

Contact: Pam Elliott Cain

POLICY MODIFICATIONS AND
FY 2008 OPERATING APPROPRIATIONS REQUESTS

Actions Requested:

1. Consider first and final approval of proposed policy changes related to spending plans, funding plans, and tuition (Attachment A).
2. Based on proposed spending and funding plans, consider approval of the identified operating appropriations requests for FY 2008 totaling \$717.8 million.

Executive Summary:

Consistent with the Board's strategic plan, the proposed revisions to the Regent Policy Manual, detailed in Attachment A, recognize that determining and fulfilling appropriate resource needs are essential to high quality public education, cutting-edge research and creative activities, along with needed public services.

The identified policy changes incorporate guidance related to spending and funding plans. Spending plans provide an effective tool to evaluate expenditure needs while funding plans consider the approach to maximize available resources to accomplish the spending plans. Funding plans will vary depending on function, spending plans, and types of available resources.

Iowa Code requires state entities to submit appropriations requests for the ensuing fiscal year to the state on or before October 1. The Regent requests for FY 2008 are due October 1, 2006.

The Board's strategic plan calls for adequate support of Regent institutions by optimizing funding from all sources. To fulfill resource needs identified in the spending plan, increases in state appropriations are necessary.

FY 2008 Regent appropriation requests have been consolidated into five major functional areas:

- Higher Education Appropriations
- Higher Education Legislative Special Purpose Appropriations
- Special School Education Appropriations
- Economic Development Appropriations
- UIHC IowaCare Program Appropriations

The proposed spending plans calls for:

- An inflationary increase based on the Higher Education Price Index for university units (5.2%) and the state determined allowable growth for K-12 schools for the special schools (4%).
- An increase for strategic initiatives that would allow the Regent institutions to improve and move forward.

To maintain a stable base for operations, the funding plans incorporate:

- Continuation of recurring state appropriation levels
- Replacement of one-time resources with recurring state appropriations
- An inflationary increase in tuition revenues and state appropriations
- Additional state appropriations for strategic improvements
- Strategic internal institutional efforts to maximize efficiencies through best practices and enterprise-wide collaboration

Board of Regents Proposed Spending/Funding Plan							
Regent Operations by Major Function							
	Higher Education	Higher Education Legislative Special Purpose ^(b)	Special School Education	Economic Development	UIHC/IowaCare Program	Total	
Spending Plan	FY 2007 Budgeted Amounts	1,048,157,768	146,394,689	15,466,419	3,071,853	696,579,200	1,909,669,929
	Inflationary Increase over FY 2007 ^(a)	54,504,204	7,612,524	572,217	159,736	-	62,848,681
	Strategic Initiatives for Progress	14,000,000	2,500,000	-	-	-	16,500,000
	Proposed FY 2008 Spending Plan	1,116,661,972	156,507,213	16,038,636	3,231,589	696,579,200	1,989,018,610
Funding Plan	TUITION						
	Continuation of FY 2007 Tuition Revenues	469,371,980	-	-	-	-	469,371,980
	Inflationary Increase for FY 2008 at 5.2%	24,407,343	-	-	-	-	24,407,343
		493,779,323	-	-	-	-	493,779,323
	STATE APPROPRIATIONS						
	Continuation of FY 2007 Recurring Appropriations ^(b)	493,743,130	106,585,343	14,305,417	3,071,853	27,284,584	644,990,327
	Replacement of One-Time Sources with Recurring	19,900,000	-	-	-	-	19,900,000
	Inflationary Increase	30,096,861	5,542,438	572,217	159,736	-	36,371,252
	Strategic Initiatives for Progress	14,000,000	2,500,000	-	-	-	16,500,000
	Proposed Total Appropriations	557,739,991	114,627,781	14,877,634	3,231,589	27,284,584	717,761,579
	OTHER (federal, patient revenues, interest, etc.)	65,142,658	41,879,432	1,161,002	-	669,294,616	777,477,708
Proposed FY 2008 Funding Plan	1,116,661,972	156,507,213	16,038,636	3,231,589	696,579,200	1,989,018,610	
FY 2001 Recurring Appropriations ^(b)						722,953,182	

^(a) Higher Education inflation based on HEPI projections of 5.2% and Special School inflation based on K-12 allowable growth.
^(b) Includes tuition replacement appropriations.

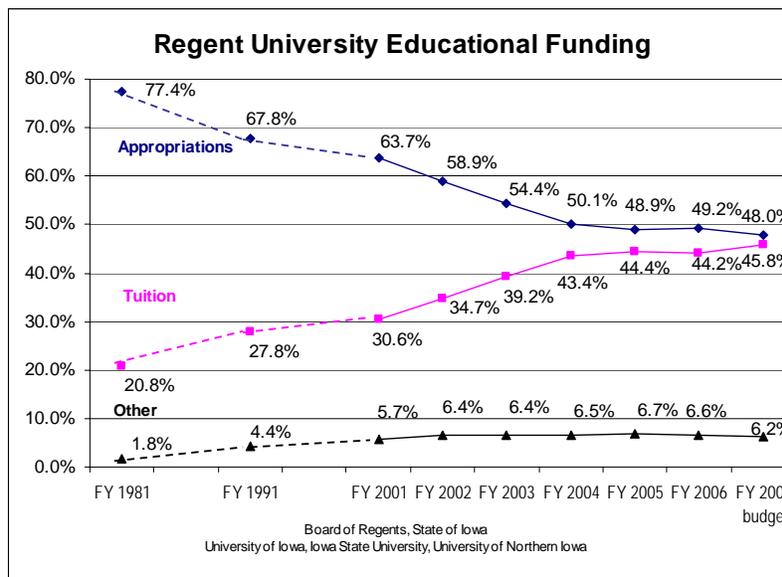
State Appropriations Requests

Higher Education Operating Appropriations Request

\$557.7 million

This functional area combines the general education units of the three universities.

State operating appropriations had historically provided the core operating funds for the Regent institutions. However, dynamic changes in state funding patterns have significantly altered the proportion of revenue sources for higher education.



The proposed spending plan includes an inflationary increase and funding for strategic initiatives and would allow the Board and the universities to:

- Assist in offering nationally competitive salaries to allow the universities to recruit and retain faculty members who are among the very best in their fields of study to maintain educational excellence in areas that are important to Iowa's future. Competitive salaries are crucial in attracting and retaining outstanding faculty and staff who embody the core of the Regent institutions.

Salaries comprise almost 75% of the universities' general education expenditures.

- The Board and its institutions enhance the quality of life for Iowans through a strong, dedicated, and professional workforce.
- The best faculty and staff are essential to providing exceptional learning opportunities, widely disseminating knowledge, including those that stimulate economic growth in Iowa, and delivering valued public services that Iowans expect from its Regent universities.
- The Board, in its commitment to Iowans and its students, must also be committed to its employees.
- Focus the hiring of new faculty in key strategic academic disciplines with a high impact in Iowa and in growth potential for the state.
- Preserve the quality of statewide research and outreach services inherent in the missions of the three Regent universities.
- Enrich the educational experience for students and provide more student access to faculty who produce research and scholarship.
- Effectively manage appropriate class sizes.
- Improve student progress toward graduation.

The two key resource components requiring specific Board action are requesting state appropriations and determining tuition rates. The first tuition rate discussion is scheduled to take place at the next Board meeting in November. This Regent request for state appropriations seeks to:

- Continue FY 2007 recurring state appropriation levels.
- Provide a solid base for budgets by requesting the state to replace one-time moneys with continuing state appropriations.
 - The FY 2007 budgets for higher education of recurring costs were constructed utilizing \$20 million of non-recurring resources: \$9 million state appropriations and \$10.9 million in energy/environment surcharges. These non-recurring dollars cause serious budget concerns.
- Maintain educational excellence by funding inflationary increases.
 - An inflationary budget increase on the FY 2007 budget would total \$54.4 million. The Regent funding plan includes new state appropriations of \$30 million and new tuition dollars of \$24.4 million.
- Enhance quality for new and innovative strategic priorities through new state appropriations of \$14 million specifically targeted to:
 - Increase the ranking levels of average faculty salaries at SUI and ISU by three levels within their respective peer groups.
 - Enhance the educational quality at UNI by funding new faculty positions.

Higher Education Legislative Special Purpose Appropriations Request \$114.6 million

These appropriations are for specific programs at each institution which provide services to Iowa. Examples of these appropriations are the Hygienic Laboratory at the University of Iowa, the Cooperative Extension Service and Agriculture Experiment Station at Iowa State University, and the Recycling and Reuse Program at the University of Northern Iowa.

These separate legislative units have not received a net increase in state funding since FY 2001. This request continues base operational funding for the special purpose appropriations at the three universities and asks for an inflationary increase of \$5.5 million as well as \$2.5 million for Iowa Public Radio.

Special School Education Operating Appropriations Request \$16 million

The funding request for the two special schools (ISD and IBSSS) incorporates an increase on state operating appropriations of \$0.6 million, equivalent to the legislative FY 2008 allowable growth percentage of 4% for the other public K-12 schools in the state. The funding would allow the Board of Regents to continue to provide high quality, individualized instructional opportunities to children and youth who are deaf or hard-of-hearing and to those who are blind or visually impaired, including those with additional disabilities.

Economic Development Operating Appropriations Request \$ 3.2 million

Economic development improves the quality of life in Iowa through educational outreach programs as well as exceptional and accessible valued public services in response to the needs of Iowans.

Regent universities provide world-class expertise through technology transfer, research, and development; contribute to science advancement; bring life science-based companies to Iowa; develop/maintain partnerships; nurture entrepreneurial ventures, and much more. The Regent institutions attract investment in Iowa; grow a variety of business opportunities in the state; build on their research strengths and capabilities; and increase technology transfer to commercial entities.

The Regent institutions transform Iowa's economy by

- Graduating an educated, productive workforce
- Providing a supportive business climate
- Enhancing an infrastructure for the new economy

This functional area includes operating funds for SUI - Advanced Drug Development, Oakdale Research Park, and Technology Innovation Center; ISU - Institute for Physical Research and Technology, Small Business Development Centers, and ISU Research Park; UNI - Institute for Decision Making and Metal Casting Center.

This request provides the operational funds for the universities' economic development activities and sustains the Grow Iowa Values Fund and Battelle projects. It also requests an inflationary increase of \$159,736.

UIHC IowaCare Program Appropriations Request \$ 27.3 million

The Iowa Department of Human Services initiated the IowaCare Program on July 1, 2005, to provide certain health care benefits to qualified Iowans. The UIHC is one of a very limited number of providers within the state of Iowa that is eligible to provide IowaCare services.

The request maintains the funding for the University of Iowa Hospitals and Clinics to provide care under the requirements of the IowaCare program.

CHAPTER 7

7.03 GENERAL POLICIES

A. Budgets

1. ~~Appropriations~~ Spending Plans ~~Request~~ Criteria

Sound fiscal policy includes the development of a spending plan. Consistent with the Board's strategic plan to serve the people of Iowa and to utilize effective management systems, Regent spending plans would:

- Maintain Board and institutional strategic priorities; and
- Pursue:
 - Continuous quality improvement towards reaching best practices in the delivery of education and other services; and
 - Opportunities to realize greater efficiency in operations.

These spending plans would provide transparency promoting more public accountability; demonstrate support for Regent strategic priorities; and identify parameters for seeking financial resources.

a. Spending Plan Criteria for Operations ~~Appropriations~~ ~~Operating Requests~~ Criteria

- 1) Relationship of initiatives to Regent and institutional strategic plans.
- ~~3)2)~~ Identification of plausible Prior appropriations available resources, including for similar or connected initiatives. leveraging provided from External sources funding which provides a leverage of state resources.
- ~~4)3)~~ Impact of initiatives on education, research, outreach, and other areas important to Iowans state's economic development.
- ~~5)4)~~ Equity among institutions.
- ~~6)5)~~ Accountability.

b. Spending Plan Criteria for Capital Projects ~~Requests~~ Criteria

- 1) Relationship of projects to institutional strategic plans.
- 2) Priority order of projects in the prior Board-approved five-year plan.
- 3) Priority ranking of projects as submitted by institutions.
- 4) Prior appropriations for planning and/or construction.
- 5) Consistency of the project with the campus master plan.
- 6) External funding which provides a leverage of state resources.
- 7) Impact of projects on education, research, outreach, and other areas important to the state's economic development.
- 8) Equity among institutions.
- 9) Accountability.

2. Funding Plans

The Board asserts that maximizing available resources is imperative to providing high quality public education for Iowans; cutting-edge research and creative activities to enhance the quality of life; and needed public services that help fuel the state's economy in the best interest of all Iowans.

Because of the variety of institutions governed by the Board, different funding plans are necessary based on function, spending plans, and types of available resources.

a. Universities' General Education

Higher education in Iowa is a partnership among Iowa students and their parents, out-of-state students and their parents, Iowa taxpayers, Iowa public policy makers, the Board of Regents, and the Regent universities.

Funding opportunities for higher education includes three key resource components requiring specific Board action:

- 1) State appropriations – Iowa taxpayers and public policy makers share
- 2) Tuition revenues – student and family share (See Chapter 8.02, Tuition, of this Policy Manual)
- 3) University reallocations – Regent and university share (See subsection 4, Reallocations, below)

b. Special Schools' General Education

Provision of services by the two special schools must be provided at no cost to Iowa students.

- 1) The key funding resource for Board action is state appropriations, which provide over 90% of the schools' operating funds.
- 2) The Board encourages the schools to leverage other available resources whenever possible.

c. Other institutional units (such as legislatively appropriated units including the Hygienic Laboratory, Agriculture Experiment Stations, Cooperative Extension, economic development operations, Lakeside Lab, and regional study centers, as well as residence systems, UIHC, athletics, parking, etc.)

Funding consideration will be based on priority of:

- 1) Institutional needs/initiatives
- 2) Available resources
- 3) Other criteria as appropriate

4.3. Budget Appropriations Process

a. The Board's strategic plan requires it to continue its long-standing practice of seeking state appropriations annually.

~~4~~b. The chronological appropriations process for the institutions governed by the Board of Regents includes the following:

- ~~a~~1) Regent institutions develop identify institutional funding appropriation requests based on the established criteria for operating and capital requests.

- b)2) _____ The Board considers preliminary institutional operating ~~requests~~funding needs at its July meeting.
- e)3) _____ ~~Between July and September, The Board Office staff visit the institutions, as necessary, to gather~~ additional institutional information, discusses priorities, and refine the appropriations requests ~~proposes broad funding plans that include appropriations requests.~~
- d)4) _____ At its September meeting, the Board approves ~~institutional~~ appropriations requests.
- e)a) _____ By October 1, the Board-approved appropriations requests are submitted to the Governor, as required by law.
- f)b) The Governor prepares state appropriations recommendations, including appropriations recommendations for Regent institutions ~~prior to~~for the legislative session.
- a)c) _____ During the legislative session, the General Assembly and Governor consider and authorize appropriations.

64. Reallocations Policy

The following represents the key components of the reallocation policy ~~for FY 2005 through FY 2009:~~

- 1) Definition: Reallocation of institutional funds occurs when funds within the base budget of a defined university entity (presidential/vice presidential unit, college, academic or nonacademic department, division, program, or other unit) are removed by the dean, vice president, or president overseeing that entity and redirected to another entity or purpose. Funds so removed cannot be redirected back to that original entity or purpose within four years except under extraordinary circumstances and only then by increasing an equivalent reallocation amount for the current year. Reallocation may be made to:
 1. support new strategic initiatives,~~to~~
 2. meet enrollment increases and the demand for new courses and services,~~to~~
 3. fund new but unavoidable or mandated cost increases,~~or to~~
 4. support any other initiatives important to the core functions of the university.
- b. The Board will annually set a target dollar amount or percentage of expected reallocations for each institution. Institutions will include reallocations in the budgetary process,~~report on a semi-annual basis to the Board on their actions relative to reallocations.~~
- c. Examples of actions that are reallocations:
 - 1) Moving funds that supported a faculty position in the Department of Physics to support a new faculty position in the Department of Genetics, Development, and Cell Biology
 - 2) Moving funds that supported a faculty position in genetics to support a new faculty position in cell biology, all within the Department of Genetics, Development, and Cell Biology

- 3) Moving funds from the budgets of all academic departments within a college to create an additional collegiate-wide professional position for information technology support.
 - 4) Moving funds from fuel and utility budgets because of additional efficiencies to fund new faculty positions in strategic disciplines.
 - 5) Moving funds from academic and other programs that are being eliminated or downsized to increase funding to academic programs of higher priority.
 - 6) Moving the support for a faculty position from the General Education Fund (GEF) to a private grant or contract and using the GEF savings to cover the start-up costs for a new faculty hire.
 - 7) Moving funds from individual staff positions within Facilities Management to support unfunded and mandated collective bargaining staff salary and benefit increases.
 - 8) Moving funds from individual faculty or staff positions within a college to support more competitive faculty salaries within the college.
- d. Examples of actions that are not reallocations:
- 1) Movement of funds that supported a staff position in financial aid record keeping to funding for an automated software system to maintain the same records, but more efficiently
 - 2) Movement of funds that supported a P&S staff position to oversee freshmen chemistry labs to support a graduate student to oversee the same freshmen chemistry labs
 - 3) Movement of funds within an academic department from graduate student support to student hourly wages.
 - 4) Movement of funds from a lecturer position in Art and Design teaching drawing to a tenure-track position in the same department teaching drawing.

The reallocation policy will be reviewed at least every five years.

3.4. _____ Budget Approvals – All institutional budgets are to be approved by the Board.

4.5. _____ Budget Transfers

- a. The chief executive officer of each institution is authorized to approve budget transfers and allocations, except those transfers that increase the current approved budget or the budget ceiling or those required by loan agreements and bond resolutions. The exceptions shall be docketed by each institution for Board action, and such action shall be recorded in the Board minutes.
- b. The chief executive officer of each institution is authorized to approve supplemental budgets which are supported by gifts, grants, and service contracts.

5.6. _____ Budget Ceilings

- a. Regent institutions will docket for Board action proposed changes in budget ceilings for General Fund operations and will do so prior to institutional action modifying their obligations.

7. Comprehensive Fiscal Report

A report is to be prepared after the close of each fiscal year that compares actual revenues and expenditures with the Board-approved budgets, including reallocations; and identifies significant variances and accomplishments.

CHAPTER 8: TUITION

C. Principles for Setting Tuition and Related Fees

Higher education in Iowa is a partnership among Iowa students and their parents, out-of-state students and their parents, Iowa taxpayers, Iowa public policy makers, the Board of Regents, and the Regent universities.

The following principles will be used to set tuition and related fees at the three public universities governed by the Board of Regents, State of Iowa, for the years FY 2007, FY 2008, and FY 2009, consistent with its Partnership Plan for Transformation and Excellence: Tuition revenues provide a significant portion of the Universities' General Education operating resources and are considered a key component of those funding plans. Tuition represents the student/family share of the cost of higher education. (See Chapter 7.03, General Policies, of this Policy Manual.)

1. Tuition Categories:
 - a. Resident Undergraduate Students
 - b. Resident Graduate Students
 - c. Nonresident Undergraduate Students
 - d. Nonresident Graduate Students
 - e. Resident Professional Students
 - f. Nonresident Professional Students
2. On an annual basis, the Board of Regents will consider tuition and fee proposals for each university, ~~suggested by each university president for the following academic year at their university.~~
3. Within each tuition category, each university president will have sufficient flexibility, with appropriate justification, to recommend differential levels of tuition and fees for all students at their university or for subcategories of students, consistent with Regent and institutional strategic goals, based on student classification level, program of study, or other relevant criteria.
4. The Board will use, as a benchmark in evaluating university-proposed tuition and fee increases, an inflationary percentage range of the projected HEPI (Higher Education Price Index) as determined by the University of Iowa's Institute for Economic Research, in consultation with economists at Iowa State University and the University of Northern Iowa.

5. University Tuition and Fee Proposals

Prior to submitting tuition and fee ~~proposals~~ recommendations to the Board Office for review and analysis, each university president must:

- a. Ensure the recommendations are consistent with the overall funding plan.
- ab. Ensure that tuition and fee proposals are discussed on campus with the elected leadership of faculty, staff, and student organizations.
- bc. Keep the other two university presidents fully informed throughout the development process of tuition and fee requests.
- e-d Use the HEPI benchmark as a guide to Board expectations for rates increases, absent adverse changes in the overall fiscal environment for the university considerations of the overall funding plan.
- de. Provide clear explanation and justification for all tuition and fee requests as part of the funding plan.
- ef. Any mandatory fee proposal higher than the median of the HEPI range and earmarked for specific non-academic student benefits should also include the endorsement of students and identification of the specific uses and duration of the fee.
- fg. Provide specific documentation of the university strategic goals and objectives related to the tuition and fee proposals.
- gh. Tuition for nonresident ~~undergraduate~~ students should, at a minimum, cover the full cost of their education at each Regent university.
- hi. Provide at least the minimum required 15% gross tuition proceeds set-aside for student financial aid.

6. All initial proposed tuition increases, changes in mandatory student fees, and tuition-related miscellaneous charges must be submitted and presented for the Board's consideration at the same Board meeting.