

MEMORANDUM

TO: Board of Regents
FROM: Board Office
SUBJECT: FY 2005 Budgets – University of Northern Iowa
DATE: June 7, 2004

Recommended Action:

Approve the University of Northern Iowa's final FY 2005 general fund operating budget of \$139,442,656 and the restricted fund budget of \$139,741,863 for a total of \$279,184,519.

Executive Summary:

The University of Northern 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 \$139.4 million is organized into three budgetary units, which reflect separate and distinct state appropriations to the University.

The primary FY 2005 revenue sources include:

- State appropriations of \$78.4 million,
- Tuition and fees of \$58.0 million, and
- Indirect cost recoveries of \$1.9 million

No additional state appropriations were provided to implement salary increases consistent with the state's salary policy.

The following table shows FY 2005 budgets by appropriation unit compared to the final FY 2004 budgets that were revised in February 2004 to reflect the 2.5% across-the-board reduction in state appropriations.

	FY 2004 <u>Revised Budget</u>	FY 2005 <u>Budget</u>	\$ <u>Change</u>
General University	\$136,704,507	\$138,869,507	\$2,165,000
Recycling and Reuse	211,858	211,858	0
Economic Development*	<u>361,291</u>	<u>361,291</u>	<u>0</u>
Total	\$137,277,656	\$139,442,656	\$2,165,000

*Includes the Institute for Decision Making and Metal Casting Center.

The only changes in the budget are reflected in the General University budget unit and include an increase of \$1.9 million in tuition and fee revenue, an increase of \$325,000 in indirect cost recoveries, and a decrease of \$60,000 in sales and services. (Detailed on page 8.)

The University has identified total reallocations of \$5.5 million (4.0% of FY 2004 budget). The University states that the entire reallocation is for strategic initiatives.

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

Intellectual Student Learning	\$62.7 million
Teaching and Scholarship Support	23.7 million
Community Involvement	1.1 million
Diversity	2.8 million
University Culture and Environment	5.5 million
Human Resources	7.0 million
Physical and Informational Resources	34.9 million
External Relations	1.7 million

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

This final budget of \$138.9 million includes direct state appropriations of \$77.8 million, tuition and fees of \$58.0 million, and indirect cost recoveries of \$1.9 million.

Budgeted salaries of \$109.9 million (1.96% increase) represent 79.1% of the FY 2005 budget. Student financial aid represents 7.5% of the budget and 18.0% of tuition and fees.

Other Appropriation Units The other appropriation units in the general fund include the Recycling and Reuse Technology Transfer Center and the Economic Development unit with budgets totaling \$0.6 million. Summaries of these units begin on page 9.

Restricted Fund The restricted fund budget of \$139.7 million includes resources and expenditures related to its sponsored programs, auxiliary enterprise functions, independent operations, bonding activities, and capital projects. (See details on page 10.)

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 preliminary Residence System FY 2005 budget of \$24.2 million was presented to the Board in March. The final FY 2005 Residence System budget is the same as presented in March. (Attachment A, page 13.)

The Residence System budget represents 14% of the restricted fund budget.

While the University is now expecting even greater reductions in enrollment, the Residence System is experiencing higher capture rates that offsets the lower enrollment.

Athletics

The final Athletic Department FY 2005 budget of \$8.2 million represents 5.9% of the restricted fund budget and is detailed in Agenda Item 8a (Operating Budgets for FY 2005 - Athletics).

Background:

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

Analysis:**General Fund**

The proposed FY 2005 general fund operating budget for the University of Northern Iowa is \$139.4 million and is distributed among the following units:

	<u>Total Budget</u>	<u>Direct State Appropriations</u>
General University	\$138,869,507	\$77,804,507
Recycling and Reuse	211,858	211,858
Economic Development*	<u>361,291</u>	<u>361,291</u>
Total	\$139,442,656	\$78,377,656

*Includes the Institute for Decision Making and Metal Casting Center.

The summary sheet on page 12 of this docket memorandum identifies the general fund operating budget by strategic planning goals and uses of new revenues and reallocations.

Reallocations

The FY 2005 budget reflects internal reallocations totaling \$5.5 million. The reallocations represent 4.0% of the FY 2004 budget. The University states that all of the reallocations are strategic. The following table summarizes reallocations.

**UNIVERSITY OF NORTHERN IOWA
FY 2005 BUDGET
Summary of Reallocations
General Fund**

From:

President	12,525
Provost	1,731,706
Educational & Student Services	144,757
Administration & Finance	1,610,000
Marketing & Advancement	42,258
University Benefit Pool	1,495,445
General Institution	464,325

Total Reallocations**\$ 5,501,016****To:**

Strategic Initiatives	
Compensation	2,805,116
Restore Building Repairs Budget	100,000
Other Strategic Initiatives	
Realign Faculty & Staff to Support High Need Areas	320,200
Teacher Education Reorganization	445,000
Innovation Fund	200,000
Science Start-up Funds	85,000
Multicultural Education Assistant Director	37,325
Custodial Support - Maucker Union	14,775
Integrated Student Services Center Supplies & Services	5,000
Educational and Student Services Division Technology	5,000
Educational and Student Services Staff Reorganization	10,000
Office of Business Operation; and Office of Financial Accounting & Reporting	1,350,000
Facilities Planning/Physical Plant Reorganization	100,000
Recruitment & Scholarship Initiatives	23,600

Total Reallocations**\$ 5,501,016**

Revised FY 2004 General Fund Budget Total	<u>\$137,277,656</u>
Strategic Reallocations as % of Budget (must be at least 1%)	<u>4.0%</u>

UNI has identified several reorganizations as reallocations in the FY 2005 budget. In the past, a reorganization was only considered a reallocation if the job responsibilities changed. If the reporting changed and the responsibilities were the same, it was not considered a reallocation. The University believes it can justify the reallocations.

The University has more reallocations than required by Board policy. If the reorganizations were not counted entirely as reallocations, it would still meet the required 1% reallocation policy.

The University of Northern Iowa had approximately 75% of the mid-year deappropriation funded from temporary sources. Administrators were asked to reduce and reallocate a total of \$4.3 million in FY 2005, of which \$1.5 million was attributed to the cuts of \$2.0 million in FY 2004.

The University has identified the following areas for strategic reallocations:

Compensation - \$4,400,000

The University plans to use \$2.8 million in reallocated funds combined with new revenue of \$1.6 million to fund the salary increases of \$4.4 million.

Restore Building Repairs - \$100,000

The University is planning to restore the \$100,000 of Building Repair funds that were cut as part of the mid-year budget reduction.

Realign Faculty and Staff - \$320,200

The University plans to reallocate funds to support several new positions:

- To advance the University's new program in athletic training, a position was created in the School of Health, Physical Education and Leisure Services at a cost of \$60,912 including benefits. In addition, a position was added to support the program in Health Education Promotion at a cost of \$91,223.
- To support a new emphasis for training teachers of the visually impaired, as promised to the Board previously, the University plans to add a position at a cost of \$62,200.
- A new position was also created in criminology at a cost of \$54,000.
- The Library combined supervisory positions freeing funds to create a new library cataloger position at \$52,000.

Teacher Education Reorganization - \$445,000

The College of Education has reorganized to enhance effectiveness and efficiency. Several positions were eliminated and units combined under a more streamlined leadership structure, freeing funds for reallocation to long-standing needs.

For example, two department head positions for the Department of Educational Leadership and Post Secondary Education and the Department of Educational Psychology and Foundations were eliminated and a single person now oversees those departments. Similarly, the Head of the Department of Teaching position, which includes Price Laboratory School and the Office of Student Field Experience, has been eliminated, as has the position of Director of the Price Laboratory School. These units now report to the Associate Dean of the College of Education.

New positions have been created to include Director of Assessment (for teacher education), Director of Doctoral Programs, Associate Director of Teacher Education (the Dean will serve as Director), and a Director of Clinical Field Experiences and Community College Relations.

Innovation Fund - \$200,000

The Provost's Office has eliminated numerous professional development programs as a result of budget cuts in recent years. The Provost's Office plans to use these reallocated funds for faculty development, programming, or the development of innovative programs.

Science Start-Up - \$85,000

The University is planning to create budgets for start-up equipment in four departments in the College of Natural Sciences. New faculty in the sciences need start-up funding to be successful in teaching, research, and scholarship.

Multicultural Education Assistant Director - \$37,325

To enhance diversity efforts on campus, the University plans to create the position of Assistant Director for Multicultural Education. This position will assist with budget responsibilities of the Center for Multicultural Education, including grant writing and fundraising.

Custodial Support – Maucker Union - \$14,775

The University plans to reallocate funds for a part-time custodial position in Maucker Union. With the Union expansion project completed, an additional staff person is necessary to maintain a safe and clean environment in this building.

ISSC Supplies and Services - \$5,000

Student services have been reconfigured into a "one-stop" Integrated Student Services Center (ISSC) where students are guided through the process of enrollment and continuing matriculation. Reallocations will allow electronic technology to be enhanced so students can complete routine transactions via the web at any time in any location.

Educational and Student Services Division Technology - \$5,000

Technology and equipment have been reduced significantly during the last few years of budget reductions. The University is planning to redirect these funds to establish a greater resource for software upgrades and other technology needs.

Educational and Student Services Staff Reorganization - \$10,000

The University is planning to reorganize staff in the departments of The Career Center, Academic Advising Services, Admissions, and Financial Aid. To increase professional career development opportunities for University staff, salary enhancements will be made to the individuals who will be selected for the new leadership positions for these areas.

Business Operations and Financial Accounting and Reporting Reorganization - \$1,350,000

The Administration and Finance Division is creating a new unit, "Business Operations" to integrate the business process functions of accounts payable, accounts receivable, purchasing, payroll, fixed assets, cashiering, and student loan processing. With the recent implementation of a new financial accounting system and a new personnel-payroll-budget system to be on line January 2005, the integration of business processing and the new technology will provide for better communications and customer focus. Also, a new unit responsible for investments, financial reporting and analysis, and other treasurer duties was formed.

Facilities Planning / Physical Plant Reorganization - \$100,000

The Facilities Planning and Physical Plant units have been combined under the leadership of the former Director of Facilities Planning. To assist this new reorganization, a position within the Vice President's office responsible for property management, risk management, and other building and project management has been realigned to help with capital budgeting and facilities planning.

Recruitment and Scholarship Initiatives - \$23,600

The Advancement Division plans to enhance the University's initiative to recruit out-of-state students and to shift resources to support the generation of unrestricted revenue for scholarships and academic programs.

Salary Policy

UNI has a unique situation, with the United Faculty bargaining contract requiring a higher percentage increase than the other Regent universities plan to provide.

United Faculty negotiated a collective bargaining agreement that provides for a FY 2005 salary increase of 3.75%. Correspondingly, the University estimates the overall total increase for non-organized faculty and P&S employees to be approximately 3.75%. For individual P&S adjustments, one-fourth of the salary increase pool will be awarded in an equal dollar amount. The remaining three-fourths of the salary increase pool will be distributed based on merit and equity for employees rated satisfactory or above.

The AFSCME contract includes 2.0% across-the-board increase effective on the first day of the pay period that includes January 1, 2005. In addition, all AFSCME employees eligible for negotiated within range step increases shall receive an automatic 4.5% within grade increase in accordance with their eligibility date.

Group health insurance premium rates for faculty and Professional and Scientific employees are projected to increase by 10.0% and group dental insurance premium rates are projected to increase by 6.0%. Effective January 1, 2005, the state's monthly contribution to all AFSCME employee family plans will increase from 82% to 85%. The cost of these fringe benefit increases is being absorbed with reallocations.

The increase in the salary and benefit line item for the FY 2005 budget is approximately 2.0%.

General University

The UNI General University appropriation unit represents the central educational operating budget and includes its six colleges, the library, and central administration.

- College of Business Administration
- College of Education
- College of Humanities and Fine Arts
- College of Natural Sciences
- College of Social & Behavioral Sciences
- Graduate College

Central Administration includes the:

- Office of the President,
- Office of the Vice President for Academic Affairs and Provost,
- Office of the Vice President for Educational and Student Services,
- Office of the Vice President for Administration and Finance, and
- Office of the Vice President for University Advancement.

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 Northern Iowa - General University
Budget Comparisons**

	FY 2004 Revised Budget	FY 2005 Proposed Budget	Change Over/(Under)
REVENUES			
Appropriations	\$77,804,507	\$77,804,507	\$ 0
Interest	600,000	600,000	0
Tuition and Fees	56,100,000	58,000,000	1,900,000
Reimbursed Indirect Costs	1,575,000	1,900,000	325,000
Sales and Services	<u>625,000</u>	<u>565,000</u>	<u>(60,000)</u>
TOTAL REVENUES	\$136,704,507	\$138,869,507	\$2,165,000
EXPENDITURES			
Salaries	\$107,744,688	\$109,852,444	\$ 2,107,756
Prof. /Scientific Supplies	10,871,293	10,682,862	(188,431)
Library Acquisitions	1,891,520	1,891,520	0
Rentals	911,200	911,200	0
Utilities	3,308,345	3,458,345	150,000
Building Repairs	900,000	1,000,000	100,000
Auditor of State	225,000	235,000	10,000
Equipment	752,461	388,136	(364,325)
Aid to Individuals	<u>10,100,000</u>	<u>10,450,000</u>	<u>350,000</u>
TOTAL EXPENDITURES	\$136,704,507	\$138,869,507	\$2,165,000

Appropriations The FY 2005 general fund operating budget for General University is \$138.9 million, including state appropriations of \$77.8 million.

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

Tuition Revenues The University has projected increases in FY 2005 tuition and fee revenues of \$1.9 million, for a total of \$58.0 million. The net increase in tuition and fee revenues consists of:

- \$4.5 million from the Board-approved 8.3% tuition rate increase for tuition revenue and 6.4% increase for non-resident students,
- \$2.6 million decrease due to enrollment of 502 fewer students.

Expenditures The University proposes to use tuition revenues as follows:

Student Financial Aid (18.4% of new tuition revenues)	\$350,000
Compensation Increases	<u>1,550,000</u>
Total	\$1,900,000

With this allocation to student financial aid, the University's total student aid set-aside is 18.0% of total tuition revenue.

Recycling and Reuse Technology Transfer Center The Recycling and Reuse Technology Transfer Center provides assistance with recycling of waste products through targeted research projects, experiential education of undergraduate students, and outreach to the solid waste recycling and reuse community.

The FY 2005 general fund operating budget for the Recycling and Reuse Technology Transfer Center is \$211,858. It is funded entirely by state appropriations.

Economic Development The FY 2005 economic development appropriations total \$361,291 and include funding for the Institute of Decision Making and the Metal Casting Center both of which are funded entirely by state appropriations.

Institute for Decision Making (IDM) \$292,645

IDM guides the citizens of Iowa with community improvement decisions. Assistance is focused on building ongoing relationships with community clients to assist in project planning and implementation, including: strategic and short-term planning, target industry analysis, applied research, computer software applications for economic development, and proactive marketing strategies.

Metal Casting Center (MCC) \$68,646

MCC seeks to improve the productivity and competitiveness of the metal casting industry through technology transfer, applied research, and assistance to business.

Restricted Fund

The restricted funds budget for FY 2005 totals \$139.7 million. Capital appropriations for FY 2005 include \$9.9 million for the renovation of the Innovative Teaching Center. The tuition replacement is estimated to be \$4.5 million.

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.

**University of Northern Iowa – Restricted Fund
FY 2005 Proposed Budget**

REVENUES

Capital Appropriations	\$9,880,000
Tuition Replacement	4,522,404
Federal Support	26,250,000
Interest	2,000,000
Tuition and Fees	13,857,770
Sales and Services	72,200,000
Non-Federal Gifts and Grants	10,923,016
Other Income	<u>108,673</u>
TOTAL REVENUES	\$139,741,863

EXPENDITURES

Salaries	\$34,024,016
Prof. /Scientific Supplies	42,350,000
Library Acquisitions	3,200
Rentals	920,400
Utilities	2,371,500
Building Repairs	3,895,000
Equipment	3,200,000
Student Aid	14,250,000
Debt Service	9,663,747
Plant Capital	<u>29,064,000</u>
TOTAL EXPENDITURES	\$139,741,863

The restricted fund budget includes sponsored programs such as competitively awarded federal grants and contracts; auxiliary enterprise functions such as the Residence System and Athletic Department; and independent operations such as its parking and telecommunications.

Tuition and fees includes all mandatory student fees and tuition and other credit courses conducted through the Office of Continuing Education.

Residence System Proposed residence system revenues for FY 2005 total \$24.2 million which is 14% of the restricted fund budget and proposed expenses for operations total \$19.6 million, leaving \$4.6 million net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. (See Attachment A, page 13, for details.)

Occupancy projections for fall 2004 support the University's budget proposal of 3,688 students. This projection is down 130 students from the actual occupancy of fall 2003 counts (3,818 students). Current housing applications for fall 2004 show that new freshman are down by 10% due to the decrease in enrollment, however, contracts for Hawkeye Community College students and upper division students have increased and recontracting of former resident system students has become more stable due to the two year "Advantage Plan."

The University houses some students that attend Hawkeye Community College. There were 38 students in fall 2003 and the University is expecting 63 students for fall 2004, an increase of 39.7%.

Athletic Department The Athletic Department budget is part of the restricted fund. The FY 2005 budget is \$8.2 million, which is 5.9% of the restricted fund budget. For details on this budget, see Agenda Item 8a.

Deb A. Hendrickson
Deb A. Hendrickson

Approved: Gregory S. Nichols
Gregory S. Nichols

**UNIVERSITY OF NORTHERN IOWA
FY 2005 General Fund Budget Summary
STRATEGIC PLANNING GOALS**

Goal #1	Intellectual Student Learning	62,749,195
Goal #2	Teaching & Scholarship Support	23,705,252
Goal #3	Community Involvement	1,115,541
Goal #4	Diversity	2,788,853
Goal #5	University Culture & Environment	5,577,706
Goal #6	Human Resources	6,972,133
Goal #7	Physical & Informational Resources	34,860,664
Goal #8	External Relations	1,673,312
TOTAL		\$139,442,656

	Goal	FY 2005 New Revenues and Reallocations				
		Approp.	Tuition	Reallocation	Other	Total
<u>Strategic Initiatives</u>						
Realign Faculty & Staff	1			320,200		320,200
Teacher Education Reorganization	1			445,000		445,000
Innovation Fund	2			200,000		200,000
Science Start-up	7			85,000		85,000
Multicultural Education Asst Director position	4			37,325		37,325
Custodial Support - Maucker Union	5			14,775		14,775
ISSC Supplies & Services	1			5,000		5,000
ESS Division Technology	7			5,000		5,000
ESS Staff Reorganization	6			10,000		10,000
Business Operations; and Financial Accounting and Reporting	7			1,350,000		1,350,000
Facilities Planning/Physical Plant Reorganization	7			100,000		100,000
Recruitment & Scholarship Initiatives	4 & 8			23,600		23,600
<u>Mandatory Cost Changes</u>						
Student Financial Aid			350,000			350,000
Compensation			1,550,000	2,805,116	44,884	4,400,000
Restore Bldg Repairs				100,000		100,000
BOR Support					17,116	17,116
General Insurance					40,000	40,000
Univ Memberships					3,000	3,000
State Audit Costs					10,000	10,000
Utilities					150,000	150,000
TOTAL			\$0	\$1,900,000	\$5,501,016	\$265,000
						\$7,666,016

UNIVERSITY OF NORTHERN IOWA
Residence System Final Budget
2004-05

	Actual 2002-03	Approved Budget 2003-04	Revised Estimate 2003-04	Proposed Budget 2004-05*
OPERATIONS (Accrual Basis)				
Revenues	\$ 24,158,490	23,627,380	23,546,222	24,163,706
Expenditures for Operations	18,491,104	19,107,823	18,975,784	19,587,965
Net Revenues	5,667,386	4,519,557	4,570,438	4,575,741
% of Revenues	23.5%	19.1%	19.4%	18.9%
Debt Service (due July 1)	3,137,817	2,812,104	2,812,104	3,009,341
Mandatory Transfers	330,000	330,000	330,000	330,000
Net after Debt Service and Mandatory Transfers	\$ 2,199,569	1,377,453	1,428,334	1,236,400
% of Revenues	9.1%	5.8%	6.1%	5.1%
University Overhead Payment from Surplus	612,234	607,696	604,395	619,699
% of Expenditures	3.3%	3.2%	3.2%	3.2%
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	177,129	-	106,532	-
Operation and Maintenance Fund	(106,532)	-	-	-
Improvement Fund	870,878	306,836	550,018	575,018
Surplus Fund	5,526,887	5,200,302	4,921,423	3,644,656
Subtotal - Voluntary Reserve Balances	6,468,362	5,507,138	5,577,973	4,219,674
Sinking Fund	-	-	-	-
Bond Reserve Fund	3,347,123	3,347,123	3,878,536	3,878,536
Construction Fund	7,790,609	1,494,407	1,697,843	-
Subtotal - Mandatory Reserve Balances	11,137,732	4,841,530	5,576,379	3,878,536
TOTAL - All Reserve Balances (June 30)	17,606,094	10,348,668	11,154,352	8,098,210
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	19,714,073	19,401,378	19,058,806	19,767,206
Interest	744,802	525,000	715,000	425,000
Other Income	3,699,615	3,701,002	3,772,416	3,971,500
TOTAL	24,158,490	23,627,380	23,546,222	24,163,706
Expenditures				
Salaries, Wages & Benefits (1)	10,673,382	11,202,271	11,147,810	11,514,391
Cost of Food or Goods Sold	2,884,700	3,094,027	3,102,846	3,209,965
Other Operating Expense	2,623,447	2,639,166	2,544,070	2,568,835
Utilities	1,472,728	1,479,310	1,402,401	1,501,592
Repairs & Maintenance (1)	836,847	693,049	778,657	793,182
TOTAL	18,491,104	19,107,823	18,975,784	19,587,965
TOTAL STAFF FTE - October	462	442	435	450

(1) Excludes amounts for repair and maintenance supplied by Residence System staff.
Staff maintenance costs for the respective years are: \$655,685; \$654,868; \$675,463

* Same as presented to Board in March 2004.