

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Approval of FY 2004 Detailed Budgets — University of Iowa
Date: July 7, 2003

Recommended Actions:

1. Approve the University of Iowa, Carver College of Medicine, proposed lump-sum payment performance incentive programs as follows:
 - a. Refinements to the Faculty Practice Plan for the Department of Anesthesia and other clinical departments.
 - b. Pilot program in the basic science departments.
 2. Approve the University of Iowa's final FY 2004 general fund operating budget, including the operations of the University of Iowa Hospitals and Clinics of \$1,123,348,710 and the restricted fund budget of \$675,400,000 for a total of \$1,798,748,710.
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Executive Summary:

**Final FY 2004
Budget**

The University of Iowa prepared its final FY 2004 detailed budgets in accordance with the strategic plans of the Board and of the University. The FY 2004 budgets consist of the general fund and the restricted fund budgets.

The revenues and expenditures in the general fund have not changed in total from the preliminary budget presented in June. However, there were changes in line items as detailed on page 7.

The Residence System revenues have increased slightly and expenses have decreased slightly from the preliminary budget submitted to the Board in March.

General Fund

The University's general fund operating budget of \$1.1 billion is organized into 14 budgetary units, which reflect separate and distinct state appropriations to the University.

The primary FY 2004 revenue sources include:

- Sales and services (mostly from UIHC) of \$593.6 million,
- State appropriations of \$279.0 million,
- Tuition and fees of \$199.1 million,
- Indirect cost recoveries of \$46.0 million, and
- Federal support of \$2.7 million.

For FY 2004, state appropriations were reduced by \$8.5 million from FY 2003. No state appropriations were provided for salary increases to implement the state's salary policy.

The following table shows FY 2004 budgets by appropriation unit compared to FY 2003 budgets.

	FY 2003 <u>Budget</u>	FY 2004 <u>Budget</u>	\$ <u>Change</u>
General University	\$443,042,375	\$467,620,000	\$24,577,625
University Hospital	546,802,400	608,646,800	61,844,400
Psychiatric Hospital	18,650,600	18,805,800	155,200
Center for Disabilities and Development	8,634,100	8,870,900	236,800
Oakdale Campus	3,214,191	3,131,472	(82,719)
Hygienic Laboratory	6,452,011	6,809,643	357,632
Family Practice	2,225,798	2,157,177	(68,621)
SCHS	4,877,100	5,074,600	197,500
Special Purpose			
Center for Biocatalysis and Bioprocessing	931,420	903,984	(27,436)
Economic Development*	253,338	253,338	0
Iowa Birth Defects Registry	47,170	45,781	(1,389)
Iowa Substance Abuse Consortium	68,553	66,534	(2,019)
Primary Health Care	803,013	779,359	(23,654)
State of Iowa Cancer Registry	<u>188,886</u>	<u>183,322</u>	<u>(5,564)</u>
TOTAL	\$1,036,190,955	\$1,123,348,710	\$87,157,755

*Includes Center for Advanced Drug Development, Oakdale Research Park, and Innovation Center.

General University

The General University budget represents the central educational operating unit of the University.

This final budget of \$467.6 million includes direct state appropriations of \$225.6 million, tuition and fees of \$199.1 million, and indirect cost recoveries of \$41.9 million.

Budgeted salaries of \$354.3 million represent 75.8% of the FY 2004 budget. Student financial aid of \$33.8 million represents 7.2% of the budget and 17.0% of tuition and fees.

For FY 2004, state appropriations for this unit were reduced by \$6.8 million from FY 2003. No state appropriations were provided for salary increases to implement the state's salary policy.

Consistent with past practices, the administrative units will absorb a significantly higher percentage of the reduction. Student financial aid, library acquisitions, and utilities will be exempted from the reduction.

In June, SUI reported \$5.3 million in reallocations and indicated there would be additional reallocations presented with the final budget. The final FY 2004 budget reflects internal reallocations totaling \$12.9 million (2.9% of the FY 2003 budget).

The University proposes to allocate its general fund operating budget by its strategic planning goals:

Strengthening Undergraduate Education	\$148.9 million
Achieving Premier Graduate and Professional Programs	172.7 million
Fostering Distinguished Research, Scholarship, and Artistic Creation	70.3 million
Facilitating Interdisciplinary Interaction in Teaching, Research, and Service	14.0 million
Developing a Highly Productive Organization	61.7 million

Change in Faculty Practice Plan The University intends to expand the proportion of Carver College of Medicine salary money directed to a quarterly lump sum payment program during FY 2004 to provide further incentive for increasing patient care volume.

Pilot Incentive Program in Basic Science The University plans to implement a pilot program in the Carver College of Medicine basic science departments (Anatomy, Biochemistry, Microbiology, Pharmacology, and Physiology & Biophysics) to provide lump-sum payments to faculty to further encourage attainment of additional extramural funding.

University Health Care Units Four of the 14 general fund appropriation units comprise the University Health Care units — Hospitals and Clinics (UIHC), Psychiatric Hospital, the Center for Disabilities and Development, and Specialized Child Health Services (SCHS).

With the 9.5% rate increase approved by the Board in June and the anticipated increases in patient volume, the University projects FY 2004 total revenues as follows:

	FY 2004 Revenues	% Increase from FY 2003
UIHC	\$608.6 million	11.3%
Psychiatric Hospital	18.8 million	0.8%
Center for Disabilities and Development	8.9 million	2.7%
SCHS	5.1 million	4.0%

Other Appropriations Units The other appropriation units in the general fund include the Oakdale Campus, University Hygienic Laboratory, Family Practice Program, Center for Biocatalysis and Bioprocessing, Iowa Substance Abuse Consortium, State of Iowa Cancer Registry, Primary Health Care, Iowa Birth Defects Registry, and Economic Development. Summaries of these units begin on page 12.

Restricted Fund The restricted fund budget of \$675.4 million includes resources and expenditures related to sponsored programs, auxiliary enterprise functions, independent operations, bonding activities, and capital projects. State appropriations for capitals are included in the restricted fund budget. (See details on page 15.)

The Residence System and Athletic Department budgets are part of the restricted fund budget and, as such, are presented this month for approval.

Residence System The Residence System FY 2004 budget was previously presented to the Board in March. Revenue projections have increased slightly and expense projections have decreased slightly from the preliminary budget. (Attachment A, page 18.)

Athletics The Athletic Department FY 2004 budget is unchanged from the preliminary budget presented to the Board in June. (Attachment B, page 19.)

Background:

Board Budget Process In May, the Board considered key budgetary issues to provide guidance in the development of the institutional budgets. In June, the Board received preliminary budget details for the general fund operating budget. This month, the Board receives the final general and restricted fund budgets for approval.

Analysis:

General Fund The FY 2004 general fund operating budget for the University of Iowa is \$1.1 billion and is distributed among the following units:

	Total Budget	State Appropriations
General University	\$467,620,000	\$225,576,763
University Hospital	608,646,800	27,984,189
Psychiatric Hospital	18,805,800	7,223,647
Center for Disabilities and Development	8,870,900	6,526,426
Oakdale Campus	3,131,472	2,725,472
Hygienic Laboratory	6,809,643	3,900,021
Family Practice	2,157,177	2,129,177
SCHS	5,074,600	665,709
Special Purpose		
Center for Biocatalysis and Bioprocessing	903,984	903,984
Economic Development*	253,338	253,338
Iowa Birth Defects Registry	45,781	45,781
Iowa Substance Abuse Consortium	66,534	66,534
Primary Health Care	779,359	779,359
State of Iowa Cancer Registry	<u>183,322</u>	<u>183,322</u>
TOTAL	\$1,123,348,710	\$278,963,722

*Includes Center for Advanced Drug Development, Oakdale Research Park, and Innovation Center.

Appropriation Reductions and Funding Shortfalls

- FY 2004 state appropriations were reduced by \$8.5 million from FY 2003
- No state appropriations were provided for salary increases to implement the state's salary policy.

Salary Policy The University's overall objective is to achieve, from all sources of funds, an average faculty and professional and scientific staff salary increase policy in the range of 1.5% - 2.25%. The University will provide partial funding (70%) from tuition; therefore most divisions and colleges will need to reallocate substantially to achieve the desired objective.

Faculty and professional and scientific staff increases will be based on performance. However, units must also compensate for promotion and reclassification, or resolve issues relating to gender or ethnicity concerns, compression problems, market adjustments or other special needs within the overall salary policy.

Change in Faculty
Practice Plan

The University had previously initiated a program associated with its Faculty Practice Plan for the Department of Anesthesia where approximately half of the Anesthesia faculty budgeted salary increase was paid on a quarterly basis rather than annualized. These quarterly payments were paid on the volume of clinical anesthesia care provided by individual faculty members at UIHC.

The University intends to expand the proportion of Carver College of Medicine departmental salary money directed to this quarterly payment program during FY 2004 to faculty to provide further incentive for increasing patient care volume and bring Anesthesia faculty salaries closer to the targeted 50th percentile of the Association of American Medical Colleges (AAMC) national salary survey.

Pilot Salary
Program in Basic
Science

The University plans to implement a pilot program in the Carver College of Medicine basic science departments (Anatomy, Biochemistry, Microbiology, Pharmacology, and Physiology & Biophysics) to further encourage attainment of additional extramural funding.

The Carver College of Medicine encourages its tenure track faculty to fund at least 40% of their salary from extramural sources. This proposal is a modification of the current program that rewards faculty who generate extramural salary support.

The College proposes to make mid-year lump sum incentive payments to faculty within its basic science departments who achieve certain goals or productivity. The initial year focuses rewards on generation of research dollars that provide salary support of greater than 50%.

Future provisions of the plan would also reward faculty for securing sizeable extramural grants from funding organizations that might limit salary support and for significant teaching/administrative assignments.

This lump sum payment would be separate from the annual merit increases. It is the College's intent to evaluate this program over the next two years to determine if the program is successful.

The University has indicated that the College has established eligibility criteria, and determined maximum incentive payment amounts and that the College's basic science department heads and the Dean will develop implementation procedures.

General University The SUI General University appropriation unit represents the central educational operating budget and includes its eleven colleges, other units and central administration.

- College of Liberal Arts and Sciences,
- College of Business Administration,
- College of Dentistry,
- College of Education,
- College of Engineering,
- College of Law,
- College of Medicine,
- College of Nursing,
- College of Pharmacy,
- College of Public Health, and
- Graduate College.

Other Units includes the:

- Library,
- Continuing Education,
- Summer Session, and
- Information Technology Services.
- Central Administration includes the:
 - Office of the President,
 - Office of the Provost,
 - Office of the Vice President for Research,
 - Office of University Relations,
 - Office of the Vice President for Student Services, and
 - Office of the Vice President for Finance and Operations.

The following table shows the general university revenues and expenditures for the original FY 2003 budget and the proposed FY 2004 budget.

**University of Iowa - General University
Budget Comparisons**

	FY 2003	FY 2004	
	Original	Proposed	Change
	Budget	Budget	Over/(Under)
REVENUES			
Appropriations	\$232,423,103	\$225,576,763	\$ (6,846,340)
Interest	900,000	900,000	-
Tuition and Fees	171,468,028	199,091,993	27,623,965
Reimbursed Indirect Costs	38,126,244	41,926,244	3,800,000
Other Income	<u>125,000</u>	<u>125,000</u>	<u>-</u>
TOTAL REVENUES	\$443,042,375	\$467,620,000	\$24,577,625
EXPENDITURES			
Salaries	\$336,111,238	\$354,300,642	\$ 18,189,404
Prof. /Scientific Supplies	34,622,385	34,127,990	(494,395)
Library Acquisitions	10,354,574	10,872,574	518,000
Rentals	1,500,000	1,500,000	-
Utilities	18,707,779	19,543,779	836,000
Building Repairs	6,376,996	6,261,871	(115,125)
Auditor of State	471,016	471,016	-
Equipment	6,849,677	6,726,018	(123,659)
Aid to Individuals	<u>28,048,710</u>	<u>33,816,110</u>	<u>5,767,400</u>
TOTAL EXPENDITURES	\$443,042,375	\$467,620,000	\$ 24,577,625

Changes from Preliminary

The revenues and expenditures have not changed in total from the preliminary budget. However, changes in line items include increasing salaries by \$2.2 million and decreasing professional and scientific supplies by \$2.2 million.

The University evaluated the FY 2004 situation more closely and determined that more funds were needed for salaries.

The summary sheet on page 14 of this docket memorandum identifies uses of new revenues and reallocations.

Appropriations

The FY 2004 general fund operating budget for the General University unit is \$467.6 million, including state appropriations of \$225.6 million.

- FY 2004 state appropriations were reduced by \$6.8 million from FY 2003.
- No state appropriations were provided for salary increases to implement the state's salary policy.

- Tuition Revenues** The University has projected FY 2004 tuition and fee gross revenues of \$199.1 million with an increase of \$27.6 million, consisting of:
- \$21.9 million from the Board-approved 17.6% tuition rate increase for resident students and 9.75% increase for SUI non-resident students,
 - \$3.1 million from an increase of 500 students, and
 - \$2.6 million from surcharges in Colleges of Law, Nursing, Pharmacy, Dentistry, Public Health, Medicine, and Business.
- Other Revenues** The University estimates an increase of \$3.8 million in indirect cost recovery. This revenue source is dependent on new awards and renewals and the timing of grant and contract expenditures.
- Reallocations** The FY 2004 budget reflects internal reallocations totaling \$12.9 million. The reallocations represent 2.9% of the FY 2003 budget.
- The following table summarizes reallocations. Details are provided in the Regent Exhibit Book.

**The University of Iowa
FY 2004 FINAL BUDGET
Summary of Reallocations
General University**

From:		
	Academic Units	7,443,506
	Administrative Units	<u>5,488,473</u>
	Total Reallocations	\$ 12,931,979
To:		
	Salary Reallocation:	
	Faculty	3,496,638
	Professional and Scientific	1,348,807
	Merit	426,534
	Strategic Initiatives:	
	College of Liberal Arts & Sciences	1,885,000
	College of Education	500,000
	College of Engineering	250,000
	College of Public Health	120,000
	College of Business Administration	600,000
	College of Pharmacy	250,000
	Graduate College	215,000
	Continuing Education	110,000
	Summer Session	250,000
	All Colleges	<u>3,480,000</u>
	Total Reallocations	\$ 12,931,979

Some examples of reallocations include:

- Several colleges plan to move forward with faculty hiring plans. These colleges have hired part-time and temporary faculty during the past two years instead of tenure-track. For example, the College of Liberal Arts and Sciences will reallocate \$1,130,000 and the College of Education will reallocate \$500,000.

- Budget cuts to central university expenditure pools for equipment have forced colleges to reallocate resources for equipment needs of new faculty hires. These reallocations include \$250,000 in the College of Liberal Arts and Sciences, \$250,000 in the College of Engineering, and \$120,000 in the College of Public Health.
- Each college has committed to improving the quality of their programs and services including the development of better communication programs, the creation or adaptation of advanced computer systems for student and faculty use, the deployment of new staff to support teaching, research and service efforts. These reallocations include: \$165,000 in the College of Liberal Arts and Sciences; \$600,000 in the Tippie College of Business; \$250,000 in the College of Pharmacy; \$110,000 in the Division of Continuing Education; and, \$215,000 in the Graduate College.
- Diversity continues to be an important goal at the University. The Office of the Provost will reallocate \$150,000 and the Graduate College will reallocate \$230,000 to expand diversity hiring/recruiting efforts.
- The Division of Continuing Education will reallocate \$250,000 to support the expansion of course offerings and enrollments in the winter and summer sessions.

Expenditures

The University proposes to use new tuition revenues as follows:

Planned Use of Tuition

Compensation Increases	\$11,823,072
Base Appropriation Reduction	6,846,340
Student Aid Set-Aside (20.9% of new tuition revenue)	5,767,400
Surcharges (net of financial aid set-aside)	1,936,600
<u>Unavoidable Cost Increases</u>	
Utility Inflation	685,500
Opening New Buildings	312,000
Property Insurance Premium Increase (2003 / 2004)	224,800
State Agency and Regent Assessments	100,000
<u>Strategic Initiatives</u>	
Classroom Support and Enrollment Growth	1,211,800
Library Acquisitions	495,700
Liberal Arts and Sciences Initiatives / Faculty and Start-Up	173,800
Graduate College	190,000
Undetermined Expenditure Savings or Revenue Over Budget*	(2,143,047)
Total	\$27,623,965

* Allows the University flexibility if additional revenues materialize, if not, the University will reduce expenditures further.

The University is planning to allocate additional tuition revenue to student financial aid bringing the total student aid set-aside to 17.0% of total tuition revenue compared to 16% in previous years.

The University has several strategic initiatives that will be funded with new tuition revenue as follows:

Classroom Support and Enrollment Growth - the enrollment is growing at a time when the loss of state support has had a major impact on collegiate instructional resources. Enrollment growth also leads to more student support services such as academic advising.

Library Acquisitions – these funds will be used for inflation on library journals that continues to be significantly higher than standard inflation. It also will support acquisitions of digital information.

Liberal Arts and Sciences Initiatives / Faculty and Start-Up – this is the second year of a multi-year plan to address the challenge of rebuilding the University’s science departments in the face of substantial and increasing faculty losses.

Graduate College – these funds will be used to: support the Electronic Thesis and Dissertation project; administer new and interdisciplinary degree programs, develop enhanced graduate recruiting initiatives, increase support for graduate assistants; and expand the Merit Fellowship to obtain a more diverse student cohort.

**University of Iowa – Health Care Units
Budget Comparisons**

	FY 2003	FY 2004	
	Original	Proposed	Change
	Budget	Budget	Over/(Under)
REVENUES			
Appropriations	\$43,686,825	\$42,399,971	(\$1,286,854)
Federal Support	2,748,538	2,749,293	755
Reimbursed Indirect Costs	3,653,900	3,658,300	4,400
Sales and Service	527,179,099	590,774,145	63,595,046
Other Income	<u>1,695,838</u>	<u>1,816,391</u>	<u>120,553</u>
TOTAL REVENUES	\$578,964,200	\$641,398,100	\$62,433,900
EXPENDITURES			
Salaries	\$345,958,200	\$390,300,200	\$44,342,000
Prof. /Scientific Supplies	198,870,400	214,920,400	16,050,000
Rentals	3,866,400	4,756,000	889,600
Utilities	14,045,800	15,214,100	1,168,300
Building Repairs	7,401,500	7,376,500	(25,000)
Equipment	<u>8,821,900</u>	<u>8,830,900</u>	<u>9,000</u>
TOTAL EXPENDITURES	\$578,964,200	\$641,398,100	\$62,433,900

Health Care Units

The health care budget consists of four different appropriation units:

- University of Iowa Hospitals and Clinics (UIHC),
- Psychiatric Hospital,
- Specialized Child Health Services (SCHS), and
- The Center for Disabilities and Development).

All proposed budgets are based upon the 9.5% rate increase for patient charges approved by the Board in June.

These appropriation units experienced reductions in FY 2004 state appropriations of \$1.3 million from FY 2003. No state appropriations were provided for salary increases to implement the state’s salary policy.

University of Iowa Hospitals and Clinics (UIHC)

The University of Iowa Hospitals and Clinics focus in FY 2004 is consistent with prior years: preserving high quality patient care, supporting the companion missions of teaching and research, and protecting the ability to recruit and retain highly skilled health care staff members.

The final FY 2004 general fund operating budget for the University Hospitals and Clinics is \$608.6 million, including state appropriations for the Indigent Patient Care Program of \$28.0 million.

- UIHC predicts that state appropriations will cover approximately 28.4% of the value of care rendered to indigent patients for FY 2004.
- The state appropriation includes an \$849,330 (-3.0%) reduction in FY 2004 from FY 2003 and represents 4.6% of the University Hospitals and Clinics FY 2004 projected revenue.

Growth in demand for patient services is anticipated for FY 2004. To meet this increase in demand, the UIHC is expanding adult, neonatal and pediatric intensive care services, developing an emergency treatment center for chest pain, and expanding initiatives to lower the length of stay to allow more admissions.

The University reports that the UIHC continues to face challenges with reduced revenues from Medicare, Medicaid, and the Indigent Patient Care Program. The combined effect of these payment restrictions will be to reduce the amount that UIHC receives for its patient care services, including state appropriations, to approximately 55.0% of gross charges.

In FY 2004, UIHC will continue to collaborate with the University, including the Carver College of Medicine (CCOM), with both direct and indirect support. UIHC FY 2004 budget includes:

- \$33.1 million for the support of certain CCOM professional services, such as supervision of laboratories, graduate medical education, specific clinical services and jointly sponsored programs.
- \$33.5 million for the purchase of University services, including certain administrative services, utilities and other general services.

Psychiatric Hospital

The Psychiatric Hospital provides tertiary level specialized patient care services to Iowa citizens and serves as a primary clinical teaching unit for the University's health sciences colleges as well as a base for clinical research and instruction.

The final FY 2004 general fund operating budget for the Psychiatric Hospital is \$18.8 million, including state appropriations of \$7.2 million. The state appropriation includes a \$219,240 (-3.0%) reduction in FY 2004 and represents 38.4% of the Psychiatric Hospital's FY 2004 projected revenue.

Center for Disabilities and Development

The Center for Disabilities and Development provides diagnostic, evaluative, planning and treatment services to children with cerebral palsy, mental retardation, myelodysplasia, chronic asthma, and other disorders. The interdisciplinary clinical teaching model is used to train professional students. Professionals also demonstrate and teach in the community setting and in learning laboratories. The staff undertakes investigative efforts relating to clinical treatment techniques and teaching methods.

The final FY 2004 general fund operating budget for the Center for Disabilities and Development is \$8.9 million, including state appropriations of \$6.5 million. The state appropriation includes a \$198,079 (-3.0%) reduction in FY 2004 and represents 73.6% of the Center's projected FY 2004 revenues.

Specialized Child Health Services

The University of Iowa Hospitals and Clinics, through the Specialized Child Health Center (SCHS), provide statewide health services and resources to Iowa children and families with specialized health care needs. Funding allows for state-of-the-art cancer chemotherapy and diagnostic studies on all cancer patients in the state of Iowa, with the ability to receive such treatment locally; and allows for a home-based therapy program for the treatment of hemophilia and infant healthcare services, not otherwise consistently available throughout the state.

The final FY 2004 general fund operating budget for SCHS including Cancer, Hemophilia, High Risk Infant, Mobile and Regional Clinics, and Muscular Dystrophy is \$5.1 million, including \$665,709 (13.1%) in direct state appropriations. The state appropriation includes a \$20,205 (-3.0%) reduction in FY 2004.

Oakdale Campus

The Oakdale campus provides a working environment to stimulate research and outreach activities, which include the University Hygienic Laboratory, the Obermann Center for Advanced Studies, the Technology Innovation Center, and other academic and health-care related activities.

The final FY 2004 general fund operating budget for the Oakdale Campus is \$3.1 million, including state appropriations of \$2.7 million. The state appropriation includes an \$82,719 (-3.0%) reduction in FY 2004 and represents 87.0% of the projected FY 2004 revenues.

University Hygienic Laboratory

The Hygienic Laboratory serves as Iowa's only state public health and environmental quality laboratory and is statutorily obligated to provide such laboratory scientific services. Specific scientific services include areas such as bacteriology, diagnostic immunology, parasitology, mycobacteriology, mycology, virology, radiochemistry health physics, industrial hygiene, air quality, water quality, limnology pesticide analysis, inorganic chemistry, and organic chemistry.

The final FY 2004 general fund operating budget for the University Hygienic Laboratory is \$6.8 million, including state appropriations of \$3.9 million. The state appropriation includes an \$118,365 (-3.0%) reduction in FY 2004 and represents 57.3% of the FY 2004 revenues.

Family Practice
Program

This statewide Family Practice Training Program provides opportunities for newly graduated physicians to continue their training through community-based residencies in family practice. Each of the eight training sites in seven Iowa communities consists of a model family practice office in which residents train under supervision of clinical instructors. The training program is decentralized to gain training capacity and favorably affect the distribution of graduates.

The final FY 2004 general fund operating budget for the Family Practice Program is \$2.2 million including state appropriations of \$2.1 million. The state appropriation includes a \$64,621 (-3.0%) reduction in FY 2004 and represents 98.7% of the projected FY 2003 revenues.

Eighty percent of the appropriated funds will be spent on the University of Iowa affiliated family physician training programs consistent with statutory requirements and twenty percent will be spent on university-sponsored activities in support of the community-based training programs.

Special Purpose
Appropriations

The Special Purpose Appropriations units include the Center for Biocatalysis and Bioprocessing, Economic Development, Iowa Birth Defects Registry, Iowa Substance Abuse Consortium, Primary Health Care, and the State of Iowa Cancer Registry.

Center for
Biocatalysis and
Bioprocessing

The Center for Biocatalysis and Bioprocessing (CBB) serves as the primary contract research facility for biocatalysis and bioprocessing in the state of Iowa. Biocatalysis/bioprocessing technologies are necessary to implement "biotechnology" based approaches to solve the problems in agricultural, chemical, nutritional, and pharmaceutical industries.

The CBB laboratories are an essential link in technology transfer and provide unsurpassed fermentation, biocatalysis, and bioprocessing facilities and equipment for the conduct of multi-disciplinary industry/academic research.

The final FY 2004 general fund operating budget for the Center for Biocatalysis and Bioprocessing is \$903,984, including a \$27,436 (-3.0%) reduction in state appropriations. It is funded entirely by state appropriations

Economic
Development

The FY 2003 economic development appropriations total \$253,338 and include funding for the Center for Advanced Drug Development, the Oakdale Research Park, and the Innovation Center.

Center for Advanced Drug Development (CADD)

\$113,172

CADD works with the Division of Pharmaceutical Service of the University of Iowa College of Pharmacy to offer unique capacity to produce, under contract, limited quantities of new medicines under FDA approval. It is the only FDA registered facility in a College of Pharmacy in the U.S. The Center addresses a crucial economic need to shorten the lead-time between new pharmaceutical discoveries in the laboratory and their commercialization in the market place.

Oakdale Research Park/Technology Innovation Center

\$140,166

The Oakdale Research Park represents a substantial commitment to further sustained interaction with business. It offers leased building sites and laboratory space to corporations engaged in research and development and related production and marketing activities.

The Technology Innovation Center (TIC) is a business incubator for start-up companies. TIC offers new technology-based business ventures a nurturing business environment that includes cost-effective laboratory and office space, shared equipment and services and access to relevant University research expertise and resources.

Iowa Birth Defects Registry

The Iowa Birth Defects Registry monitors the types and frequency of birth defects within the State of Iowa and provides information to the departments of Public Health and Education.

Iowa is one of only seven states with an active surveillance program with information collected directly from medical records in hospitals and clinics.

The final FY 2004 general fund operating budget for the Iowa Birth Defects Registry is \$45,781 including a \$1,389 (-3.0%) reduction in state appropriations. It is funded entirely by state appropriations

Iowa Substance Abuse

The Iowa Consortium for Substance Abuse Research and Evaluation is an alliance committed to strengthening substance abuse prevention and intervention activities through collaborative research in the state of Iowa.

The Consortium's Advisory Board includes representatives from the University of Iowa; University of Northern Iowa; Iowa State University; state departments of Public Health, Education, Public Safety, Corrections, and Drug Control Policy; and representatives from local substance abuse service agencies.

The final FY 2004 general fund operating budget for the Iowa Substance Abuse Consortium is \$66,534, including a \$2,019 (-3.0%) reduction in state appropriations from FY 2003. It is funded entirely by state appropriations

Primary Health Care

The primary health care initiative has emphasis in four areas including:

- A computerized information system to track the supply and distribution of Iowa pharmacist, dentists, physician assistants, and advanced nurse practitioners;
- Rural physician support program to provide practice coverage for rural doctors who are absent;
- An integrated health professions education project to foster interdisciplinary teamwork in primary care to improve patient health and quality of life as well as to prepare health profession students to work cooperatively within the rural community; and
- Support for the Department of Family Medicine to strengthen departmental efforts to increase the selection of family medicine careers by SUI medical graduates.

The final FY 2004 general fund operating budget for Primary Health Care is \$779,359, including a \$23,654 (-3.0%) reduction in state appropriations from FY 2003. It is funded entirely by state appropriations.

State of Iowa
Cancer Registry

The State of Iowa Cancer Registry is part of the National Cancer Institute's (NCI) Surveillance, Epidemiology, and End Results (SEER) Program dedicated to cancer data collection, reporting, and evaluation.

The NCI mandates that a portion of funding for the Registry be obtained from non-federal sources.

The final FY 2004 general fund operating budget for the State of Iowa Cancer Registry is \$183,322 including a \$5,564 (-3.0%) reduction in state appropriations from FY 2003.

Restricted Fund

Restricted funds for FY 2004 total \$675.4 million. Capital appropriations for FY 2004 include \$11.2 million for the Art Building and the Classroom Building / Journalism. Tuition replacement is estimated to be \$10.2 million.

Revenues in the restricted fund budget are derived from federal and non-federal support for sponsored programs (primarily research and student aid), sales and services, reimbursed indirect costs, tuition and fees from sources such as continuing education, bond proceeds, tuition replacement appropriations, and capital appropriations.

Other income includes items such as non-federal gifts, grants and contracts, interest, dividends and capital gains and losses, workshops and seminars, royalties, rental of equipment, sales salvage and recycling, parking and other fines, other miscellaneous revenue, commissions, and non-credit course fees

University of Iowa – Restricted Fund

	FY 2004 Proposed Budget
REVENUES	
Capital Appropriations	\$11,203,000
Tuition Replacement	10,223,353
Federal Support	201,800,000
Intra State Receipts	50,073,647
Bonds and Loans	25,000,000
Tuition and Fees	37,700,000
Reimbursed Indirect Costs	21,600,000
Sales and Services	202,800,000
Other Income	<u>115,000,000</u>
TOTAL REVENUES	\$675,400,000
EXPENDITURES	
Salaries	\$264,100,000
Prof. /Scientific Supplies	173,000,000
Rentals	12,200,000
Utilities	7,000,000
Building Repairs	3,800,000
Equipment	13,500,000
Student Aid	43,800,000
Debt Service	33,000,000
Plant Capital	<u>125,000,000</u>
TOTAL EXPENDITURES	\$675,400,000

The restricted fund includes the Organized Activities Fund, the Auxiliary Enterprise Fund, the Current Restricted Fund and the Plant Fund.

Residence System

The University proposed a FY 2004 residence system budget with expected revenues of \$38.0 million and proposed expenses for operations of \$28.1 million, with a \$9.9 million net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. (See Attachment A, page 18 for details.)

Revenue projections have increased slightly from the preliminary budget submitted to the Board in March due to higher board contract income projections. Expenses have decreased slightly due to lower salary increases than expected and the decision to not fill some vacant positions. The projections are based upon the room and board rates approved by the Board in April.

Athletics

The University of Iowa final FY 2004 athletic budget is unchanged from the preliminary budget presented to the Board at its June 2003 meeting.

The following table provides a summary of the FY 2004 athletic budget; revenue and expenses are approximately \$1.5 million higher than the FY 2003 projection. (See Attachment B, page 19 for details.)

The FY 2004 budget includes compensation from the University of Iowa Foundation, which had been previously paid, but not included in the athletic budget. Approximately 1.1% of the increased revenue and expenses is attributable to this inclusion.

	FY 2003 Projection (as of 5/03)	FY 2004 Final Budget	% Diff.
INCOME:			
Men's Sports	\$16,795,500	\$18,473,700	10.0%
Women's Sports	223,400	222,000	-0.6%
General University Support	2,437,361	2,389,361	-2.0%
Other Income	<u>21,110,377</u>	<u>21,014,485</u>	-5%
TOTAL INCOME	<u>\$40,566,638</u>	<u>\$42,099,546</u>	<u>3.8%</u>
EXPENSES:			
Men's Sports	\$18,396,407	\$18,634,980	1.3%
Women's Sports	7,330,509	7,987,039	9.0%
Other Expenses	<u>14,818,013</u>	<u>15,477,527</u>	4.5%
TOTAL OPERATING EXPENSES	<u>\$40,544,929</u>	<u>\$42,099,546</u>	<u>3.8%</u>

Deb A. Hendrickson approved: *Gregory S. Nichols*
 Deb A. Hendrickson Gregory S. Nichols

UNIVERSITY OF IOWA
FY 2004 General University Budget Summary

	Goal	FY 2004 New Revenues and Reallocations				
		Approp.	Tuition	Reallocation	Other	Total
<u>Strategic Initiatives</u>						
Student Aid Increases	1,2		5,767,400			\$5,832,400
Ear-Marked Surcharges	1,2,3		1,936,600			1,936,600
Liberal Arts & Sciences Initiative/Faculty and Start-up Costs	1,3		173,800		201,200	375,000
Classroom Support and Enrollment Growth	1		1,211,800			1,211,800
Graduate College Initiative	2		190,000			125,000
Internal Medicine Faculty and Faculty Start-Up	2,3				375,000	375,000
Research Incentive Program	3,4			1,300,000	157,200	1,457,200
Arts and Humanities				340,000		340,000
Biosciences				700,000		700,000
Grant Match				1,100,000		1,100,000
Collegiate Strategic Initiatives				4,220,000		4,220,000
						0
<u>Mandatory Cost Changes</u>						
Compensation Increases	1-5		11,823,072	5,271,979	1,458,400	18,553,451
Library Acquisitions	1-4		495,700		22,300	518,000
Opening New Buildings	5		312,000		300,000	612,000
Utility Inflation	5		685,500		64,500	750,000
Property Insurance Premium Increase	5		224,800		21,200	246,000
State Cancer Registry	3				60,300	60,300
Research Infrastructure and Regulatory Compliance	3				839,900	839,900
Research Space Leases	3,5				300,000	300,000
State Agency and Regent Assessments	1-5		100,000			100,000
Undetermined Expenditure Savings or Revenue over Budget	1-5		-2,143,047			-2,143,047
Base Appropriation Reduction		(6,846,340)	6,846,340			
TOTAL		(6,846,340)	\$27,623,965	\$12,931,979	\$3,800,000	\$37,509,604

University of Iowa Strategic Planning Goals

1. Create an undergraduate experience that enables students to fulfill their intellectual, social, and career objectives.
2. Achieve premier graduate and professional programs in a significant number of areas.
3. Foster distinguished research, scholarship, and artistic creation.
4. Facilitate interdisciplinary interaction in teaching, research, and service.
5. Develop a highly productive organization that supports the mission and values of the University.

The University of Iowa
Residence System Proposed Final Budget 2003-04

	Actual 2001-02	Revised Estimate 2002-03	Preliminary Budget 2003-04	Proposed Final Budget 2003-04
OPERATIONS (Modified Cash Basis)				
Revenues	\$ 32,863,821	\$ 35,076,171	\$ 37,898,146	\$ 38,033,296
Expenditures for Operations	22,996,769	25,437,119	28,325,943	28,131,890
Net Revenues	9,867,052	9,639,052	9,572,203	9,901,406
% of Revenues	30.0%	27.5%	25.3%	26.0%
Debt Service (due July 1)	4,933,974	5,149,070	5,289,435	5,289,435
Mandatory Transfers	600,000	600,000	600,000	600,000
Net After Debt Service & Mandatory Transfers	\$ 4,333,078	\$ 3,889,982	\$ 3,682,768	\$ 4,011,971
% of Revenues	13.2%	11.1%	9.7%	10.5%
University Overhead Payment From Surplus	\$ 272,028	\$ 371,652	\$ 394,168	\$ 373,032
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	\$ 318,162	\$	\$	\$
Operation & Maintenance Fund	621,692	1,000,000	1,000,000	1,000,000
Improvement Fund	6,041,746	3,243,000	4,813,000	4,958,000
Surplus Fund	4,295,480	915,252	3,489,429	3,895,833
Subtotal--Voluntary Reserves	11,277,080	5,158,252	9,302,429	9,853,833
Sinking Fund	4,146,640	4,099,535	4,308,734	4,308,734
Bond Reserve Fund	5,271,473	5,271,473	6,250,655	6,250,655
Bond Construction Fund	3,884,055	0	12,000,000	12,000,000
Subtotal--Mandatory Reserves	13,302,168	9,371,008	22,559,389	22,559,389
Total Cash Balances (June 30)	\$ 24,579,248	\$ 14,529,260	\$ 31,861,818	\$ 32,413,222
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	\$ 28,901,648	\$ 31,066,836	\$ 33,816,783	\$ 33,913,179
Interest	1,066,260	853,045	811,036	780,083
Other Income	2,895,913	3,116,056	3,270,327	3,340,034
Total Revenues	\$ 32,863,821	\$ 35,035,937	\$ 37,898,146	\$ 38,033,296
Expenditures for Operations				
Salaries, Wages & Benefits	8,882,943	9,877,916	11,777,052	11,502,721
Cost of Food or Goods Sold	2,651,084	2,690,024	2,896,368	2,785,448
Other Operating Expense	4,843,623	5,681,411	5,985,192	6,073,388
Utilities	3,640,107	3,908,361	4,100,227	4,233,459
Repairs & Maintenance	2,979,012	3,306,002	3,567,104	3,536,874
Total Expenditures	\$ 22,996,769	\$ 25,463,714	\$ 28,325,943	\$ 28,131,890

UNIVERSITY OF IOWA ATHLETIC BUDGETS

	FY 2001	FY 2002	FY 2003		Preliminary and Final Budget	FY 2004	% Change from FY 2003 Projection
	Actual	Actual	Original Budget	03-Jun Projection (as of 4/30)		\$ Change from FY 2003 Projection	
INCOME:							
Men's Sports							
Football	\$ 9,757,989	\$ 9,780,052	\$ 11,400,000	\$ 12,018,400	\$ 13,783,200	\$ 1,764,800	14.7%
Basketball	3,795,404	3,909,607	4,481,500	4,503,500	4,462,000	(41,500)	-0.9%
Wrestling	179,274	210,343	201,000	269,100	226,000	(43,100)	-16.0%
All Other	6,666	11,481	3,500	4,500	2,500	(2,000)	-44.4%
Total Men's Sports	\$ 13,739,333	\$ 13,911,483	\$ 16,086,000	\$ 16,795,500	\$ 18,473,700	\$ 1,678,200	10.0%
Women's Sports							
Basketball	153,710	\$ 214,674	\$ 200,000	\$ 200,000	\$ 200,000		
Volleyball	9,477	9,641	10,000	10,000	10,000		
All Other	12,957	11,068	12,000	13,400	12,000	(1,400)	-10.4%
Total Women's Sports	\$ 176,144	\$ 235,383	\$ 222,000	\$ 223,400	\$ 222,000	\$ (1,400)	-0.6%
Other Income							
Student Activity Fees	705,395	\$ 1,490,611	\$ 1,289,444	\$ 1,505,400	\$ 1,401,944	\$ (103,456)	-6.9%
Athletic Conference	7,055,704	9,010,848	10,003,000	10,298,077	10,419,000	120,923	1.2%
Univ. General Support	1,925,000	2,166,137	2,437,361	2,437,361	2,389,361	(48,000)	-2.0%
Interest	486,718	258,316	425,000	350,000	300,000	(50,000)	-14.3%
Alumni/Foundation Support	3,836,386	3,623,720	4,078,000	4,236,200	4,597,566	361,366	8.5%
Novelties--Bookstore	450,000	450,000	470,000	810,000	500,000	(310,000)	-38.3%
Radio, Football & Basketball	1,055,000	1,115,000	1,275,000	1,275,000	1,300,000	25,000	2.0%
General	2,773,064	2,385,989	2,130,000	2,635,700	2,495,975	(139,725)	-5.3%
Total Other Income	\$ 18,287,267	\$ 20,500,621	\$ 22,107,805	\$ 23,547,738	\$ 23,403,846	\$ (143,892)	-0.6%
TOTAL INCOME	\$ 32,202,744	\$ 34,647,487	\$ 38,415,805	\$ 40,566,638	\$ 42,099,546	\$ 1,532,908	3.8%
EXPENSES:							
Men's Sports							
Football	8,251,619	\$ 9,150,065	\$ 10,177,479	\$ 11,724,586	\$ 11,205,896	\$ (518,690)	-4.4%
Basketball	2,785,542	3,319,727	3,115,966	3,310,177	3,822,125	511,948	15.5%
Wrestling	717,961	721,514	704,601	737,389	823,210	85,821	11.6%
Other Sports	2,355,985	2,376,065	2,516,554	2,624,255	2,783,749	159,494	6.1%
Total Men's Sports	\$ 14,111,107	\$ 15,567,371	\$ 16,514,600	\$ 18,396,407	\$ 18,634,980	\$ 238,573	1.3%
Women's Sports							
Basketball	1,028,824	\$ 1,506,134	\$ 1,626,575	\$ 1,716,652	\$ 1,866,848	\$ 150,196	8.7%
Volleyball	497,525	554,782	650,596	673,608	749,226	75,618	11.2%
Other Sports	3,666,816	4,483,753	4,912,064	4,940,249	5,370,965	430,716	8.7%
Total Women's Sports	\$ 5,193,165	\$ 6,544,669	\$ 7,189,235	\$ 7,330,509	\$ 7,987,039	\$ 656,530	9.0%
Other Expenses							
Training Room	690,000	\$ 733,745	\$ 765,000	\$ 765,000	\$ 787,000	\$ 22,000	2.9%
Medical Exp. - Women Athletes ¹	207,564						
Sports Information	488,938	585,297	602,100	619,137	644,415	25,278	4.1%
Admin. & General Expenses	5,303,743	5,549,160	5,919,159	6,131,300	6,831,634	700,334	11.4%
Fifth Year Scholarship ¹	105,757						
Debt Retirement	1,186,010	1,746,218	1,765,944	1,765,944	1,701,944	(64,000)	-3.6%
Academic & Counseling	1,199,307	1,140,903	1,290,036	1,206,000	1,307,504	101,504	8.4%
Buildings & Grounds	4,112,551	4,121,862	4,038,963	4,330,632	4,205,030	(125,602)	-2.9%
Total Other Expenses	\$ 13,293,870	\$ 13,877,185	\$ 14,381,202	\$ 14,818,013	\$ 15,477,527	\$ 659,514	4.5%
TOTAL OPER. EXPENSE	\$ 32,598,142	\$ 35,989,225	\$ 38,085,037	\$ 40,544,929	\$ 42,099,546	\$ 1,554,617	3.8%
Total Operating Balance June 30	\$ (395,398)	\$ (1,341,738)	\$ 330,768	\$ 21,709	\$ -	\$ (21,709)	

¹ Medical Expenses for Women Athletes and Fifth Year Scholarship budgeted by sport beginning in FY 2002.