

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Revised FY 2002 Budgets
Date: May 6, 2002

Recommended Action:

Approve the revised FY 2002 General Fund Operating Budgets for the Regent institutions and the Board Office.

Executive Summary:

FY 2002 Reductions The Regents FY 2002 state appropriations reductions have totaled \$81.9 million (equivalent to the entire annual appropriation for the University of Northern Iowa):

- A 6% reduction in base budget appropriations (\$40.6 million) compared to FY 01;
- A 4.3% across-the-board budget reduction (\$28.6 million excluding the special schools and the Hygienic Laboratory) mandated November 1, 2001; and
- A 1% across-the-board reduction and furlough allocation reduction (\$12.6 million) effective March 1, 2002.

Revised Budgets The original institutional budgets, approved by the Board in July 2001, reflected the 6% base reductions. After the 4.3% reductions, revised budgets were brought to the Board for approval in November 2001.

In February 2002, the Revenue Estimating Conference met and revised downward the net revenues for both FY 2002 and FY 2003. SF 2304 deappropriated FY 2002 funds effective March 1, 2002, which is very late in the fiscal year to make strategic reductions.

The Regent institutions have tried to protect the educational programs from damage and have maximized non-state resources to the greatest extent possible.

The budget sheets on pages 3 and 4 summarize the revised budgets for the institutions. These revised FY 2002 budgets reflect the March reductions of state appropriations as well as other adjustments using the most current information available. Other adjustments include modifications for enrollments and grant activities.

Details of the fiscal year impacts from the reductions are identified in Attachments A through D.

FY 2002 General Fund Operating Budgets

	Original FY 2002 <u>Budgets</u>	November Revised FY 2002 <u>Budgets</u>	May Revised FY 2002 <u>Budgets</u>
University of Iowa	\$972,669,082	961,699,254	968,110,121
Iowa State University	407,048,456	397,648,894	394,916,850
University of Northern Iowa	133,803,370	129,914,101	128,184,144
Iowa School for the Deaf	8,569,353	8,569,353	8,512,827
Iowa Braille & Sight Saving School	<u>4,798,556</u>	<u>4,798,556</u>	<u>4,764,899</u>
Subtotal: Institutions	1,526,888,817	1,502,630,158	1,504,488,841
Regional Study Centers	684,508	668,640	665,073
Board Office	2,008,027	1,952,427	1,928,455
Clothing and Transportation	<u>15,930</u>	<u>15,245</u>	<u>15,092</u>
Total Operating	\$1,529,597,282	\$1,505,238,778	\$1,504,726,535


Pamela M. Elliott

Approved: 
Gregory S. Nichols

BOARD OF REGENTS, STATE OF IOWA
REVISED FY 2002 GENERAL FUND OPERATING BUDGETS AS OF MAY 2002

University of Iowa											
RESOURCES	Univ.	Univ. Hosp.	Psych. Hosp.	Center for Disabilities Development	Oakdale Campus	Hyg. Lab	Family Prac.	SCHS Cancer/Mobile	Special Purpose	SUI Subtotal	
APPROPRIATIONS											
General	\$ 236,937,123	\$ 29,995,476	\$ 7,677,169	\$ 6,883,963	\$ 2,905,110	\$ 4,072,618	\$ 2,261,623	\$ 668,612	\$ 2,691,124	\$ 294,092,818	
Other											
Subtotal - Appropriations	236,937,123	29,995,476	7,677,169	6,883,963	2,905,110	4,072,618	2,261,623	668,612	2,691,124	294,092,818	
Federal Support								2,712,632		2,712,632	
Interest	900,000				6,000		32,000			938,000	
Tuition and Fees	142,487,710									142,487,710	
Reimb. Indirect Costs	35,324,300	1,808,000	871,000	65,000	350,000	86,287				38,504,587	
Sales and Service		473,750,485	9,728,798	1,616,198		2,292,494		235,000		487,622,975	
Other Income	125,000	420,000			75,000			1,131,399		1,751,399	
Subtotal - Inst. Income	178,837,010	475,978,485	10,599,798	1,681,198	431,000	2,378,781	32,000	4,079,031		674,017,303	
TOTAL RESOURCE BUDGET	\$ 415,774,133	\$ 505,973,961	\$ 18,276,967	\$ 8,565,161	\$ 3,336,110	\$ 6,451,399	\$ 2,293,623	\$ 4,747,643	\$ 2,691,124	\$ 968,110,121	
EXPENDITURES											
Fac. & Inst. Off. Salaries	192,111,035	22,343,200	2,840,500	623,800					510,304	220,774,870	
Prof. & Sci. Staff Salaries	61,289,379	171,912,300	7,482,600	4,062,046	130,050	3,622,391	309,497	2,117,677	899,068	251,825,008	
General Service Staff Salaries	63,386,569	87,495,900	3,902,000	2,259,915	1,366,258	1,858,477	85,405	962,783	225,360	161,542,667	
Hourly Wages	2,513,525	5,684,000	189,500	214,600		16,752	32,000	24,500	17,852	8,692,729	
Subtotal - Salaries	\$ 319,300,508	\$ 287,435,400	\$ 14,414,600	\$ 7,160,361	\$ 1,496,308	\$ 5,497,620	\$ 2,236,200	\$ 3,641,693	\$ 1,652,584	\$ 642,835,274	
Prof. and Scientific Supplies	33,467,170	185,865,261	3,095,367	1,095,700	504,087	944,779	57,423	1,072,050	926,706	227,028,543	
Library Acquisitions	9,861,574									9,861,574	
Rentals	1,500,000	3,843,300	10,200	64,500		9,000				5,427,000	
Utilities	17,742,116	12,635,600	756,800	194,600	1,194,210					32,523,326	
Bldg. Repairs	4,735,312	7,376,500		50,000	125,305					12,287,117	
Auditor of State Reimb.	471,016									471,016	
Equipment	6,586,403	8,817,900			16,200			33,900	111,834	15,566,237	
Aid to Individuals	22,110,034									22,110,034	
Subtotal - Other Expenditures	\$ 96,473,625	\$ 218,538,561	\$ 3,862,367	\$ 1,404,800	\$ 1,839,802	\$ 953,779	\$ 57,423	\$ 1,105,950	\$ 1,038,540	\$ 325,274,847	
TOTAL EXPENDITURES	\$ 415,774,133	\$ 505,973,961	\$ 18,276,967	\$ 8,565,161	\$ 3,336,110	\$ 6,451,399	\$ 2,293,623	\$ 4,747,643	\$ 2,691,124	\$ 968,110,121	

**BOARD OF REGENTS, STATE OF IOWA
REVISED FY 2002 GENERAL FUND OPERATING BUDGETS AS OF MAY 2002**

	Iowa State University							University of Northern Iowa			Revised FY 2002 General Fund Total
	Gen. Univ.	Exp. Station	Coop. Ext.	IPRT	Special Purpose	ISU Subtotal	ISD	IBSSS	Total		
RESOURCES											
APPROPRIATIONS											
General	\$ 187,119,809	\$ 33,986,918	\$ 21,431,501	\$ 4,057,557	\$ 2,216,157	\$ 248,811,942	\$ 7,891,351	\$ 4,422,904	\$ 640,047,905		
Other	-	-	-	-	-	-	181,783	89,483	271,266		
Subtotal - Appropriations	187,119,809	33,986,918	21,431,501	4,057,557	2,216,157	248,811,942	8,073,134	4,512,387	640,319,171		
Federal Support	-	4,125,373	8,300,000	-	-	12,425,373	64,000	149,867	15,351,872		
Interest	1,770,000	-	-	-	-	1,770,000	53,000	23,000	3,384,000		
Tuition and Fees	117,353,335	-	-	-	-	117,353,335	40,555,254	-	300,396,299		
Reimb. Indirect Costs	12,600,000	-	-	-	-	12,600,000	-	38,734	52,718,321		
Sales and Service	581,700	5,000	-	-	-	586,700	322,693	40,911	489,198,279		
Other Income	1,364,500	-	5,000	-	-	1,369,500	-	-	3,120,899		
Subtotal - Inst. Income	133,669,535	4,130,373	8,305,000	-	-	146,104,908	439,693	252,512	864,169,670		
TOTAL RESOURCE BUDGET	\$ 320,789,344	\$ 38,117,291	\$ 29,736,501	\$ 4,057,557	\$ 2,216,157	\$ 394,916,850	\$ 8,512,827	\$ 4,764,899	\$ 1,504,488,841		
EXPENDITURES											
Fac. & Inst. Off. Salaries	132,567,617	19,513,852	6,889,859	1,111,237	333,941	160,416,506	3,508,976	1,562,313	445,631,888		
Prof. & Sci. Staff Salaries	53,593,043	8,893,120	16,137,188	1,584,844	614,255	80,822,450	1,428,642	443,498	356,822,647		
General Service Staff Salaries	39,510,413	4,487,844	2,683,265	401,776	205,330	47,288,628	1,807,501	1,865,539	232,697,763		
Hourly Wages	4,701,501	500,426	531,222	166,324	134,818	6,034,291	-	-	16,638,724		
Subtotal - Salaries	230,372,574	33,395,242	26,241,534	3,264,181	1,288,344	294,561,875	6,745,119	3,871,350	1,051,991,022		
Prof. and Scientific Supplies	31,952,038	3,902,049	2,984,967	593,376	848,027	40,280,457	988,549	568,661	279,072,626		
Library Acquisitions	7,732,344	-	-	-	-	7,732,344	8,226	7,212	19,453,946		
Rentals	977,311	-	150,000	-	65,611	1,192,922	-	-	7,493,047		
Utilities	17,515,743	450,000	10,000	-	186	17,975,929	343,020	130,165	53,631,985		
Bldg. Repairs	3,357,647	170,000	-	-	-	3,527,647	250,000	110,257	16,525,021		
Auditor of State Reimb.	510,968	-	-	-	-	510,968	57,000	26,754	1,200,738		
Equipment	5,250,000	200,000	350,000	200,000	13,989	6,013,989	120,913	50,500	22,612,394		
Aid to Individuals	23,120,719	-	-	-	-	23,120,719	-	-	52,508,062		
Subtotal - Other Expenditures	90,416,770	4,722,049	3,494,967	793,376	927,813	100,354,975	1,767,708	893,549	452,497,819		
TOTAL EXPENDITURES	\$ 320,789,344	\$ 38,117,291	\$ 29,736,501	\$ 4,057,557	\$ 2,216,157	\$ 394,916,850	\$ 8,512,827	\$ 4,764,899	\$ 1,504,488,841		

**UNIVERSITY OF IOWA
REVISED FY 2002**

	Revised Appropriations Nov 2001	Reductions	Revised Appropriations May 2002
General University	\$241,831,144	(\$4,894,021)	\$236,937,123
University Hospital	30,466,492	(471,016)	29,995,476
Psychiatric Hospital	7,809,505	(132,336)	7,677,169
Center for Disabilities and Development	7,016,917	(132,954)	6,883,963
Oakdale Campus	2,948,667	(43,557)	2,905,110
Hygienic Laboratory	4,158,633	(86,015)	4,072,618
Family Practice	2,305,212	(43,589)	2,261,623
SCHS - Cancer, Hemophilia, High Risk Infant	691,332	(22,720)	668,612
Primary Health Care	849,070	(13,895)	835,175
State of Iowa Cancer Registry	199,762	(3,013)	196,749
Substance Abuse Consortium	72,108	(1,298)	70,810
Biocatalysis	991,651	(13,431)	978,220
Birth Defects Registry	49,702	(896)	48,806
Advanced Drug Development	254,822	(4,048)	250,774
Oakdale Research Park/Innovation Center	<u>315,755</u>	<u>(5,165)</u>	<u>310,590</u>
Total	\$299,960,772	(\$5,867,954)	\$294,092,818

Budget Reductions The University's additional appropriation reductions of \$5.9 million, coupled with the previous reductions of \$32.0 million (base reductions and November reductions) reflect total reductions in state appropriations for the University for the fiscal year of \$37.9 million.

Other Adjustments The University has increased tuition revenues due to higher enrollments and reimbursed indirect cost revenues due to the continued success of the faculty in attracting external support for sponsored research by a total of \$2.1 million according to the most current information available.

The University proposes to utilize a portion of the projected additional non-appropriated revenue as a partial offset to the March appropriations reduction. The balance, to the extent it materializes, will be used to defray other costs and costs related to enrollment increases.

Exemptions The University exempted the four-year graduation plan, student financial aid, and library acquisitions from budget reductions.

Impact of
Reductions

The University has taken the following actions as a result of the various fiscal year reductions in FY 2002 state appropriations:

- Reduced 247 General Education Fund FTE positions – Faculty 107, Graduate Assistants 63, P&S 50 and Merit 27.
 - Loss of faculty equates to fewer classes and greater average class size and increases reliance on the use of temporary faculty to provide instruction. There will be 160 fewer course sections offered in the summer of 2002.
- Suspended admission into the Graduate MIS program at Tippie College of Business (62 students) (still offering undergraduate program).
- Within the College of Education, closed Journalism Education, Communications Studies Education, Health Occupation Education and a minor in Human Relations.
- Reduced faculty start-up support, which severely limits the University's ability to make competitive offers to newly recruited faculty, particularly in the sciences.
- Reduced the value of faculty technology training commitments from \$3,000 to \$2,000. This will negatively impact the transfer of technology into the classrooms.
- Slowed or halted searches for major academic leadership positions (e.g.; Internal Medicine, Cardiothoracic Surgery, Physiology, Biophysics).
- Increased reliance on clinical earnings to support academic activities. (Reduces attention given students because faculty are pushed to earn clinical income.)
- Reduced student employment opportunities (e.g. Libraries).
- Reduced equipment budget by \$1.1 million or 15%, which will slow the University's efforts to modernize undergraduate classrooms and laboratories.
- Reduced travel and outreach, including travel related to economic development.
- Cut the building renewal budget by \$2 million or 30%.
- Reduced support for Library improvement and the new student Writing Initiative.
- Shifted costs of financial management and oversight of capital projects from operating budgets to individual capital project budgets (increases cost of capital and reduces flexibility).
- Permanently eliminated VP for External Relations position.
- Decreased the number of undergraduate student advisors.

The University believes that the above actions may jeopardize its ability to meet accrediting agency standards.

University of Iowa
Hospitals and
Clinics

The UIHC has experienced higher than expected volumes, particularly in outpatient surgical services. Surgical cases for the first nine months of FY 2002 are 4.1% more than budgeted. The increased volume has resulted in greater usage of medical and surgical supplies, pharmaceutical drugs and nursing personnel.

University of Iowa Hospitals and Clinics requests a \$10 million increase in the Sales and Services revenue budget with a corresponding \$7 million for professional and scientific supplies and a \$3 million increase for professional and scientific salaries for FY 2002.

The UIHC had planned for greater than normal increases in certain professional and scientific supplies, but the magnitude of the supplies usage could not be absorbed in the budget.

Providing care for the higher than budgeted patient volume has resulted in the use of "agency" nurses. Agency nurses work for agencies, which contract with the UIHC to meet patient care needs due to the unavailability of existing staff. These temporary "agency" nurses are assigned on an as needed basis, but the cost per hour of service is significantly higher than using UIHC's own staff nurses.

**IOWA STATE UNIVERSITY
REVISED FY 2002**

	Revised Appropriations Nov 2001	Reductions	Revised Appropriations May 2002
General University	\$190,866,120	\$3,746,311)	\$187,119,809
Agriculture Experiment Station	34,601,714	(614,796)	33,986,918
Cooperative Extension Service	21,866,928	(435,427)	21,431,501
Leopold Center	528,928	(8,536)	520,392
Livestock Disease Research	251,679	(3,460)	248,219
Institute For Physical Research and Technology	4,123,835	(66,278)	4,057,557
Small Business Development Center (SBDC)	1,110,067	(13,651)	1,096,416
Research Park/ISIS	<u>357,224</u>	<u>(6,094)</u>	<u>351,130</u>
Total	\$253,706,495	(\$4,894,553)	\$248,811,942

Budget Reductions The University's additional appropriation reductions of \$4.9 million, coupled with the previous reductions of \$27.2 million (base reductions and November reductions) reflect total reductions in state appropriations for the University for the fiscal year of \$32.1 million.

Other Adjustments The University has increased tuition revenues due to higher enrollments, reimbursed indirect cost revenues due to grant activity, and various other revenue line items by a total of \$1.6 million to reflect the most current information available. The University proposes to utilize additional non-appropriated revenue as a partial offset to the March appropriations reduction.

Impact of Reductions The various FY 2002 state appropriations reductions have resulted in the following:

- Eliminated 209 FTE positions from the General Fund:
 - 44 faculty
 - 80 professional and scientific employees
 - 58 merit employees
 - 27 graduate assistants
- Offered fewer courses which can extend the time for a student to graduate.
- Increased course sizes.
- Increased student to faculty ratio.
- Reduced ability to attract and retain faculty.
- Negatively affected responsiveness to student needs by staff reductions in student affairs, administrative offices, and non-academic areas.
- Closed the office of Vice President for External Affairs.
- Eliminated Associate Deans in Education and Veterinary Medicine.

- Combined the positions of Associate Dean of Students with Director of Minority Student Affairs.
 - Reorganized the biological sciences and, as a result, restructured curricula and the administration of several departments.
 - Plans to eliminate 4 degree programs:
 - Organizational learning and human resource development (MS, PhD)
 - Community health education (BS)
 - Engineering science (BS)
 - Engineering applications (BS)
 - Merged departments for administrative savings:
 - Landscape architecture with community and regional planning
 - Animal ecology with forestry
 - Reduced funds for building repairs and maintenance even further despite over \$60 million in deferred maintenance.
 - Cut funds for professional development for faculty and staff.
 - Reduced research and other activities that foster economic development in Iowa.
 - Reduced funds for faculty travel to professional conferences for presenting research findings.
 - Increased University Extension fees.
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**UNIVERSITY OF NORTHERN IOWA
 REVISED FY 2002**

	Revised Appropriations Nov 2001	Reductions	Revised Appropriations May 2002
General University	\$85,458,048	(\$1,711,518)	\$83,746,530
Recycling & Reuse	230,602	(3,863)	226,739
Metal Casting	165,773	(2,777)	162,996
Institute For Decision Making	<u>704,424</u>	<u>(11,799)</u>	<u>692,625</u>
Total	\$86,558,847	(\$1,729,957)	\$84,828,890

Budget Reductions The University's additional appropriation reductions of \$1.7 million, coupled with the previous reductions of \$9.2 million (base reductions and November reductions) reflect total reductions in state appropriations for the University for the fiscal year of \$10.9 million.

Exemptions The University exempted student financial aid and library acquisitions from budget reductions.

Impact of Reductions The University has taken the following actions as a result of the various fiscal year reductions in state appropriations:

- Reduced approximately 150 adjunct faculty and 217 classes during the spring semester; postponed professional development leaves; implemented larger class sizes; and assigned overload appointments to permanent faculty.
 - Eliminated four and a half professional and scientific positions, six secretarial/clerical positions, five custodians, and a boiler operator.
 - Reduced the number of hours for student employment.
 - Cut expenditures from academic supplies and services and equipment line item budgets.
 - Slowed the implementation of the Modern Executive Management and Financial Information System (MEMFIS) which delays access to timely and accurate information for decision makers and off campus reporting.
 - Significantly reduced building repairs line item budget by 83%.
 - Delayed expenditures such as early retirement securitization to the next fiscal year, in a sense borrowing from FY 2003.
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**IOWA SCHOOL FOR THE DEAF
REVISED FY 2002**

	<u>Original Appropriation</u>	<u>Revisions</u>	<u>Revised Appropriation</u>
General Fund	\$7,950,522	(\$55,421)	\$7,891,351
DOE Technology Fund	5,000	(1,667)	3,333
DOE Phase I, II, III	<u>178,450</u>	<u>562</u>	<u>178,450</u>
Total	\$8,133,972	(\$55,526)	\$8,073,134

Appropriation
Adjustments

The School's reduction of \$55,421 in direct state appropriations is a combination of the \$59,171 furlough reductions and a one-time addition for workers compensation of \$3,750.

The Department of Education (DOE) decreased technology funding by \$1,667 and increased the school's Phase I and II allocations by \$562.

The School has utilized the savings from an unfilled administrative faculty position to cover the reductions.

**IOWA BRAILLE AND SIGHT SAVING SCHOOL
REVISED FY 2002**

	<u>Original Appropriation</u>	<u>Revisions</u>	<u>Revised Appropriation</u>
General Fund	\$4,454,332	(\$31,428)	\$4,422,904
DOE Technology Fund	5,000	(1,667)	3,333
DOE Phase I, II, III	<u>86,712</u>	<u>(562)</u>	<u>86,150</u>
Total	\$4,546,044	(\$33,657)	\$4,512,387

Appropriation
Adjustments

The School's reduction of \$31,428 in direct state appropriations is a combination of the \$33,028 furlough reduction and a one-time addition for workers compensation of \$1,600.

The Department of Education decreased technology funding by \$1,667 and Phase I and II allocations by \$562.

The School is using utility savings to cover the net reductions in appropriations and allocations.

**BOARD OFFICE
 REVISED FY 2002**

	Revised Appropriation <u>Nov. 2001</u>	<u>Reductions</u>	Revised Appropriation <u>May 2002</u>
General Operations	\$1,237,427	(\$23,972)	\$1,213,455

Appropriation
 Reductions

To address the appropriation reductions, the Board Office:

- Used salary savings associated with vacant positions.
 - Reduced travel and related costs of Board meetings.
 - Limited the number of printed Regent publications and purchased publications.
 - Suspended membership to a major national higher education governance organization.
 - Eliminated professional conferences, changed vendors, and delayed purchases.
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