

Contact: Brad Berg

FY 2019 OPERATING AND OTHER APPROPRIATIONS REQUESTS

Actions Requested: Consider:

- Approval of the identified operating and other appropriations requests for FY 2019 totaling \$622.35 million.
- Authorizing actions by designated Regent staff to seek collaboration and partnerships between Regent institutions and other sectors of state government. The Regent legislative efforts are an integral part in successfully receiving requested funding.

Executive Summary: Consistent with the Board’s strategic plan adopted in July 2016, determining and fulfilling appropriate resource needs are essential in providing high quality public education, cutting-edge research, and needed public services. Predictability, transparency and long-term planning strategies are woven throughout the plan. To maximize benefits to Iowans and other citizens, the Board of Regents advocates for adequate support for Regent institutions from all sources for high-quality educational opportunities accessible to Iowans, research and scholarship, service activities, and economic development efforts.

The Board’s strategic plan also calls for adequate support of Regent institutions from all sources and promoting the effective use of resources to meet institutional missions. The two key resource components are state appropriations and tuition revenue. In addition, consideration shall be given to incremental costs that may be absorbed through efficiencies and reallocations. Earlier in 2017, the Board established a Tuition Task Force to facilitate public discussion regarding the issue of tuition at Iowa’s public universities. The task force examined the core issues and strategies central to the process of setting tuition at the three Regent Universities and received input from students, legislative and business stakeholders, university representatives, and the public.

This docket item contains the specific FY 2019 operating appropriations request, with the first reading of proposed tuition rates for the 2018-19 academic year currently scheduled for the October 18-19, 2017 meeting.

Iowa Code requires state entities to submit the appropriations requests for the ensuing fiscal year to the State on or before October 1. A summary of the proposed appropriations requests is provided below with the individual appropriations listed on the following page.

| APPROPRIATION REQUEST SUMMARY | | | | |
|--------------------------------------|------------------------|--------------------|--------------------|-----------------|
| | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | <u>% Change</u> |
| HIGHER EDUCATION | 483,346,290 | 12,000,000 | 495,346,290 | 2.5% |
| SPECIAL PURPOSE UNITS | 66,570,183 | - | 66,570,183 | 0.0% |
| SPECIAL SCHOOLS & OTHER EDUCATION | 15,456,672 | 805,954 | 16,262,626 | 5.2% |
| ECONOMIC DEVELOPMENT | 8,700,000 | - | 8,700,000 | 0.0% |
| AGRICULTURE | 4,000,000 | - | 4,000,000 | 0.0% |
| OTHER | 28,272,923 | 3,198,369 | 31,471,292 | 11.3% |
| TOTAL | 606,346,068 | 16,004,323 | 622,350,391 | 2.6% |

| EDUCATION APPROPRIATIONS REQUESTS FY 2019 | | | | |
|--|------------------------|--------------------|--------------------|-----------------|
| HIGHER EDUCATION | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | <u>% Change</u> |
| SUI - GENERAL UNIVERSITY | 216,759,067 | - | 216,759,067 | 0.0% |
| ISU - GENERAL UNIVERSITY | 172,874,861 | - | 172,874,861 | 0.0% |
| UNI - GENERAL UNIVERSITY | 93,712,362 | - | 93,712,362 | 0.0% |
| NEW - SUI RESIDENT UG FINANCIAL AID | - | 5,000,000 | 5,000,000 | |
| NEW - ISU RESIDENT UG FINANCIAL AID | - | 5,000,000 | 5,000,000 | |
| NEW - UNI RESIDENT UG FINANCIAL AID | - | 2,000,000 | 2,000,000 | |
| SUBTOTAL - HIGHER EDUCATION | 483,346,290 | 12,000,000 | 495,346,290 | 2.5% |
| SPECIAL PURPOSE UNITS | | | | |
| <u>UNIVERSITY OF IOWA</u> | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | |
| OAKDALE CAMPUS | 2,186,558 | - | 2,186,558 | 0.0% |
| HYGIENIC LABORATORY | 4,402,615 | - | 4,402,615 | 0.0% |
| FAMILY PRACTICE | 1,788,265 | - | 1,788,265 | 0.0% |
| SPECIALIZED CHILDREN'S HEALTH | 659,456 | - | 659,456 | 0.0% |
| PRIMARY HEALTH CARE | 648,930 | - | 648,930 | 0.0% |
| STATE OF IOWA CANCER REGISTRY | 149,051 | - | 149,051 | 0.0% |
| SUBSTANCE ABUSE CONSORTIUM | 55,529 | - | 55,529 | 0.0% |
| BIOCATALYSIS | 723,727 | - | 723,727 | 0.0% |
| BIRTH DEFECTS REGISTRY | 38,288 | - | 38,288 | 0.0% |
| ONLINE PLACEMENT ACADEMY | 481,849 | - | 481,849 | 0.0% |
| FLOOD CENTER | 1,200,000 | - | 1,200,000 | 0.0% |
| WATERMAN NONPROFIT RES CENTER | 162,539 | - | 162,539 | 0.0% |
| <u>IOWA STATE UNIVERSITY</u> | | | | |
| AG. EXPERIMENT. STATION | 29,886,877 | - | 29,886,877 | 0.0% |
| COOP. EXTENSION SERVICE | 18,266,722 | - | 18,266,722 | 0.0% |
| LIVESTOCK DISEASE RESEARCH | 172,844 | - | 172,844 | 0.0% |
| <u>UNIVERSITY OF NORTHERN IOWA</u> | | | | |
| RECYCLING & REUSE | 175,256 | - | 175,256 | 0.0% |
| MATH & SCIENCE (STEM) | 5,446,375 | - | 5,446,375 | 0.0% |
| REAL ESTATE EDUCATION | 125,302 | - | 125,302 | 0.0% |
| SUBTOTAL - SPECIAL PURPOSE | 66,570,183 | - | 66,570,183 | 0.0% |
| SPECIAL SCHOOLS | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | |
| IA SCHOOL FOR THE DEAF | 9,897,351 | 395,894 | 10,293,245 | 4.0% |
| IA BRAILLE & SIGHT SAVING SCHOOL | 4,126,495 | 165,060 | 4,291,555 | 4.0% |
| NEW: REGIONAL ACADEMY | - | 245,000 | 245,000 | |
| SUBTOTAL - SPECIAL SCHOOLS | 14,023,846 | 805,954 | 14,829,800 | 5.7% |
| OTHER | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | |
| REGIONAL STUDY CENTERS | 278,848 | - | 278,848 | 0.0% |
| BOARD OF REGENTS OFFICE | 794,714 | - | 794,714 | 0.0% |
| IOWA PUBLIC RADIO | 359,264 | - | 359,264 | 0.0% |
| SUBTOTAL - OTHER | 1,432,826 | - | 1,432,826 | 0.0% |
| TOTAL EDUCATION APPROPRIATIONS | 565,373,145 | 12,805,954 | 578,179,099 | 2.3% |
| ECONOMIC DEVELOPMENT APPROPRIATIONS | | | | |
| | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | <u>% Change</u> |
| SUI - ECONOMIC DEVELOPMENT | 209,279 | - | 209,279 | 0.0% |
| SUI - ENTREPRENEURSHIP | 2,000,000 | - | 2,000,000 | 0.0% |
| ISU - ECONOMIC DEVELOPMENT | 2,424,302 | - | 2,424,302 | 0.0% |
| UNI - ECONOMIC DEVELOPMENT | 1,066,419 | - | 1,066,419 | 0.0% |
| ALL - INNOVATION FUND | 3,000,000 | - | 3,000,000 | 0.0% |
| TOTAL ECON DEV APPROPRIATIONS | 8,700,000 | - | 8,700,000 | 0.0% |
| AGRICULTURAL APPROPRIATIONS | | | | |
| | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | <u>% Change</u> |
| ISU - VET DIAGNOSTIC LAB | 4,000,000 | - | 4,000,000 | 0.0% |
| TOTAL AG APPROPRIATIONS | 4,000,000 | - | 4,000,000 | 0.0% |
| OTHER APPROPRIATIONS | | | | |
| | <u>FY18 Continuing</u> | <u>Incremental</u> | <u>FY19 Total</u> | <u>% Change</u> |
| ALL - TUITION REPLACEMENT | 28,272,923 | 3,198,369 | 31,471,292 | 11.3% |
| TOTAL OTHER APPROPRIATIONS | 28,272,923 | 3,198,369 | 31,471,292 | 11.3% |

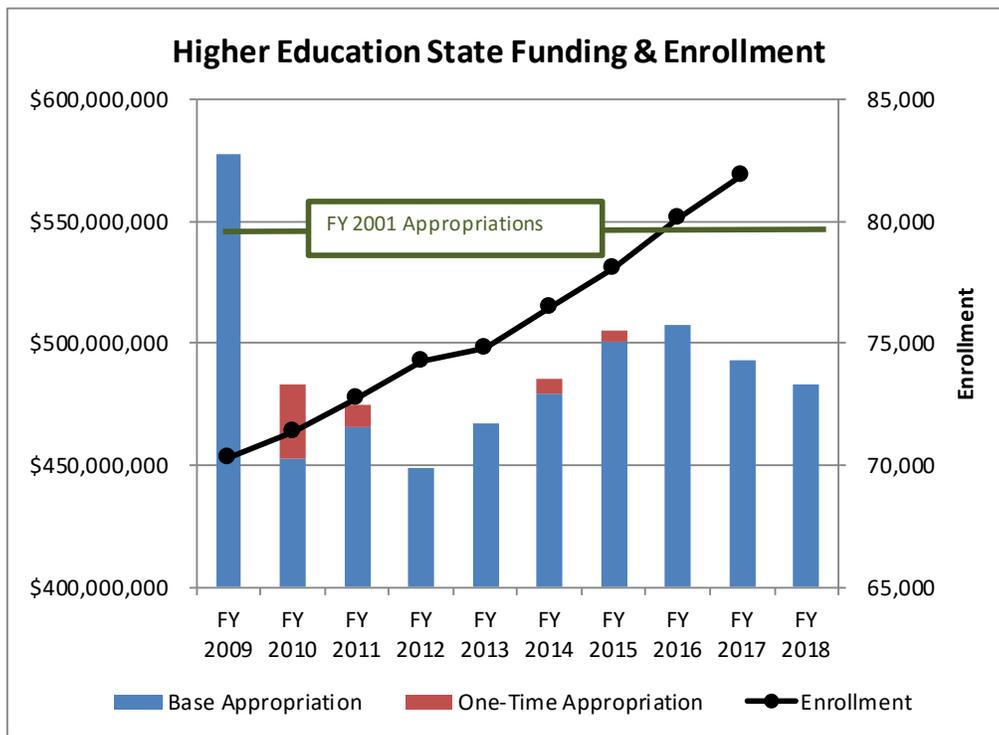
HIGHER EDUCATION GENERAL UNIVERSITY APPROPRIATIONS REQUEST..... \$495.35M

In February 2017, the General Assembly approved mid-year permanent funding reductions for FY 2017 resulting from lower than projected tax revenues totaling \$20.75 million across the three public universities. In April 2017, the General Assembly further reduced funding for FY 2018 by an additional \$9.58 million. In total, Regent higher education appropriations for FY 2018 are \$30.33 million less than original FY 2017 appropriated amounts.

State Funding for Regent Higher Education

| | FY 2017 <u>Beginning</u> | FY 2017 <u>Reduction</u> | FY 2018 <u>Reduction</u> | FY 2018 <u>Appropriation</u> |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|
| University of Iowa | \$ 232,223,005 | \$ (9,237,500) | \$ (6,226,438) | \$ 216,759,067 |
| Iowa State University | \$ 184,399,852 | \$ (8,990,000) | \$ (2,534,991) | \$ 172,874,861 |
| University of Northern Iowa | \$ 97,057,732 | \$ (2,522,500) | \$ (822,870) | \$ 93,712,362 |
| Total | \$ 513,680,589 | \$ (20,750,000) | \$ (9,584,299) | \$ 483,346,290 |

State funding levels for higher education remain significantly less than FY 2009 amounts while enrollment has grown significantly during this same period. Looking farther back, higher education appropriations in FY 2001 were more than \$65 million greater than those of FY 2018.



As analyzed by the University of Iowa Economic Research Institute, the Higher Education Price Index (HEPI) for FY 2019 is projected to be between 1.2% and 2.8% with a median value of 2.0%.

The FY 2019 higher education requests provided on page 2 totals \$495.35 million and includes:

- Continuation of FY 2018 recurring appropriations totaling \$483.35 million.
- Incremental funding of \$12 million (\$5 million each for SU and ISU, and \$2 million for UNI) for financial aid to be awarded to resident undergraduate students.

The State of Iowa has no financial aid funding designated solely for students attending Iowa's public universities. Currently, students attending one of the Regent universities may apply for aid through programs available to all sectors, including the All Iowa Opportunity Scholarship (total FY18 appropriation of \$3.1 million), and the Iowa National Guard Educational Assistance Program (total FY18 appropriation of \$2.8 million). By contrast, the Iowa Tuition Grant (\$46.6 million for FY 2018) is available solely to students who attend private or for-profit institutions. The \$12 million appropriations request for financial aid to undergraduate students from Iowa would be available solely to students attending one of Iowa's public universities.

When comparing states by the percent of need-based aid awarded to students at public institutions, Iowa is last in the country (50th). Moving up one spot to 49th would require more than \$20 million dedicated to the students attending Iowa's public universities.

HIGHER EDUCATION LEGISLATIVE SPECIAL PURPOSE APPROPRIATIONS REQUEST... \$66.57M

These appropriations support specific units/programs at each institution that provide services statewide. The appropriation requests for each individual special purpose unit is provided on page 2. State funding for most of these units continues to be 14%-20% less than FY 2009 amounts. While these units have a far reaching impact and additional funding is needed to maintain the quality work they do for Iowans, no incremental funding for FY 2019 is requested. The total special purpose request totaling \$66.57 million equals that appropriated for FY 2018.

SPECIAL SCHOOL EDUCATION OPERATING APPROPRIATIONS REQUEST \$14.83M

The funding request for the two special schools, Iowa School for the Deaf (ISD) and the Iowa Braille and Sight Saving School (IBSSS) allows 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.

ISD and IBSSS primary rely heavily on state funding for their operations. The Special Schools' request includes the continuation of the FY 2018 recurring appropriations totaling \$14.02 million for operations, and incremental funding of 4% that would provide \$395,894 for ISD and \$165,060 for IBSSS. These funds will support expanded extended-learning services and improve faculty recruitment/retention. Faculty members at the Special Schools have highly specialized teaching licensure with multiple endorsements for special education and grade level or content area. The Schools must recruit and compete for teachers on a national level.

The Schools also request \$245,000 to support education at the regional academy in Charles City. The academy will provide more direct service time with students, opportunity for development of transitional skills, extended learning activities, and access to specialized teachers for intensive educational programming. This investment represents less than one third of the total operational costs for the academy.

OTHER EDUCATION APPROPRIATIONS \$1.43M

Regional Study Centers – Flat funding of \$278,848 is requested for the continued operation and outreach efforts to students across the state at the three centers; Southwest Iowa Regents’ Resource Center, Northwest Iowa Regent’s Resource Center and Quad-Cities Graduate Center.

Board of Regents Office – The 2016 General Assembly reduced the Board Office appropriation for FY 2017 by over 27% (\$0.3 million) and funding remained at that level for FY 2018. The FY 2019 appropriation request for the Board Office is \$0.79 million and remains flat with FY 2018 funding levels.

Iowa Public Radio - IPR was created by the Board of Regents in 2004 to manage the public radio stations licensed to Iowa State University, the University of Northern Iowa and the University of Iowa. IPR’s 24 stations serve 225,000 Iowans every week, delivering News, Classical and Studio One music programming 24-hours a day. The total operating appropriations request for FY 2019 is \$0.36 million and equals FY 2018 amounts.

ECONOMIC DEVELOPMENT APPROPRIATIONS REQUEST \$8.70M

The economic development funding provided by the State of Iowa for the Regent institutions over the years has been critical to efforts in supporting the formation and growth of entrepreneurship educational activities, assistance to startup and existing Iowa companies, and faculty and student awareness of entrepreneurship and economic development. The translation of university innovations and technologies has proven to be critical and a driving force for innovation and job creation. More importantly, it is essential for the long-term growth of a sustainable, innovative economy that will position Iowa to be competitive in a global market. No incremental funding is requested for all economic development units.

Economic Development units included in the funding request of \$5.7 million include the SUI’s Entrepreneurship and Economic Growth Initiative, the Center for Advanced Drug Development (CADD), the University of Iowa Research Park (UIRP) and the Technology Innovation Center (TIC); ISU’s Center for Industrial Research and Service Technology Assistance Program (formerly Institute for Physical Research and Technology), the Research Park, and the Small Business Development Centers; UNI’s Institute for Decision Making, Metal Casting Center, MyEntreNet, and Advance Iowa (Economic Gardening).

In addition to the economic development units described above, the Regents Innovation Fund request includes recurring appropriations of \$3.0 million. The Fund has helped leverage private and federal funds resulting in expanded economic development initiatives and enhanced programming for technology transfer, business incubation, and entrepreneurship at the public universities. Incremental funds will be matched by equal university financial commitments to maximize the impact of programs and services supported by this request.

AGRICULTURAL APPROPRIATIONS REQUEST \$4.0M

Flat funding of \$4 million to support the Veterinary Diagnostic Lab at ISU is requested for FY 2019. Iowa State’s Veterinary Diagnostic Laboratory (VDL) processes over 70,000 cases from livestock and poultry producers in Iowa and from across the country, and conducts about 1.5 million tests each year. The laboratory is essential in providing the diagnostic testing and information to continue current exports and develop new export markets for Iowa livestock and animal protein products.

OTHER APPROPRIATIONS REQUESTS.....\$31.47M

Tuition Replacement - The 1969 General Assembly passed legislation (Iowa Code 262A) permitting the issuance of Academic Building Revenue bonds to fund capital projects at the Regent universities. The bonding program has enabled the Regents to finance critical academic construction needs at Iowa’s public universities through the public sale of long-term bonds. The issuance of these bonds requires approval of the General Assembly and the Governor. Tuition revenue is pledged to pay the principal and interest on the bonds and the tuition replacement appropriation replaces that revenue. Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue bonds.

The tuition replacement request of \$31,471,292 for FY 2019 reflects an increase of \$3.2M over FY 2018. Note: The FY 2018 funding amount incorporated carry forward amounts from savings realized from refunding issues in prior years. Applying these savings reduced the FY 2018 request to amounts lower than recent history. As expected, the FY 2019 request returns to more typical funding levels. The tuition replacement appropriation has historically been funded primarily from the Rebuild Iowa Infrastructure Fund.

State Geological Survey - The Iowa Department of Natural Resources (IDNR) and the University of Iowa (UI) request the Iowa Geological Survey (IGS), the position of State Geologist, and the \$1.2 million appropriation be transferred from IDNR to IIHR–Hydroscience and Engineering (IIHR), a unit of the UI College of Engineering. Both IGS and IIHR have a long, productive history of research and service to the state. Similarities in program missions, as well as synergies between IGS activities and IIHR research centers, such as the Iowa Flood Center and the Iowa Nutrient Research Center, enhance effectiveness, create growth opportunities for both organizations and will broaden their positive impacts on Iowa’s economy.

NON-APPROPRIATIONS REQUEST

The Board of Regents strongly encourages Regent institutions to seek collaboration and partnerships between Regent institutions and other sectors of state government that result in improved productivity, more effective stewardship of state resources and enhanced economic development opportunities for Iowa’s citizens. The Board also seeks relief from statutory and administrative state mandates that demonstrably impede the Regents’ flexibility in governance, require unnecessary staff work or require significant reporting which no longer serves a critical state or Regent strategic purpose.

Salary Funding

Should the State develop a plan for supporting salaries for all employees, it is important the Regent institutions participate in the salary pool.

The dollar amounts for incremental salary funding are not included in the Regent appropriations. Historically, a separate appropriations bill provides funding for new salary increases to all state agencies. This legislation typically requires that Regent institutions provide comparable salary increases for non-contract employees as provided for contract-covered employees. The Regent institutions request to participate in the salary bill.

Full funding of salary needs for Regent institutions is key to keeping the Regent institutions the premier institutions of their type by:

- Allowing the universities to be competitive with their peers in recruiting and retaining top faculty in a global marketplace;
- Implementing institutional strategic plans;
- Providing exceptional learning opportunities for students;
- Stimulating economic development by supporting new evolving technologies;
- Disseminating knowledge; and
- Delivering valued public service that Iowans expect from the Regent universities