

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Preliminary FY 2006 Operating Appropriations Requests
Date: July 21, 2003

Recommended Actions:

Consider the conceptual FY 2006 operating appropriations requests and provide direction to the institutions.

Executive Summary:

State statutes require requests for appropriations to be submitted on or before October 1 of each year. To meet this deadline, the Board is requested to consider the institutions priorities and provide guidance for developing final operating appropriations requests for Board approval in September.

In February 2004, the Board approved the 2004-2009 Strategic Plan which includes the following priorities:

1. Ensure high-quality educational opportunities for students
2. Discover new knowledge through research, scholarship, and creative activities
3. Provide needed service and promote economic growth
4. Demonstrate public accountability and effective stewardship of resources

Without adequate state funding, the priorities of the strategic plan will be difficult to achieve.

FY 2006 Requests

Basic Premise Regent incremental operating appropriations requests are based on continuation of current fiscal year base appropriations.

The Department of Management is currently in the process of modifying the manner in which appropriations requests are submitted for the Governor's consideration, so some modifications may be made in formatting formal requests the Board will review in September as opposed to prior years.

At this time, however, the Board is only reviewing the institutional incremental priorities, not specific budget or specific appropriations requests.

Priorities

The following table identifies the institutional priorities.

| Preliminary Incremental FY 2006 Appropriations Institutional Requests Priorities | |
|---|--|
| SUI | <ul style="list-style-type: none">▪ Meet the Measurable Impact of Inflation – Particularly for Salaries▪ Improve Competitive Position of Faculty Salaries▪ Restore Faculty / Enrollment Ratios▪ Other Appropriation Units |
| ISU | <ul style="list-style-type: none">▪ Inflationary Increase▪ Faculty Salaries▪ New Faculty to Support Biosciences |
| UNI | <ul style="list-style-type: none">▪ Maintain Excellence in Faculty and Staff▪ Expand Opportunities Through Enrollment Growth |
| ISD | <ul style="list-style-type: none">▪ High Quality Education Programs▪ Expanded Outreach Services▪ Programs That Promote Strong Literacy Skill Development▪ Server and Supporting Technology▪ Accessibility Features |
| IBSSS | <ul style="list-style-type: none">▪ Maintain Competitive Salaries▪ Expand Services▪ Explore Opportunities for the School's Future |

Attachments A through E represent the institutional submissions.

Background:

Statutory Provisions Iowa Code §8.23 requires that all state agencies prepare estimates of appropriation expenditures for the ensuing fiscal year for which state appropriations are requested. These requests are to be submitted to the Department of Management on or before October 1, as required by law.

The appropriations estimates are to be based on achieving goals contained in the agency's strategic plans with descriptions of results to be achieved.

Regent
Appropriations
Requests Process

The chronological appropriations process includes the following:

- Regent institutions develop and submit preliminary institutional priorities for state appropriations.
- The Board considers these operating appropriations priorities (August).
- Specific institutional requests based on Board direction.
- The Board approves final operating appropriations requests. (September).
- The Board-approved operating appropriations requests are submitted to the Department of Management (October 1).
- The Governor prepares state appropriations recommendations including recommendations for Regent appropriations (January).
- General Assembly and Governor consider and approve appropriations (Legislative Session).

Regent Request
Criteria

Pursuant to the Regent Policy Manual the initiatives presented by the institutions are evaluated based on the following criteria:

- Relationship of initiatives to institutional strategic plans
- Prior appropriations for similar or connected initiatives
- External funding which provides a leverage of state resources
- Impact of initiatives on the state's economic development
- Equity among institutions
- Accountability

The following table represents the state appropriations for institutional operations from FY 2000 through FY 2005.

| Institutional Operating Appropriations (In thousands) | | | | | |
|--|------------|------------|------------|------------|--------------|
| | SUI | ISU | UNI | ISD | IBSSS |
| 2000 | 310,019 | 262,026 | 88,497 | 7,936 | 4,433 |
| 2001 | 318,588 | 269,898 | 91,829 | 8,178 | 4,568 |
| 2002 | 294,093 | 248,812 | 84,829 | 7,891 | 4,423 |
| 2003 | 287,423 | 239,809 | 82,816 | 7,944 | 4,446 |
| 2004 | 272,687 | 227,578 | 78,579 | 8,120 | 4,543 |
| 2005 | 271,990 | 226,996 | 78,378 | 8,468 | 4,738 |

Analysis:

Institutional Priorities The proposed appropriations requests, as submitted by the institutions, are presented in attachments A through E.

The institutional requests support the Board's first three strategic plan priorities – educational opportunities, research and scholarship, and service and economic growth.

Maintain/Improve The institutions continue to emphasize the importance of competitive salaries which is consistent with the Board's top priority for many years.

- The University of Iowa and Iowa State University desire to have average faculty salaries be in the top third of their peer groups.
- The University of Northern Iowa similarly, wants to remain at the median or higher of its peer institutions.
- The Special Schools both emphasized the importance of competitive salaries in a market with shortages of qualified faculty and staff.

The University of Iowa and Iowa State University have both requested inflationary increases from state appropriations. Such requested increases have not been funded by the state for many years.

The University of Iowa is requesting funding to restore faculty to improve ratios that have declined in recent years due to budget reductions.

The University of Northern Iowa plans a change in direction from what has been previously presented to the Board. The University is now planning to grow enrollment to 13,800 students by FY 2010 and have a corresponding increase in faculty positions.

The Special Schools are focusing on maintaining high quality programs, expanding outreach services, upgrading systems, and improving access.

New

The University of Iowa requests support for economic development recommendations made in the Batelle report.

Iowa State University has invested several million dollars during the past three years to support faculty in bioscience related initiatives. While these changes have already yielded results with increased research funding and national recognitions, the Batelle "Biosciences Path for Development" report points to the need for continued growth and investment in these fields.



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Approved: 
Gregory S. Nichols

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University of Iowa

Meet the
Measurable
Impact of Inflation
– Particularly for
Salaries

The University's proposal is to have appropriations to meet the measurable impact of inflation, most particularly to provide full funding of salaries increases for appropriated units as has been the Board's top priority for several years. Inflation costs are not imaginary and the forced reallocations to meet these costs are not sustainable. The salary cost to be met would include salary and benefit increases bargained collectively as well as equivalent amounts for non-bargaining faculty and staff. This is the dominant portion of the inflationary cost increase faced each year by the University. Without this protection, the impact of new investments will be short-lived as the University's and the Regents' earlier effort to improve faculty salaries demonstrates. Each 1% increase in inflation for salaries, utilities, library materials, insurance and other costs of operation costs the University General Education Fund \$4.7 million in FY04 dollars.

Improve
Competitive
Position of Faculty
Salaries

Appropriations are being requested to help improve the competitive position of faculty salaries to reach again the upper third of the peer comparison group. The University of Iowa has seen its competitive position for faculty salaries fall consistently over the past decade. After completing a three-year effort to improve salaries in the late 1980's, the University was able to reach its targeted goal of being in the upper third of its approved eleven institution peer group. Since then, Iowa's average salary increments for continuing faculty and starting salaries for new faculty have not kept pace with those provided by peer institutions. Iowa now ranks in the bottom third of its peer group in non-clinical departments and below the median of American Association of Medical Colleges for clinical departments.

Restore Faculty /
Enrollment Ratios

The University requests appropriations increases to help in restoring the faculty/enrollment ratios that existed in FY 2000. Recent budget reductions and enrollment increases have forced Iowa to increase its reliance on a greater number of temporary faculty to provide instruction to undergraduates. Colleges and departments are hesitant to make investments in tenure-track faculty when base budgets are uncertain. As a result, undergraduates are not getting as frequent access to faculty who produce scholarship and research in their fields. Teaching informed by scholarship and research is what makes The University of Iowa distinctive. Further, many, but not all, of these positions are in the sciences and would link to the strategies outlined in the Battelle Report.

Other
Appropriation
Units

Non-General Fund Appropriated Units – (such as UIHC/Oakdale/Economic Development/Hygienic Laboratory)

- Retain base appropriation
- Inflation and full funding of salaries and benefit adjustments
- Economic Development for Iowa – The University requests that recommendations derived from the Battelle report that are pertinent to the University and endorsed by the Board of Regents, State of Iowa, be incorporated into the Regents' budget request. This could include greater support for existing budget units such as the University of Iowa's business incubator, the Oakdale Technology Innovation Center, as well as new proposals from Battelle such as funding faculty chairs with earmarked disciplines related to economic development.

Iowa State University

Inflationary
IncreaseAn inflationary increase to Iowa State University's appropriation from the State of Iowa

An inflationary increase to the university's state appropriation will help pay for inflationary cost increases in instructional equipment and supplies, library materials, information technologies, fuel and utilities, insurances and fees, faculty, and will help improve the competitiveness of professional and scientific staff salaries. For the last four years, inflationary increases have been funded by reducing college and administrative budgets. While these reductions were necessary given the Iowa's economic climate, this approach is not sustainable and has eroded the university's instructional, research, and outreach capacity.

Faculty Salaries

Phase 1 of special "catch-up" funding for faculty salaries to take the average salary to a level equal to universities in the top third of Iowa State's peer group

Excellent faculty are essential for Iowa State University to carry out its mission, increase its excellence, and continue strong participation in advancing economic development initiatives in the State of Iowa. Competitive salaries are one of the primary tools for attracting talented new faculty to Iowa State and retaining outstanding, productive faculty members. Faculty salaries have lost significant ground compared to those at peer universities. In 1998, faculty salaries were equal to average salaries at Iowa State's peer universities all of which are land-grant, "Carnegie Doctoral / Research Universities – Extensive." Since that time, average faculty salaries at Iowa State University have dropped each year relative to peer institutions and are currently next to the bottom. The university requests that the State of Iowa partner with the university to implement a multi-year plan for providing special "catch-up" funding that will bring faculty salaries up to a level equal to universities in the top-third of Iowa State University's peer group.

New Faculty to
Support
BiosciencesNew faculty positions in fields that support the advancement of Iowa's bioscience-based economy

Iowa State University has reallocated several million dollars during the past three years to support new faculty positions in bioscience related initiatives. The university has also just completed a major reorganization of the biological sciences. These changes have already yielded tangible results in increased research funding and national recognitions. While the reallocations have provided necessary energy for these initiatives, the prospects for Iowa outlined in Battelle's recently issued report "Biosciences Path for Development" point to the need for continued growth and investment in these fields. Iowa State University requests funding for new faculty positions in the biosciences and for new faculty positions in fields that support the biosciences.

University of Northern Iowa

The University of Northern Iowa intends to maintain excellence while enhancing opportunities for Iowans by increasing enrollment to 13,800 students over the next three to five years. Increasing access to world-class higher education by restoring our enrollment and enhancing the quality of students' experience will contribute to the economic well being of the state by producing higher numbers of university graduates.

To accomplish these goals in five years, the university proposes the following two strategic initiatives, realizing that the rate at which we can increase enrollment while maintaining quality is directly related to support for these initiatives:

Maintain
Excellence in
Faculty and Staff

Maintaining Excellence in Faculty and Staff Through Competitive Salaries

To retain excellent faculty and professional staff, the university must remain at the median or higher of our peer institutions. Each 1% increase in annual base salary and fringe benefits for faculty (\$635,000), professional and scientific staff (\$244,000) and merit staff (\$205,000) requires an annual salary increase of \$1,084,000. Actual increases for FY06 and FY07 will be negotiated with United Faculty during the 2004-2005 academic year.

Expand
Opportunities
Through
Enrollment Growth

Expanding Opportunities Through Enrollment Growth to 13,800 Students While Maintaining Quality

The University has developed a model that projects the necessary increases in the university's budget to achieve the targeted enrollment growth by FY 2010. This model assumes a 2010 enrollment of 13,800 students, 75% of SCH taught by tenure-track faculty, and an average undergraduate class size of 28. To accomplish this, the University will need 94 additional faculty over five years and a staff increase of 26. The model rebuilds the building repair budget over this five-year period and assumes an inflationary increase for supplies and services of 3% per year. This initiative will increment GEF by approximately 2.4% annually. This model covers fundamental costs associated with strategic enrollment growth, but does not restore economic development projects or quality enhancements such as UNI's Center for the Enhancement of Teaching or the Center for Economic Development.

Iowa School for the Deaf

The FY 2006 Budget Request will be focused on several major objectives. These are outlined below.

- | | |
|---|---|
| High Quality Education Programs | <p><u>Ensure continuity of high quality education programs with faculty and staff who are well-trained and highly qualified</u> (ISD Strategic Plan 1.0.0.0, 2.0.0.0, 4.0.0.0)</p> <p>The budget request should include sufficient funding for ongoing personnel training/in-service to ensure that qualifications of all staff remain current; salaries must be competitive in a market of special education that has a severe shortage.</p> |
| Expanded Outreach Services | <p><u>Provide expanded outreach services to a wider constituency throughout Iowa</u> (ISD Strategic Plan 1.0.0.0 and 2.0.0.0)</p> <p>The budget request should include funding to allow ISD's outreach services to reach Iowa's local school districts more systematically and consistently so students throughout Iowa who have hearing impairments will receive more effective services with ISD's support regardless of their attendance center/school. Technical assistance should be provided to districts and families, and is a priority.</p> |
| Programs That Promote Strong Literacy Skill Development | <p><u>Continue to build programs that promote strong literacy skill development for students</u> (ISD Strategic Plan 1.0.0.0, 4.0.0.0)</p> <p>The budget request should include sufficient funding to update the collections in upper and lower schools and provide library personnel to support student use of the collection in order to build literacy skills, in conjunction with the Accelerated Reader program.</p> |
| Server and Supporting Technology | <p><u>Upgrade the obsolete server and supporting technology</u> (ISD Strategic Plan 1.0.0.0, 2.0.0.0, 4.0.0.0)</p> <p>The budget request should include funding for replacement of the current server, which is more than six years old and insufficient to meet ISD's increasing needs for technology that can handle innovative and high quality programming. Also, the current server is vulnerable to Internet risks that ultimately are dangerous because of the confidential student information transmitted through the technology and housed on it.</p> |
| Accessibility Features | <p><u>Upgrade accessibility features of facilities to ensure students who are deaf and have additional physical needs can be served safely</u> (ISD Strategic Plan 3.0.0.0)</p> <p>The budget request should include funding for a comprehensive assessment of accessibility of all structures and areas of ISD, and documentation of what modifications may be needed to achieve satisfactory accessibility. The budget request should also include funding for the most pressing accessibility modifications to ensure current students' needs are met, if any are identified as needing remediation. Additional accessibility features potentially will promote ISD's ability to serve a wider population of students who are deaf, but have additional needs.</p> |

Iowa Braille and Sight Saving School

The mission of the Iowa Braille School is to enable Iowa's students who are blind or visually impaired to function as independently as possible in all aspects of life by providing appropriate educational opportunities, resources, and support services.

The budget priorities of the Iowa Braille School are driven by this mission and include, in order, the:

Maintaining
Competitive
Salaries

Maintenance of salaries and benefits for all staff in order to attract and retain highly qualified professionals and competent support staff.

Expanded
Services

Continuation of the school's Strategic Plan with an emphasis on the further development of a 'circle of support' for all children and youth. This includes reinstating several consultant positions that have been eliminated in the past few years, cooperation/collaboration with the professional preparation program at the University of Northern Iowa and expanding the opportunities for students of all age and ability levels to access summer programs. We will continue to seek program improvement at IBS, and in each collaborating AEA, through the Quality Programs for The Visually Impaired (QPVI) process. A major emphasis will continue to be literacy activities as detailed in our Strategic Plan.

Opportunities for
the School's
Future

Preparation of the school staff, parents and students and the wider communities for the work of the Regent's Task Force examining opportunities for the school's future. Depending on the final report, the school will consider many issues, including allocation of financial resources, to accomplish recommended changes.