board contracts numbering 4,756, and 694 apartments occupied. (See Attachment A, page 20 for details.)

Athletics

The Athletic Budget is part of the restricted fund. The FY 2005 budget is \$45,478,479 which is 6.2% of the restricted fund budget. For details on this budget, see Agenda Item 8a.


Deb A. Hendrickson

Approved: 
Gregory S. Nichols

**REGENT INSTITUTION
FY 2005 General Fund Budget Summary
STRATEGIC PLANNING GOALS**

Goal #1	Create an undergraduate experience that enables students to fulfill their intellectual, social, and career objectives.	149,853,243
Goal #2	Achieve premier graduate and professional programs in a significant number of areas.	172,420,593
Goal #3	Foster distinguished research, scholarship, and artistic creation.	69,856,989
Goal #4	Facilitate interdisciplinary interaction in teaching, research, and service.	13,858,036
Goal #5	Develop a highly productive organization that supports the mission and values of the University.	<u>62,597,139</u>
TOTAL		\$468,586,000

	Goal	FY 2005 New Revenues and Reallocations				Total
		Approp.	Tuition	Reallocation	Other	
<u>Strategic Initiatives</u>						
Student Aid Set Aside	1,2		1,605,890			\$1,605,890
Professional School Tuition Supplements	1,2,3		1,666,490			1,666,490
Undergraduate Education	1		2,000,000			2,000,000
Compensation Increases (Faculty and P&S 1.7%)	1-5			4,446,039		4,446,039
Library Acquisitions	1-4			540,000		540,000
State Cancer Registry	3			27,000		27,000
<u>Mandatory Cost Changes</u>						
AFSCME Compensation Increases	1-5			2,571,000		2,571,000
COGS Contract	1,2,3			300,000		300,000
Opening New Buildings	5		394,000			394,000
Utility Inflation	5		1,528,039	278,961		1,807,000
Risk Management-Property Insurance	5		111,000			111,000
Collective Bargaining	1-5		100,000			100,000
Oakdale O&M	5			500,000		500,000
Shift in Base Funding			573,588		-573,588	0
TOTAL		\$0	\$7,979,007	\$8,663,000	(\$573,588)	\$16,068,419

The University of Iowa
Residence System Proposed Final Budget 2004-05

	Actual 2002-03	Revised Estimate 2003-04	Preliminary Budget 2004-05	Proposed Final Budget 2004-05
OPERATIONS (Modified Cash Basis)				
Revenues	\$ 34,980,611	\$ 37,724,281	\$ 38,923,222	\$ 38,852,574
Expenditures for Operations	25,061,687	27,179,266	28,036,766	28,276,547
Net Revenues	9,918,924	10,545,015	10,886,456	10,576,027
% of Revenues	28.4%	28.0%	28.0%	27.2%
Debt Service (due July 1)	5,149,070	5,003,963	6,418,983	6,024,733
Mandatory Transfers	600,000	600,000	600,000	600,000
Net After Debt Service & Mandatory Transfers	<u>\$ 4,169,854</u>	<u>\$ 4,941,052</u>	<u>\$ 3,867,473</u>	<u>\$ 3,951,294</u>
% of Revenues	11.9%	13.1%	9.9%	10.2%
University Overhead Payment From Surplus	\$ 371,652	\$ 373,032	\$ 393,560	\$ 372,456
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	\$ 427,390	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Operation & Maintenance Fund	602,060	1,000,000	1,000,000	1,000,000
Improvement Fund	2,806,407	5,203,200	5,516,000	5,516,000
Surplus Fund	122,077	7,863,505	7,008,730	6,276,343
Subtotal--Voluntary Reserves	3,957,934	14,066,705	13,524,730	12,792,343
Sinking Fund	4,099,535	4,059,558	4,597,366	4,597,366
Bond Reserve Fund	5,271,473	6,348,855	7,651,855	6,348,855
Bond Construction Fund	0	3,500,000	10,000,000	0
Subtotal--Mandatory Reserves	9,371,008	13,908,413	22,249,221	10,946,221
Total Cash Balances (June 30)	<u>\$ 13,328,942</u>	<u>\$ 27,975,118</u>	<u>\$ 35,773,951</u>	<u>\$ 23,738,564</u>
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	\$ 31,103,806	\$ 33,673,272	\$ 34,632,585	\$ 34,573,836
Interest	780,898	648,412	912,610	885,861
Other Income	3,095,907	3,402,597	3,378,027	3,392,877
Total Revenues	<u>\$ 34,980,611</u>	<u>\$ 37,724,281</u>	<u>\$ 38,923,222</u>	<u>\$ 38,852,574</u>
Expenditures for Operations				
Salaries, Wages & Benefits	9,638,805	10,508,822	11,036,688	10,988,666
Cost of Food or Goods Sold	2,635,597	3,176,018	3,288,675	3,523,816
Other Operating Expense	5,594,084	5,884,454	5,953,400	5,933,648
Utilities	3,991,866	4,162,014	4,264,162	4,343,638
Repairs & Maintenance	3,201,335	3,447,958	3,493,841	3,486,779
Total Expenditures	<u>\$ 25,061,687</u>	<u>\$ 27,179,266</u>	<u>\$ 28,036,766</u>	<u>\$ 28,276,547</u>