

Contact: Brad Berg

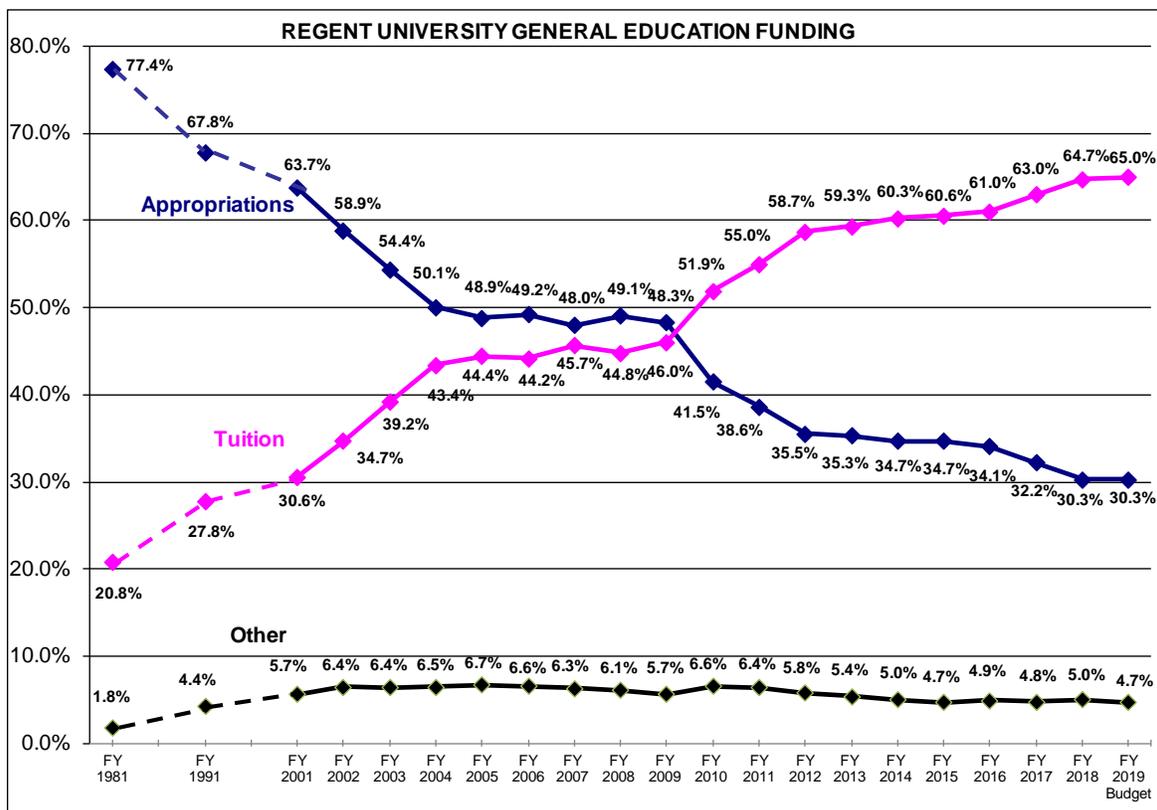
UNIVERSITY RESOURCE AND TUITION DISCUSSION

Action Requested: Receive the report.

Executive Summary: Consistent with the Board’s strategic plan, 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. At the September meeting, the Board announced its desire to take a holistic approach for the three segments that fund the Regent universities; state appropriations, tuition revenue, and internal reallocations from efficiencies gained and realized savings.

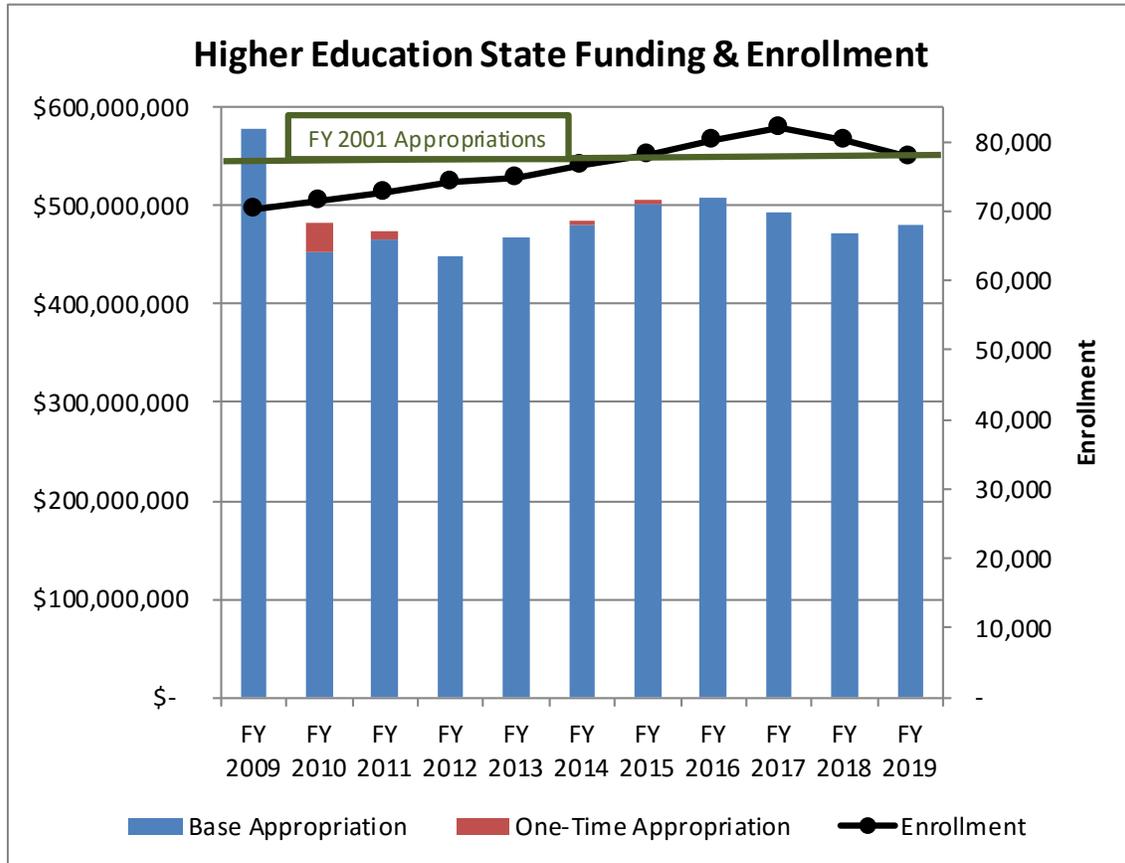
The Board of Regents advocates for adequate support for Regent institutions from all sources for high-quality educational opportunities accessible to Iowans, research and scholarship, service activities, and economic development efforts. The Board’s strategic plan calls for adequate support of Regent institutions from all sources and promoting the effective use of resources to meet institutional missions.

State operating appropriations historically provided the core operating funds for the Regent universities. The graph below illustrates the dynamic changes in state funding patterns that have significantly altered the proportion of revenue sources for higher education. Over time, the change in funding sources to a greater dependency on tuition revenue is driven by flat state support for public higher education with current state support equaling that received in FY 1998. Beginning in FY 2010, tuition revenue exceeded state operating funding levels and since then, the gap has continued to widen.



STATE APPROPRIATIONS AND ENROLLMENT

Current state funding levels for Regent higher education are \$96.5 million less than FY 2009 amounts (16.7% decrease) while enrollment has grown 7,500 students (11% increase) during this same period. Looking farther back, higher education appropriations for FY 2019 are \$68 million less than in FY 2001 while enrollment has grown 8,900 students since that time.



At its September 2018 meeting, the Board approved an incremental appropriation request of \$18 million to support Regent higher education. If funded, state appropriations for the general universities will total \$499 million.

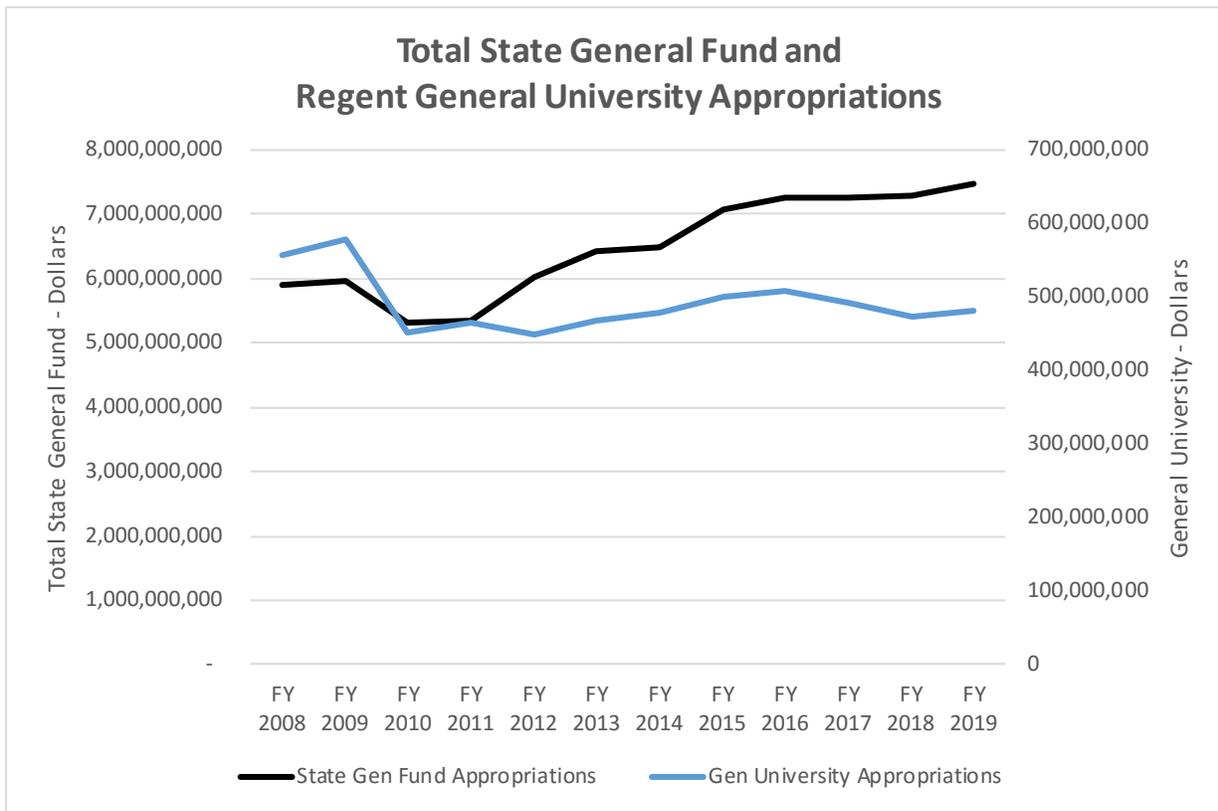
EDUCATION APPROPRIATIONS REQUESTS FY 2020			
HIGHER EDUCATION	<u>FY19 Continuing</u>	<u>Incremental</u>	<u>FY20 Total</u>
SUI - GENERAL UNIVERSITY	214,710,793	7,000,000	221,710,793
ISU - GENERAL UNIVERSITY	170,624,125	7,000,000	177,624,125
UNI - GENERAL UNIVERSITY	95,712,362	4,000,000	99,712,362
TOTAL - HIGHER EDUCATION	481,047,280	18,000,000	499,047,280

STATE GENERAL FUND BUDGET

Prior to the recession in FY 2008, total State General Fund appropriations were \$5.9 billion and have since increased to \$7.5 billion for FY 2019. Conversely, state support for Regent higher education has declined from \$555.7 million to \$481.1 million during the same period.

The Revenue Estimating Conference (REC) met on October 16, 2018, and increased the estimated FY 2019 State general fund receipts by \$102 million compared to the March 2018 estimate. The updated FY 2019 estimate is 4.85% higher (\$358 million) than actual FY 2018 receipts.

For FY 2020, the REC projected revenues of \$7.87 billion, a 1.7% increase (\$131 million) over the updated FY 2019 estimate. As stated on the previous page, the Board has requested \$18 million in incremental funding for Regent higher education in FY 2020.



Source: Legislative Service Agency's Graybook

SUI & ISU TUITION/FEE PEER GROUP COMPARISONS

The following tables compare current resident and non-resident undergraduate tuition and fee rates for SUI and ISU with the Board-established peer groups. Current undergraduate rates for SUI and ISU are at or near the bottom of their respective peer groups and significantly below the average.

2018-19 RESIDENT UNDERGRAD TUITION & FEES PEER COMPARISON			
UNIVERSITY OF IOWA		IOWA STATE UNIVERSITY	
	<u>Tuition & Fees</u>		<u>Tuition & Fees</u>
ILLINOIS	\$ 16,004	PENN STATE	\$ 18,454
MICHIGAN	\$ 15,262	ILLINOIS	\$ 16,004
MINNESOTA	\$ 14,693	MINNESOTA	\$ 14,693
CALIFORNIA, LOS ANGELES	\$ 13,201	MICHIGAN STATE	\$ 14,460
ARIZONA	\$ 12,467	CALIFORNIA, DAVIS	\$ 14,402
OHIO STATE	\$ 10,726	TEXAS A&M	\$ 10,968
INDIANA	\$ 10,680	OHIO STATE	\$ 10,726
TEXAS	\$ 10,606	WISCONSIN	\$ 10,556
WISCONSIN	\$ 10,556	PURDUE	\$ 9,992
IOWA	\$ 9,267	NORTH CAROLINA STATE	\$ 9,101
NORTH CAROLINA	\$ 8,987	IOWA STATE	\$ 8,988
Avg excluding SUI	\$ 12,318	Avg excluding ISU	\$ 12,936

Regent Undergraduate Tuition and Fees 2018-19 Academic Year		
	Resident	Nonresident
University of Iowa	\$9,267	\$31,233
SUI Peer Group Average *	\$12,318	\$36,651
\$ from Peer Group Average	\$3,051	\$5,418
% of Peer Group Average	75.2%	85.2%
Iowa State University	\$8,988	\$23,392
ISU Peer Group Average *	\$12,936	\$34,238
\$ from Peer Group Average	\$3,948	\$10,846
% of Peer Group Average	69.5%	68.3%

*Averages exclude Regent institutions.

2018-19 NON-RESIDENT UNDERGRAD TUITION & FEES PEER COMPARISON			
UNIVERSITY OF IOWA		IOWA STATE UNIVERSITY	
	<u>Tuition & Fees</u>		<u>Tuition & Fees</u>
MICHIGAN	\$ 49,350	CALIFORNIA, DAVIS	\$ 43,394
CALIFORNIA, LOS ANGELES	\$ 42,193	MICHIGAN STATE	\$ 39,765
TEXAS	\$ 37,480	WISCONSIN	\$ 36,805
WISCONSIN	\$ 36,805	TEXAS A&M	\$ 36,636
ARIZONA	\$ 36,366	PENN STATE	\$ 34,858
INDIANA	\$ 35,455	ILLINOIS	\$ 32,574
NORTH CAROLINA	\$ 35,170	OHIO STATE	\$ 30,742
ILLINOIS	\$ 32,574	MINNESOTA	\$ 30,371
IOWA	\$ 31,233	PURDUE	\$ 28,794
OHIO STATE	\$ 30,742	NORTH CAROLINA STATE	\$ 28,444
MINNESOTA	\$ 30,371	IOWA STATE	\$ 23,392
Avg excluding SUI	\$ 36,651	Avg excluding ISU	\$ 34,238

UNI TUITION/FEE PEER GROUP COMPARISON

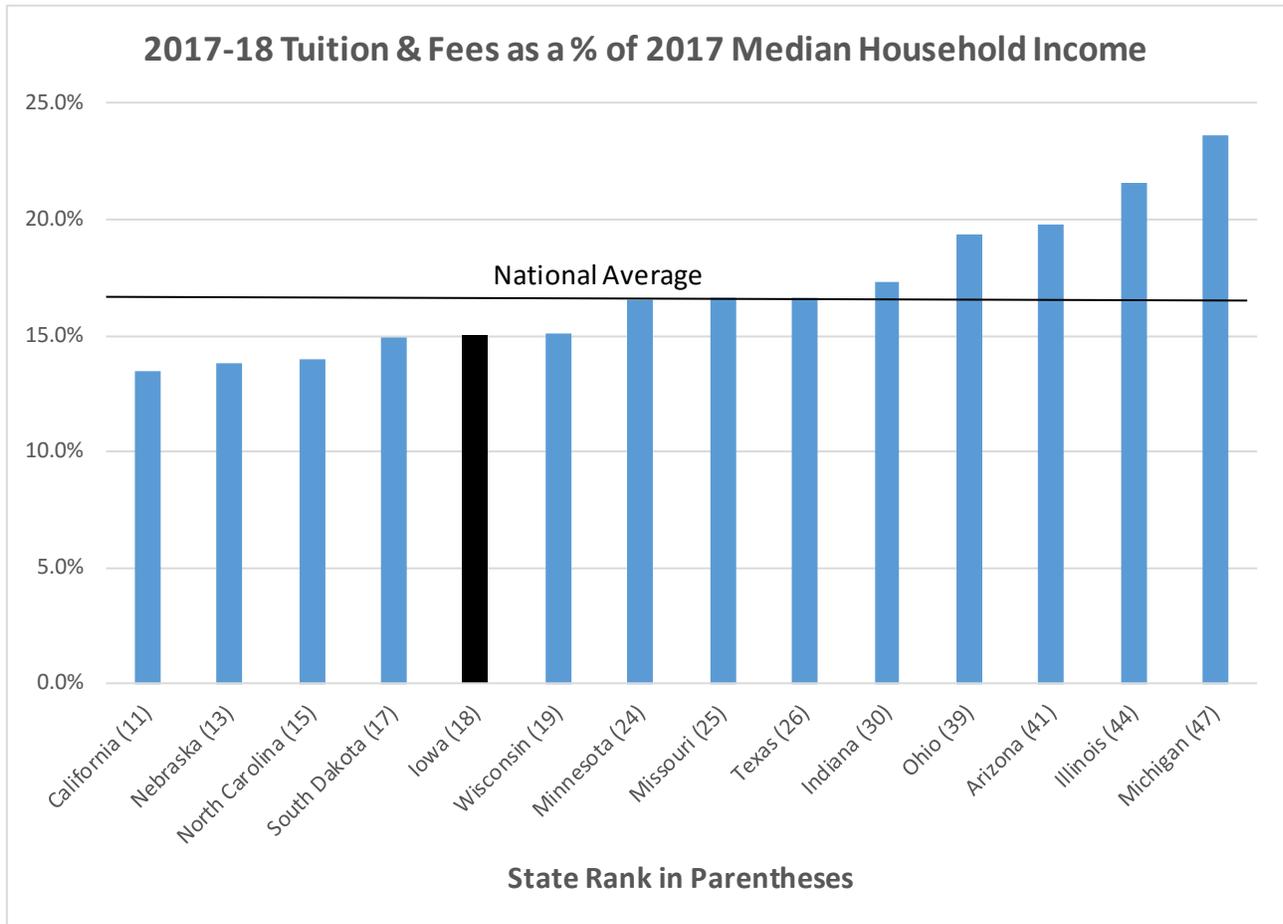
The following table compares current resident undergraduate tuition and fee rates for UNI with the Board-established peer group. The table also includes a rate variance comparison between the peer group and the corresponding Research 1 (R1) universities for each respective state. UNI's rates are near the bottom of the peer group and significantly closer to the rates of Iowa's R1 universities Iowa than the average variance of the peer states.

2018-19 UNI RESIDENT UNDERGRAD PEER COMPARISON			
	<u>Tuition & Fees</u>	<u>Variance from In-State R1s</u>	
MASSACHUSETTS-DARTSMOUTH	\$ 13,921	\$	(1,967)
COLLEGE OF CHARLESTON	\$ 12,843	\$	581
MINNESOTA, DULUTH	\$ 12,677	\$	(2,083)
SO. ILLINOIS-EDWARDSVILLE	\$ 12,132	\$	(3,872)
JAMES MADISON	\$ 12,016	\$	(3,054)
FERRIS STATE	\$ 11,950	\$	(2,942)
EASTERN ILLINOIS	\$ 11,723	\$	(4,280)
MARSHALL	\$ 9,256	\$	400
NORTHERN IOWA	\$ 8,938	\$	(189)
WESTERN WASHINGTON	\$ 8,859	\$	(2,096)
TRUMAN STATE	\$ 8,099	\$	(3,153)
Avg excluding UNI	\$ 11,348	\$	(2,247)

HOUSEHOLD INCOME AND TUITION COMPARISONS

The table below contains a sampling of 13 states represented in the Regent universities peer comparison groups and/or are contiguous to Iowa. The graph provides the:

- Average public university resident undergraduate tuition and fees charged in each state as a percentage of each state’s median household income.
- State rank (shown below in parentheses) which reflects the tuition/fees to median household income as a percentage, with one being the state with the lowest percentage and 50 the highest. Note: The national average is 16.6% (applies equal weight to each state).



Sources: The College Board; U.S. Census Bureau

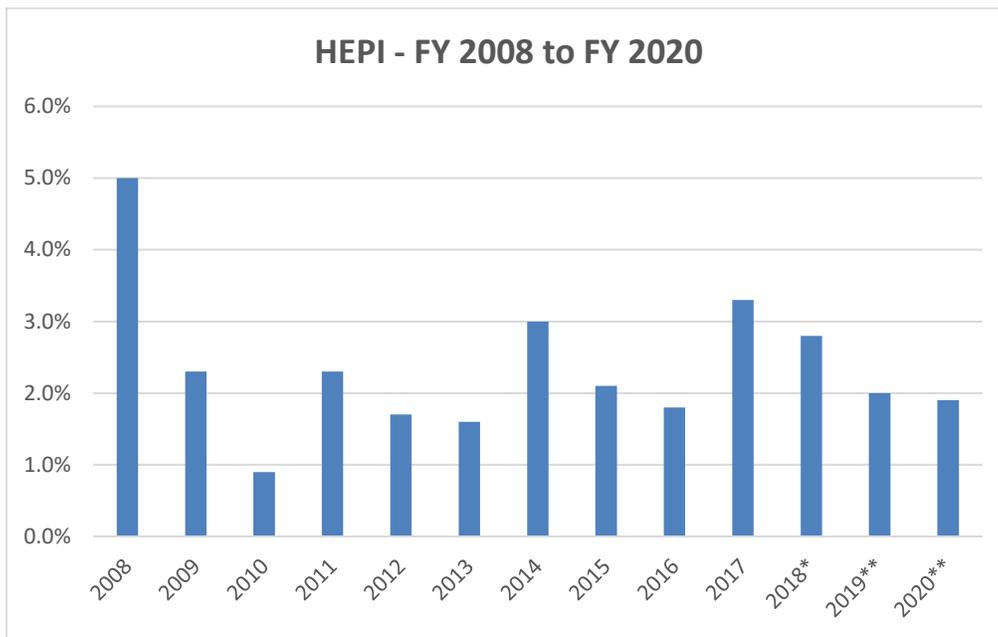
HIGHER EDUCATION PRICE INDEX

Inflation impacts higher education in the same manner it affects other segments of the economy. The Commonfund Institute computes the Higher Education Price Index (HEPI) annually. HEPI measures the average relative level in the prices of a fixed market basket of goods and services purchased by colleges and universities through educational and general expenditures, excluding research. HEPI documents inflation affecting the higher education industry, allowing colleges and universities to project future budget increases necessary to preserve purchasing power and to maintain real investment.

Since the Board determines tuition increases well in advance of the actual expenditure of funds, the Board has utilized inflation projections. The Institute for Economic Research at the University of Iowa prepares HEPI projections for future years. The following projections for fiscal years 2019 and 2020 include a range and the median.

HEPI Projections		
	<u>Range</u>	<u>Median</u>
FY 2019	1.2 - 2.8%	2.0%
FY 2020	1.1 - 2.8%	1.9%

The following chart provides HEPI indexes as calculated by the Commonfund Institute since FY 2008 and includes the median projections for FY 2019 and FY 2020.



*projected by the Commonfund Institute
**projected by the Institute for Economic Research

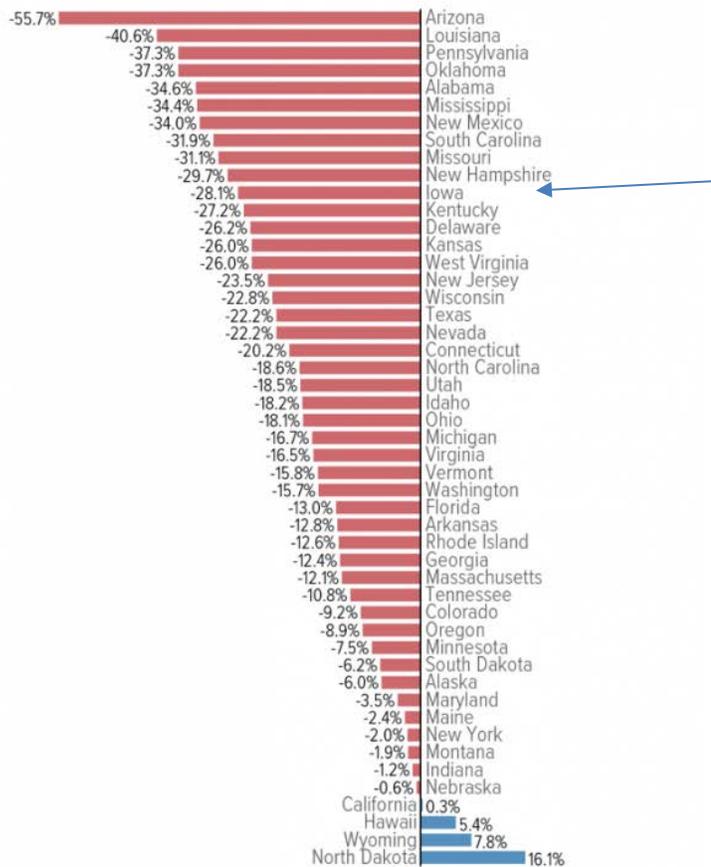
NATIONAL TRENDS

The Center on Budget and Policy Priorities (CBPP) is a nonpartisan research and policy institute located in Washington D.C. designed to promote fiscal responsibility in equitable and effective ways. The following two graphs were published by the CBPP in October 2018. The article states, “A decade since the Great Recession hit, state spending on public colleges and universities remains below historic levels. In the most difficult years after the recession, colleges responded to significant funding cuts by increasing tuition, reducing faculty, limiting course offerings, and in some cases closing campuses”.

While states have been reinvesting in higher education for the past few years, resources remain well below 2008 levels – even as state revenues have returned to pre-recession levels. Note: The State of Iowa’s FY 2008 general fund budget was \$5.9 billion and its FY 2018 budget was slightly less than \$7.3 billion. According to the CBPP, per student funding for public higher education in Iowa was 28.1% less in 2018 than inflation-adjusted 2008 levels – the 11th largest reduction of the 49 states included in the report.

State Funding for Higher Education Remains Far Below Pre-Recession Levels in Most States

Percent change in state spending per student, inflation adjusted, 2008-2018



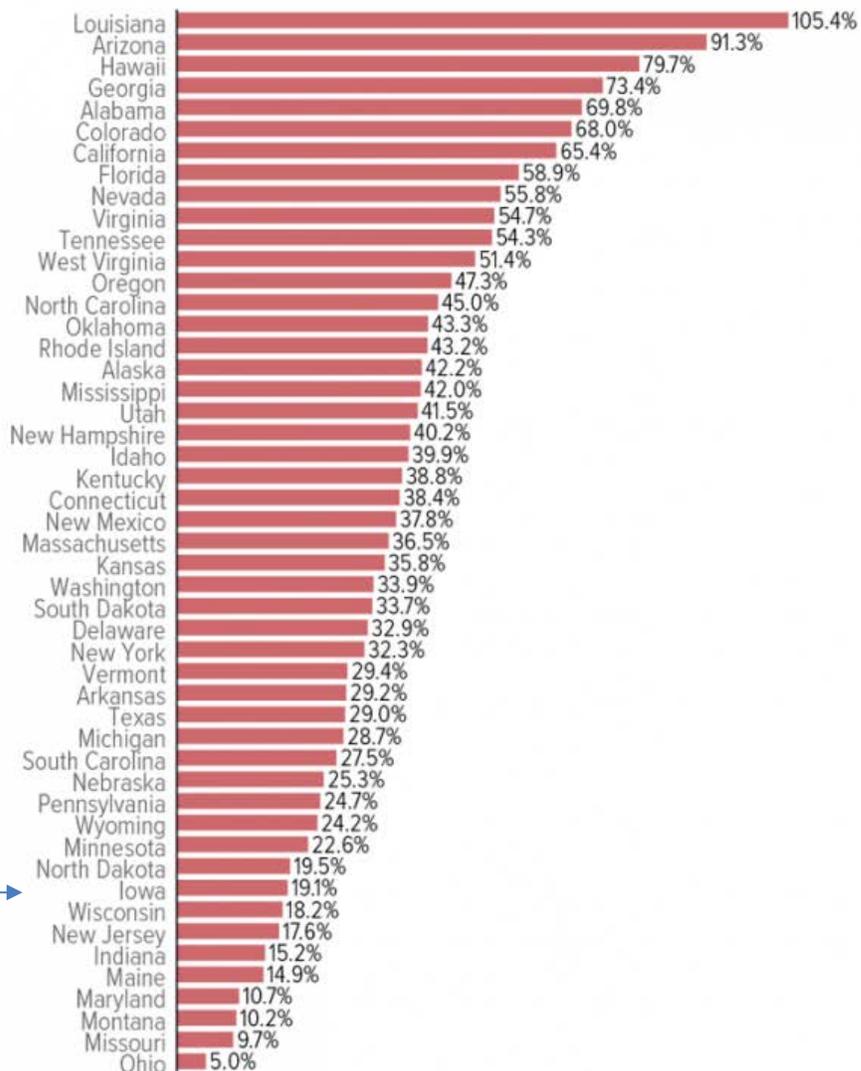
Note: Illinois was excluded because the data necessary to make a valid comparison are not available. Since enrollment data are only available through the 2016-17 school year, we have estimated enrollment for the 2017-18 school year using data from past years.

Source: CBPP calculations using the “Grapevine” higher education appropriations data from Illinois State University, enrollment and combined state and local funding data from the State Higher Education Executive Officers Association and the Consumer Price Index, published by the Bureau of Labor Statistics

Tuition and fees remain much higher than before the recession in most states. Generally, states with larger tuition increases reflected in the graph below realized the largest cuts in state funding as shown in the graph on the previous page. According to the CBPP report, tuition and fees in Iowa for 2018 are 19.1% higher than inflation-adjusted 2008 rates. While Iowa realized the 11th largest per student state funding reduction as reflected on the previous page, Iowa's public universities had the 9th lowest variance in tuition rates of the 49 states included in the report.

Tuition Has Increased Sharply at Public Colleges and Universities

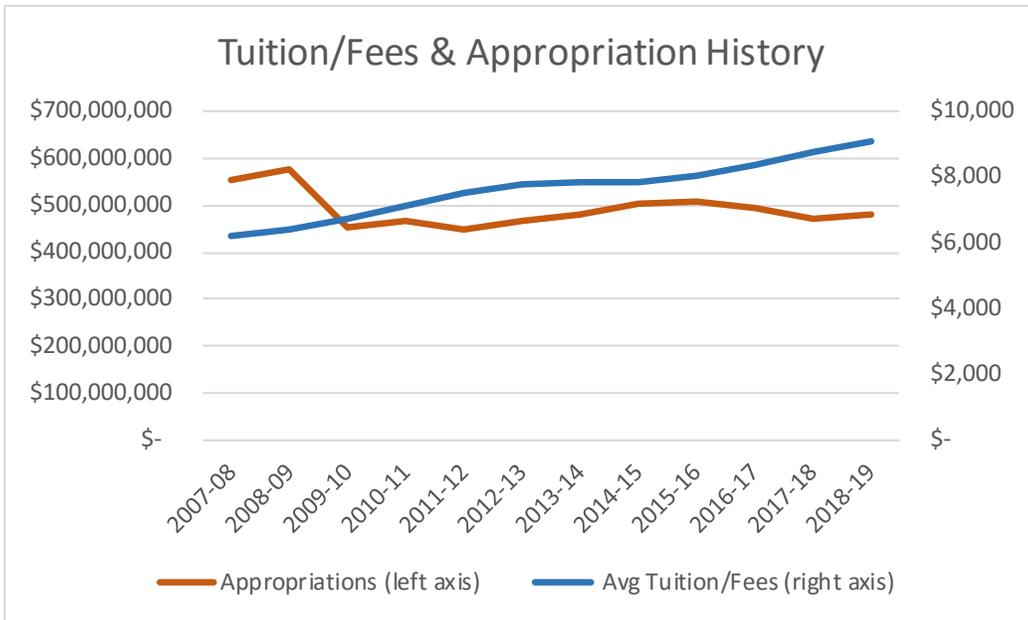
Percent change in average tuition at public, four-year colleges, inflation adjusted, 2008-2018



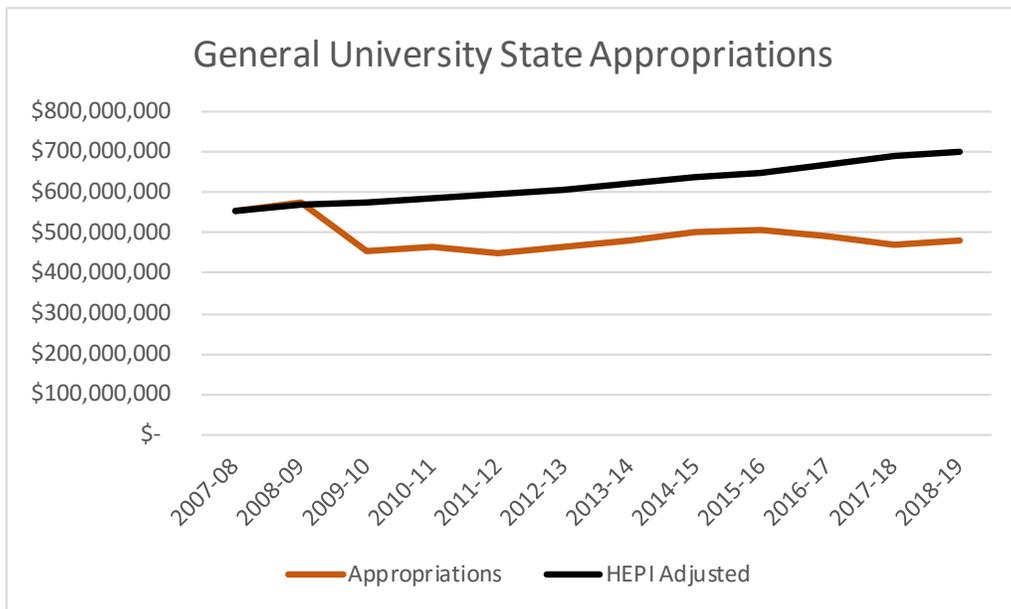
Note: Illinois was excluded because the data necessary to make a valid comparison are not available. Since enrollment data are only available through the 2016-17 school year, we have estimated enrollment for the 2017-18 school year using data from past years.

Source: CBPP calculations using the "Grapevine" higher education appropriations data from Illinois State University, enrollment and combined state and local funding data from the State Higher Education Executive Officers Association and the Consumer Price Index, published by the Bureau of Labor Statistics

The following graph provides general university appropriations and undergraduate resident tuition and fees since 2007-08. Actual FY 2019 appropriations (not inflation adjusted) are more than \$74M less than FY 2008 while tuition and fees have increased approximately \$2,850 per student.



The following compares actual appropriations to HEPI adjusted levels. Actual 2018-19 appropriations are \$222M less than HEPI adjusted 2007-08 amounts.



UNIVERSITY OF IOWA

SUI's strategic plan is a bold and ambitious proposal aims to improve outcomes for students and Iowans. In order to continue moving forward the university must have new resources to invest in strategies that will create the measurable outcomes desired by students and Iowans.

The past year has been focused on revamping the budget process so that it is transparent and predictable, while ensuring that the decision-making is a local, bottom-up process instead of top-down. This predictability is crucial to allow for long-term investments to occur in order to create the better outcomes outlined within the strategic plan.

Localizing budget decisions will incent creativity and innovation, improve local control, and open new opportunities for growth. Under this new model, the benefits of increased resources will go directly to the collegiate unit providing additional funds for teaching, research and scholarship.

These new revenues must come from the historic partnership of the University, the State, and students. To create better outcomes through the implementation of the strategic plan, \$31M of additional resources per year must be generated between that historic partnership. The University of Iowa, for its part, is committed to finding \$10.9 million (over one third) of the needed additional resources per year through realignment, savings and other activities.

This leaves a funding gap of \$20.1 million, of which the Board of Regents is requesting the state provide one third of the resources, or \$7 million. Of the remaining \$13.1 million the university will work with the Board of Regents to determine tuition increases that are sustainable and predictable to ensure the student experience is valuable and the value of a University of Iowa degree is enhanced.

The outcomes of students are absolutely dependent upon the success of the faculty and staff. Driving additional resources to the classroom, faculty, and student experience is at the core of the strategic plan and unquestionably critical to improving outcomes of students.

IOWA STATE UNIVERSITY

Predictable and sustainable funding is essential for ISU to advance its fully integrated land-grant mission, ensuring an exceptional experience for a diverse student body. Creating an environment where students and parents have better information to plan for tuition costs will support student recruitment and retention, which are both important to sustainable funding for the institutions. Sustainable and predictable state support is also critical. Years of declining state appropriations have resulted in significant resource constraints.

Determining the total resource need requires understanding Iowa State's strategic priorities, as well as the cost of achieving them, to protect the quality of our educational experience. Strategic plan priorities include affordability for undergraduates, faculty/staff retention and recruitment, technology upgrades, and needed facility improvements. Internal reallocations and savings are estimated at 2% of the General Education Fund budget each year. After reallocation, the estimated cost of the strategic priorities average approximately \$29M per year over the next five years. The Board has requested incremental funding of \$7M from the State for FY 2020.

Student financial aid, particularly need-based aid, will continue to play a critical role in helping students and their families afford the cost of an Iowa State degree. As tuition increases, undergraduate student financial aid must keep pace.

Salaries for Iowa State faculty are generally not competitive when compared to similar, peer institutions. While the disparities differ among disciplines, faculty salaries in every ISU academic college are on average less than salaries at peer institutions. ISU loses faculty each year because of their inability to offer competitive salaries. Over time, this trend will decrease educational quality and the ranking of the institution. Additional investment is needed to achieve parity in faculty salaries.

Students expect and deserve to receive individualized attention and instruction to help them be successful. The student-to-faculty ratio is a quality indicator that students and families consider when choosing a college. ISU's goal is to reduce the student-to-faculty ratio to 16:1, focusing first on high-demand STEM disciplines and requires an additional 220 faculty based on current enrollment.

Retaining Professional and Scientific (P&S) staff also is important as Iowa State plans for its future. The compensation structure and salary levels of P&S staff are being studied to identify and quantify areas where salaries must be adjusted. A stable, predictable compensation plan is essential to address market inequities.

ISU's Strategic Plan emphasizes the role technology plays in supporting student, faculty, and staff success with a metric that "...technology meets their needs and drives innovation." In order to achieve Iowa State's strategic plan, in particular the components around student success, ISU requires a new student information system.

Workday Student is the second phase of a comprehensive technology and business process modernization program. The first phase, Workday Finance and Human Capital Management, will go live July 1, 2019.

ISU's legacy student information system is antiquated, incompatible with mobile technologies, and increasingly difficult to maintain. The aging hardware requires technical skills that are disappearing rapidly as newer staff are no longer skilled to maintain these older systems. Workday Student will integrate seamlessly with Workday Finance and Workday Human Capital Management to improve efficiency and effectiveness in all operations. Additionally, because Workday has major releases every six months, the system can grow and adapt to ISU's evolving needs.

Preserving and restoring the university's teaching and research facilities is essential to its mission to create, share, and apply knowledge. Core STEM academic and research facilities now require major repairs and replacement of the heating and cooling systems, roofs, windows, elevators, electrical systems and plumbing. Additional funding is needed to allow a planned, strategic approach to addressing deferred maintenance in the STEM facilities.

UNIVERSITY OF NORTHERN IOWA

UNI's vision included in its strategic plan is to offer personalized attention to students, be a diverse and inclusive campus community that provides an engaged education empowering students to lead locally and globally. The unifying goal of fostering student success is to develop and support engaged learning experiences with dynamic high-quality academic programs and outstanding faculty and staff.

To improve outcomes through implementation of the strategic plan, the University projects a total resource need of a 2.7% increase in the budget each year plus an amount to cover any needed faculty position(s) that may result from a projected enrollment increase. The total resource need comprised of state support, tuition and internal reallocations is projected at roughly \$6.5 million per year. These resource streams will enhance student access and affordability and address some infrastructure needs through renewal, maintenance, and upgrades with a focus on sustainability and efficiency.

The University will seek internal reallocations and cost savings of approximately \$0.9M per year to reduce the total resource need. In addition, the Board has requested incremental state support of \$4M for UNI in FY 2020.