

Contact: Patrice Sayre

ANNUAL REPORT ON REGENT ACCOUNTABILITY OF RESOURCES INITIATIVE

Action Requested: Receive the first report on the Regent Accountability of Resources Initiative to provide clarity and accountability of the expenditure of resources at Regent universities.

Executive Summary: At the June 6, 2012 Board of Regents meeting, a new initiative was adopted to increase the clarity and accountability of how Iowa's public universities spend their resources.

After reviewing the many ways in which the Regent institutions account to the Board and the state, the following reports were chosen to give added value:

- I. Show how state appropriations and tuition dollars are spent on activities at each university (i.e. instruction, academic support, plant operations)
- II. Allocate "instruction" dollars to student classifications
- III. Compare functional spending of Regent institutions to peer institutions
- IV. Describe how incremental funds and reallocations support the core mission

Background: Nationwide, and here in Iowa, there are increasing calls for greater clarity in how public universities use their resources, especially state appropriations and tuition revenues. The Board of Regents and the institutions they oversee take accountability seriously. Regent institutions participate in over 46,000 hours of auditing by state and internal auditors, and countless more hours by federal and independent auditors; submit monthly financial and payroll reports to the state; provide annual reports to the Board and state on various topics; and report on progress through the Strategic Plan and the Annual Report.

This accountability initiative focuses on providing additional ways to look at the expenditure of resources at the Regent universities, particularly in the use of appropriation and tuition dollars.

PART I. Budgeted General University spending by activity

University budgets are presented to the Board by expenditure type; i.e., salaries and benefits, materials, utilities, building repairs. General University funds, which are budgeted on a cash basis, in this report are broken down by functional classifications.

A functional expense classification is a method of grouping expenses according to the purpose for which the costs are incurred. The classifications tell *why* an expense was incurred rather than *what* was purchased. Reporting expenses by functional classification helps donors, granting agencies, creditors, and other readers of the financial statements to understand the various mission-related activities of the institution and their relative importance. The following core activities will be reported:

- Instruction
- Public Service
- Student Services
- Scholarships & fellowships
- Research
- Academic Support
- Institutional Support
- Plant Operations & Maintenance

Given the broad definitions by NACUBO, there may be budget coding variability among universities. The following graphs show the FY 2013 General University activity budgets by university and as a composite:

University of Iowa

GENERAL UNIVERSITY

| | Dollars | Percent |
|--------------------------------|----------------------|---------------|
| Instruction | \$267,391,601 | 41.1% |
| Academic Support | 96,119,226 | 14.8% |
| Plant Operations & Maintenance | 94,861,055 | 14.6% |
| Scholarships & Fellowships | 80,784,000 | 12.4% |
| Institutional Support | 72,926,418 | 11.2% |
| Student Services | 22,864,337 | 3.5% |
| Research | 12,633,807 | 1.9% |
| Public Service | 2,447,556 | 0.4% |
| TOTAL | \$650,028,000 | 100.0% |

Iowa State University

GENERAL UNIVERSITY

| | Dollars | Percent |
|--------------------------------|----------------------|---------------|
| Instruction | \$199,541,817 | 39.2% |
| Academic Support | 82,234,733 | 16.2% |
| Plant Operations & Maintenance | 64,156,248 | 12.6% |
| Scholarships & Fellowships | 79,588,773 | 15.7% |
| Institutional Support | 33,548,111 | 6.6% |
| Student Services | 28,260,061 | 5.6% |
| Research | 16,538,329 | 3.3% |
| Public Service | 4,685,200 | 0.9% |
| TOTAL | \$508,553,272 | 100.0% |

University of Northern Iowa

GENERAL UNIVERSITY

| | Dollars | Percent |
|--------------------------------|--------------|---------|
| Instruction | \$73,324,201 | 44.3% |
| Academic Support | 19,954,676 | 12.1% |
| Plant Operations & Maintenance | 20,783,184 | 12.6% |
| Scholarships & Fellowships | 14,640,914 | 8.8% |
| Institutional Support | 27,208,246 | 16.4% |
| Student Services | 7,870,574 | 4.8% |
| Research | 266,892 | 0.2% |
| Public Service | 1,498,312 | 0.9% |

TOTAL \$165,546,999 100.0%

TOTAL ALL UNIVERSITIES

GENERAL UNIVERSITY

| | Dollars | Percent |
|--------------------------------|---------------|---------|
| Instruction | \$540,257,619 | 40.8% |
| Academic Support | \$198,308,635 | 15.0% |
| Plant Operations & Maintenance | \$179,800,487 | 13.6% |
| Scholarships & Fellowships | \$175,013,687 | 13.2% |
| Institutional Support | \$133,681,775 | 10.1% |
| Student Services | \$58,994,972 | 4.5% |
| Research | \$29,439,028 | 2.2% |
| Public Service | \$8,631,068 | 0.7% |

TOTAL \$1,324,127,271 100%

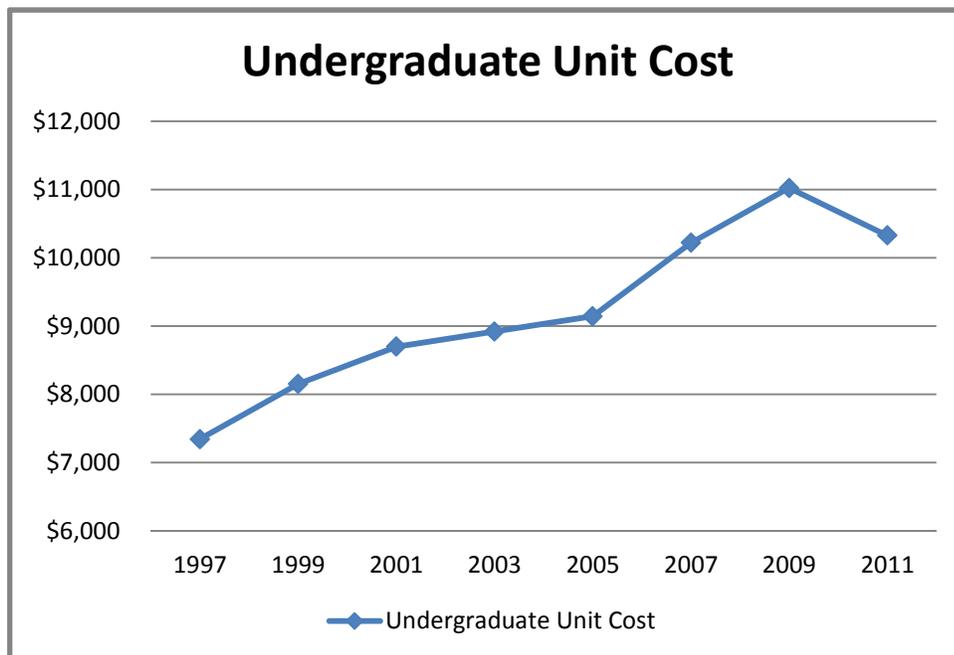
PART II. Unit Cost of Instruction

Cost of instruction varies by student level and educational program. These costs are calculated biennially based upon year-end numbers. Unit costs are shown per FTE for the most recent year, FY 2011 and a multi-year trend history is provided. Unit cost is broken down into these divisions:

- Lower Division Undergraduate
- Upper Division Undergraduate
- Masters
- Advanced Graduate
- Professional

| FY 2011 REGENT UNIVERSITIES UNIT COST OF INSTRUCTION | | | | |
|---|------------------|------------------|------------------|------------------|
| | SUI | ISU | UNI | AVERAGE COST |
| Lower Division | \$ 8,384 | \$ 7,773 | \$8,371 | \$8,127 |
| Upper Division | 12,903 | 11,406 | 11,970 | 12,033 |
| Subtotal Undergraduate | \$ 10,700 | \$ 9,867 | \$ 10,618 | \$ 10,325 |
| Master's | \$ 20,253 | \$ 13,001 | \$ 16,989 | \$ 17,141 |
| Advanced Graduate | 40,124 | 17,056 | 21,565 | 28,036 |
| Professional | 36,983 | 57,104 | \$ - | 40,229 |
| TOTAL | \$ 17,042 | \$ 11,688 | \$ 11,427 | \$ 13,831 |

Historical Trend Analysis of Undergraduate Unit Cost of Instruction



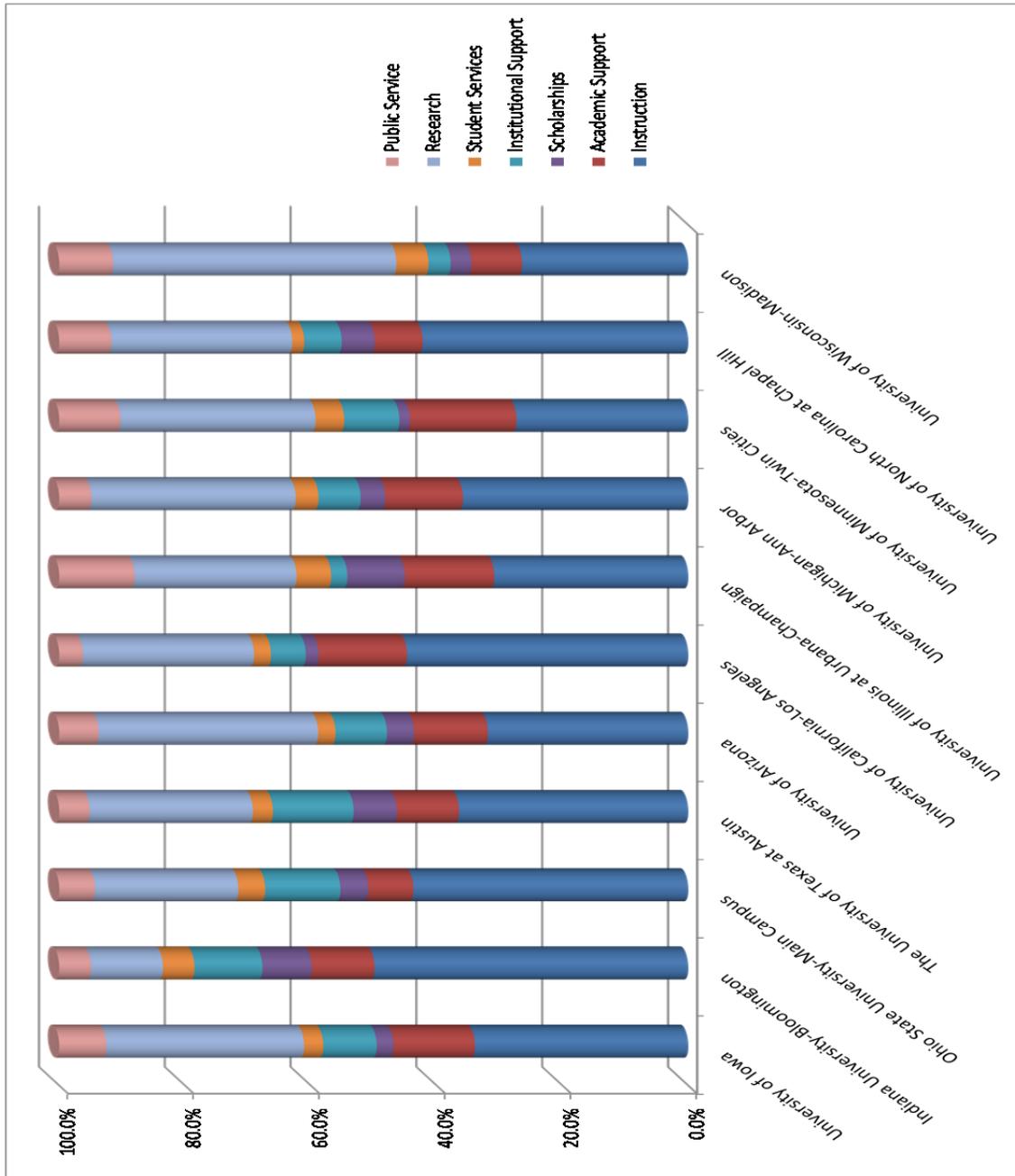
Average 2.4% growth over 14 years.

PART III. Peer comparison of functional spending

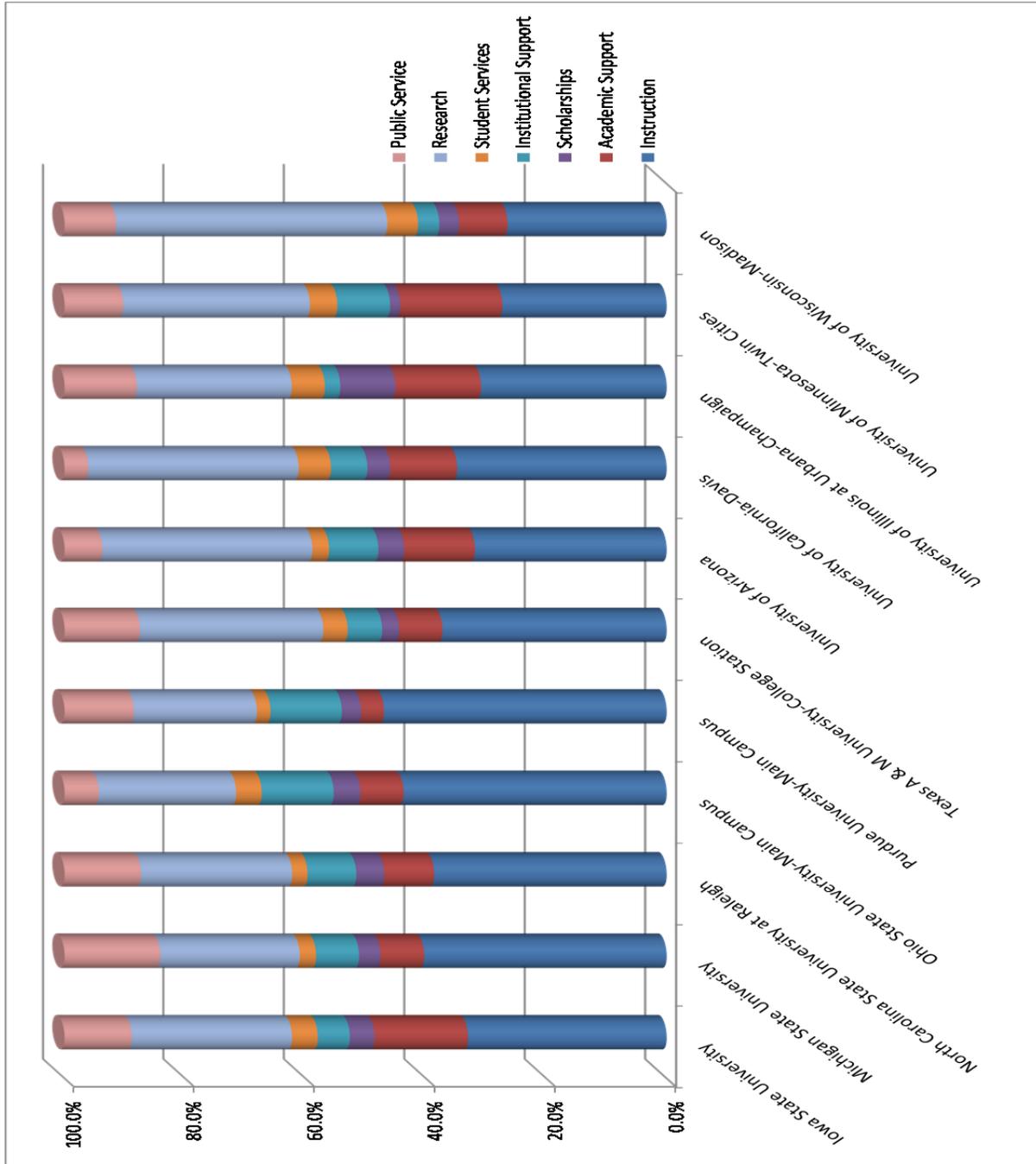
Using the Regent-defined peer institutions, functional activity is shown in the following pages as reported to the Integrated Postsecondary Education Data System (IPEDS). FY 2011 is the most recent activity available. This analysis contains more than just General Education funds.

Graphs appear below and on the next two pages.

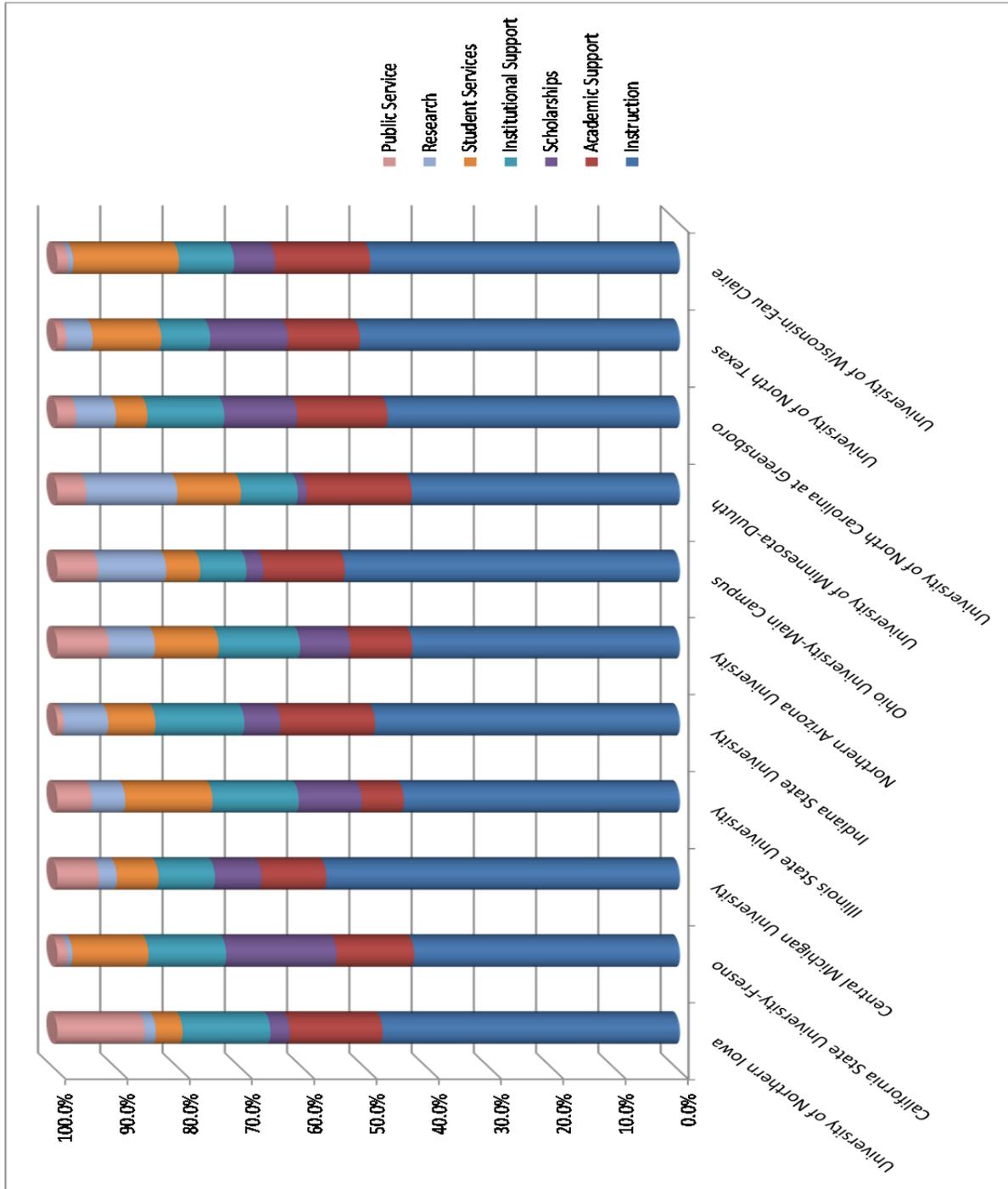
University of Iowa



Iowa State University



University of Northern Iowa



NOTE: As of FY 2011, Plant Operations are allocated to the other functions and no longer appears as a separate function in IPEDS.

PART IV. Use of incremental funds and reallocations

The universities have provided information on how incremental funds and reallocations of recurring funds support the core mission of their respective university in the FY 2013 budget. Initially submitted as part of the budget proposal, this information is presented here for further explanation and distribution with other key measurables.

University of Iowa

| STRATEGIC INITIATIVES | Incremental Revenue Applied | Reallocations | Revenues and Reallocations |
|---|------------------------------------|----------------------|-----------------------------------|
| Access and Enrollment Growth | \$3,354,000 | \$0 | \$3,354,000 |
| Undergraduate Student Success | \$7,499,000 | \$1,009,000 | \$8,508,000 |
| Graduate and Professional Student Success | \$2,228,000 | \$280,000 | \$2,508,000 |
| Scholarly Inquiry and Creative Work | \$1,068,000 | \$0 | \$1,068,000 |
| Arts Synergies | \$800,000 | \$0 | \$800,000 |
| Internationalization and Diversity | \$180,000 | \$0 | \$180,000 |
| Total Strategic Initiatives | \$15,129,000 | \$1,289,000 | \$16,418,000 |

| OTHER COST INCREASES | Incremental Revenue Applied | Reallocations | Revenues and Reallocations |
|----------------------------------|------------------------------------|----------------------|-----------------------------------|
| Support for Strategic Priorities | \$9,098,000 | \$1,379,000 | \$10,477,000 |

| | | | |
|---|---------------------|--------------------|---------------------|
| TOTAL STRATEGIC AND SUPPORT COST INCREASES | \$24,227,000 | \$2,668,000 | \$26,895,000 |
|---|---------------------|--------------------|---------------------|

Iowa State University

| STRATEGIC INITIATIVES | Incremental Revenue Applied | Reallocations | Revenues and Reallocations |
|--|------------------------------------|----------------------|-----------------------------------|
| Faculty hires to support teaching, research and outreach priorities, | \$8,174,234 | | \$8,174,234 |
| Enhance teaching capacity, including teaching labs and other physical facilities, advisors and equipment | \$520,457 | \$2,109,531 | \$2,629,988 |
| Strategic priorities in economic development, technology transfer, research innovation | \$2,500,000 | | \$2,500,000 |
| Enhance the research environment | \$194,972 | \$2,642,718 | \$2,837,690 |
| Enhance the student experience and student financial aid | \$5,468,025 | \$1,327,958 | \$6,795,983 |
| Faculty & P&S staff compensation and insurance costs | \$7,145,121 | \$1,250,198 | \$8,395,319 |
| Total Strategic Initiatives | \$24,002,809 | \$7,330,404 | \$31,333,213 |

| OTHER COST INCREASES | Incremental Revenue Applied | Reallocations | Revenues and Reallocations |
|---|------------------------------------|----------------------|-----------------------------------|
| Administrative and recruitment infrastructure | \$2,885,158 | \$2,813,777 | \$5,698,935 |
| AFSCME contract costs, including insurance | \$591,260 | \$1,199,055 | \$1,790,315 |
| Capital renewal & other improvements to physical infrastructure | \$42,000 | \$1,578,420 | \$1,620,420 |
| Regulatory compliance, risk management & inflation | \$85,850 | \$886,893 | \$972,743 |
| Infrastructure for outreach | \$125,527 | \$778,208 | \$903,735 |
| Total Other Cost Increases | \$3,729,795 | \$7,256,353 | \$10,986,148 |

| | | | |
|---|---------------------|---------------------|---------------------|
| TOTAL STRATEGIC AND SUPPORT COST INCREASES | \$27,732,604 | \$14,586,757 | \$42,319,361 |
|---|---------------------|---------------------|---------------------|

University of Northern Iowa

| STRATEGIC INITIATIVES | Incremental Revenue Applied | Reallocations | Revenues and Reallocations |
|-------------------------------------|------------------------------------|----------------------|-----------------------------------|
| Mandated Salary/Fringe Increase | \$4,040,513 | | \$4,040,513 |
| Enhance Academic Programs: | | | |
| Clinical Experience | | \$2,030,000 | \$2,030,000 |
| Research & Development Initiatives | \$138,409 | \$1,192,640 | \$1,331,049 |
| New Faculty and Academic Programs | \$313,965 | \$1,020,400 | \$1,334,365 |
| Student Success & Safety | \$617,340 | | \$617,340 |
| Recruitment & Strategic Initiatives | \$839,346 | | \$839,346 |
| Total Strategic Initiatives | \$5,949,573 | \$4,243,040 | \$10,192,613 |

| OTHER COST INCREASES | Incremental Revenue Applied | Reallocations | Revenues and Reallocations |
|--------------------------------------|------------------------------------|----------------------|-----------------------------------|
| Infrastructure & Institutional Costs | \$773,098 | \$223,690 | \$996,788 |
| Total Other Cost Increases | \$773,098 | \$223,690 | \$996,788 |

| | | | |
|---|--------------------|--------------------|---------------------|
| TOTAL STRATEGIC AND SUPPORT COST INCREASES | \$6,722,671 | \$4,466,730 | \$11,189,401 |
|---|--------------------|--------------------|---------------------|

**TABLE 1
GLOSSARY**

DEFINITIONS taken from NACUBO

- Instruction** The instruction classification includes expenses for all activities that are part of an institution's instruction program.
- Expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions should be included.
- Expenses for departmental research and public service that are not separately budgeted also should be included in this classification. This classification excludes expenses for those academic personnel whose primary activity is administration—for example, academic deans.
- The instruction classification includes the following five subclasses: general academic instruction, vocational/technical instruction, community education, preparatory/remedial instruction, and instructional information technology.
- Research** The research classification includes all expenses for activities specifically organized to produce research separately budgeted by an organizational unit within the institution.
- The classification includes expenses for individual and/or project research as well as that of institutes and research centers.
- The research classification includes the following three subclasses: institutes and research centers, individual and project research, research information technology.
- Public service** The public service classification includes expenses for activities established primarily to provide non-instructional services for the benefit of individuals and groups that are external to the institution.
- These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this classification are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar non-instructional services to particular sectors of the community.
- The public service classification includes the following four subclasses: community service, cooperative extension service, public broadcasting services, public service information technology.

Academic support The academic support classification includes expenses incurred to provide support services for the institution's primary programs of instruction, research, and public service. It includes the following activities:

- The retention, preservation, and display of educational materials, such as libraries, museums, and galleries
- The provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education
- Media, such as audio-visual services, and technology, such as computing support
- Academic administration (including academic deans but not department chairpersons) and personnel providing administrative support and management direction to the three primary missions
- Separately budgeted support for course and curriculum development

The academic support classification includes the following eight subclasses: libraries, museums and galleries, educational media services, ancillary support, academic administration, academic personnel development, course and curriculum development and academic support technology.

Student services The student services category includes expenses incurred for offices of admissions and the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program.

The student services category includes the following subcategories: student services administration, social and cultural development, counseling and career guidance, financial aid administration, student admissions, student records, student health services, and student services information technology.

Institutional support The institutional support classification includes expenses for central, executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative information technology (when not accounted for in other categories); space management; employee personnel and records; logistical activities that provide procurement, storerooms, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fundraising.

The institutional support classification includes the following five subclasses: executive management, fiscal operations, general administration, public relations/development, and administrative information technology.

**Operation &
maintenance of
plant**

The operation and maintenance of plant category includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant.

These expenses include items such as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; safety; hazardous waste disposal; property, liability, and all other insurance relating to property; space and capital leasing; facility planning and management; and central receiving.

The operations and maintenance of plant classification includes the following subclasses: physical plant administration, building maintenance, custodial services, utilities, landscape and grounds maintenance, major repairs and renovations, security and safety, logistical services, and operations and maintenance information technology.

As of FY 2011, Operation and maintenance of plant, depreciation, and interest expenses are no longer reported as separate expense categories. Instead these expenses are to be distributed among the other functional expenses.

**Scholarships &
fellowships
(expenses)**

The scholarships and fellowships classification includes expenses for scholarships and fellowships—from restricted or unrestricted funds—in the form of grants that neither require the student to perform service to the institution as consideration for the grant, nor require the student to repay the amount of the grant to the funding source. In public institutions, they may result from selection by the institution or from an entitlement program.

The classification also includes trainee stipends, prizes, and awards. (However, trainee stipends awarded to individuals who are not enrolled in formal course work should be charged to instruction, research, or public service.)

The scholarships and fellowships classification excludes student awards that are made in exchange for services provided to the institution, such as graduate and teaching assistantships and student work-study programs.