

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Preliminary FY 2003 General Fund Operating Budgets  
**Date:** June 18, 2002

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**Recommended Actions:**

1. Consider policy issues related to constructing FY 2003 budgets.
  2. Consider annualized rate increases for the University of Iowa Hospitals and Clinics, Psychiatric Hospital, and Center for Disabilities and Development of 8%, effective August 1, 2002.
  3. Approve the distribution of the Regional Study Center's FY 2003 appropriations as follows:
    - Quad-Cities Graduate Study Center's of \$161,173;
    - Tri-State Graduate Center's of \$79,940; and
    - Southwest Iowa Regents Resource Center's of \$108,673.
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**Executive Summary:**

**Budget Issues** Policy issues affecting preliminary FY 2003 general fund operating budgets are presented for Board consideration and discussion. Due to delays in finalizing budgets by the state legislature and the negative impacts imposed by the 2002 legislative regular and second special sessions, detailed budgets are still under construction. Board discussion in June, however, can center around key issues that will shape the detailed budgets to be prepared for review at July's meeting.

The Regent institutions have sustained another year of significant reductions in state appropriations. The FY 2003 base operating appropriation reductions total \$42.6 million. These reductions follow the FY 2002 reductions of \$81.9 million. The magnitude of these reductions impede the progress of the Regent institutions.

Construction of budget details is directly related to key budget policy issues, which include:

1. Revenue estimates;
2. Reallocations;
3. Proposed salary policies;
4. Plans for building repairs and opening new buildings;
5. Effects of significant reductions in economic development appropriations; and
6. General fund support for athletics.

UIHC Proposed  
Rate Increases

The University of Iowa is proposing rate increases for patient services of 8% at the University of Iowa Hospitals and Clinics, Psychiatric Hospital, and Center for Disabilities and Development. This increase compares to average increases over the past five years of 3.9% for UIHC, 4.4% for Psychiatric Hospital, and 4.8% for the Center for Disabilities and Development.

The UIHC anticipates that this rate increase, combined with expected volumes and non-patient revenue sources, will yield an increase in net revenues of 5.8%.

Regional Study  
Centers

Each year, funds are appropriated to the Board of Regents for distribution to the Quad-Cities Graduate Study Center, the Tri-State Graduate Center, and the Southwest Iowa Regents Resource Center. The distribution includes the individual appropriation amounts included in the Omnibus Appropriations Bill, adjusted by allocations for salary increases and the furlough allocation reduction. This total allocation of \$349,786 is comparable to the final FY 2002 allocation.

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**Strategic Planning:**

The Board's strategic planning goal 4.1.1.0 requires the Board annually to review and approve institutional resource allocations and reallocations consistent with and supportive of the Board and institutional strategic plans. In developing the individual budgets, the institutions are guided by the strategic plans of the Board and each respective institution.

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**Background:**

Board Budget  
Process

In most years, the Board receives preliminary budget details in June. This allows the Board time to consider Regent institutional plans and provide guidance prior to final approval of budgets in July. The process was changed the past couple of years as a result of delayed action on appropriations. This month, key policy issues are proposed for Board consideration and discussion. In July, the Board will receive final detailed budgets for approval.

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**Analysis:**

**ISSUE:**

Revenues

The Regent universities rely on several funding sources for general fund operating budgets. The Special Schools rely mostly on state appropriations.

The Regent universities funding consists of state appropriations; tuition and fees; federal support; indirect cost reimbursements; and other sources. The following table summarizes funding sources for all three universities as a percent of total general university budgets. (The percentage numbers would vary by institution).

**General University Budget Totals  
(In Thousands)**

<u>Revenues</u>	<u>FY 2000</u>	<u>% of Total</u>	<u>Prelim. FY 2003</u>	<u>% of Total</u>	<u>Three-Year Shift in Funding Sources</u>	<u>% Change in Dollars</u>
State Approps	\$527,598	64.3%	\$497,507	54.3%	(10.0%)	(5.7%)
Tuition & Fees	246,656	30.1%	359,371	39.2%	9.1%	45.7%
Other	<u>45,675</u>	<u>5.6%</u>	<u>58,920</u>	<u>6.4%</u>	0.8%	29.0%
Total	\$819,929	100.0%	\$915,798	100.0%		

Shifting Revenue Sources

A considerable shift occurred since FY 2000. The state appropriations percentage of budget declined by 10% while the share of tuition and fees increased 9.1%. Revenue sources are being shifted from state appropriations to students and their families.

State appropriations for the general university budgets have decreased 5.7% since FY 2000 while tuition revenues have increased 45.7%

**Total State Appropriation Reductions**

FY 2000	\$ 3.4 million
FY 2001	2.7 million
FY 2002	81.9 million
FY 2003	42.6 million

The Regent institutions have had significant reductions in state appropriations in FY 2002 and FY 2003.

FY 2002 Reductions

The FY 2002 reduction is equivalent to the entire annual appropriation for the University of Northern Iowa. These FY 2002 reductions occurred in three phases:

- 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.

Attachment A identifies the impact of the FY 2002 reductions.

FY 2003  
Reductions

The most recent legislative reductions totaling \$42.6 million (6.6%) for the Regent institutions for FY 2003 are comprised of the following reductions:

- Base budget appropriations reductions of \$27.6 million compared to final FY 02;
- Furlough allocation reduction of \$15.0 million to the base operating budgets.

In addition, the Regent salary appropriations of \$25 million were \$8 million less than the funding needed to implement the state salary policy.

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ISSUE:  
Reallocations

The Regent reallocation program is an integral part of the Board's strategic planning and budgeting process. This program requires each Regent institution to reallocate at least 2% of its budget each year. This reallocation policy is intended to ensure that the institutions use existing resources to improve quality but also to achieve efficiencies. The significant appropriation reductions of the last several years have impacted the ability of the institutions to reallocate resources to improve quality.

For FY 2003, the institutions are proposing to use most, if not all, of the reallocations to address the shortfalls in state appropriations rather than improve quality. This is the third consecutive year that the institutions have had to use reallocations to address appropriations shortfalls. The institutions are still working through the details of the latest appropriations reductions and will quantify reallocations with the July budget submissions.

Strategic Initiatives

The Regent institutions normally use new tuition revenues and/or operating appropriations and reallocations to fund strategic initiatives. Since most of the new revenues and reallocations are needed to help offset the reductions in state appropriations, there are few new initiatives proposed. The institutions are working through the details.

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ISSUE:  
Salary Policies

The Regent institutions plan to fund salaries according to the proposed pay policies identified in General Docket Memorandums 6 and 7. The AFSCME contract for the Regent Merit staff will be implemented as outlined in G.D. 8. The state's salary policy for FY 2003 is established primarily through its collective bargaining agreements, which basically provide for increases of "3% plus incremental steps in the pay matrices".

Although \$42.6 million was cut from Regent base operating appropriations, the state appropriated \$25 million to the Regents for salary increases. The Regent institutions are required by law to spend the \$25 million for salary increases and related fringe benefits. The Regent institutions salary plans (a summary of each follows) vary somewhat by institution due to the significant budget reductions in FY 2002 and FY 2003.

SUI	<p>The University is proposing to centrally allocate 3.0% for faculty and non-union professional and scientific staff (P&amp;S). Units must compensate for promotion, reclassification, compression problems, market adjustments or other special needs, within the overall salary policy.</p> <p>The University's overall aspiration is to achieve, from all sources of funds, an average faculty and P&amp;S staff and salary increase policy in the range of 3.5% - 4%. To achieve this objective, divisions and colleges may choose to reallocate funds or use funding flexibility from non-general funds sources to the degree these opportunities are available.</p> <p>Units have been given the flexibility, if necessary, to implement layoffs and/or furloughs.</p>
ISU	<p>The University is proposing to allocate 2.6% of the continuing employee salary base for faculty and P&amp;S employee compensation increases. Units would be allowed to reallocate resources to augment the compensation allocation with Provost/Vice President approval.</p> <p>All compensation increases for faculty and P&amp;S employee salary increases will be based on merit. Equity and/or market salary issues will also be addressed to the extent possible with limited funds.</p> <p>The University is not planning to use furloughs to reduce expenditures in FY 2003. There may be some layoffs in the economic development areas.</p>
UNI	<p>UNI has a unique situation, with the United Faculty bargaining contract requiring a higher percentage increase (5.6%) than the other Regent universities plan to provide. The university plans to award comparable salary increases and associated fringe benefit increases to non-contract institutional officials, academic administrators, faculty and P&amp;S employees. Stipends for graduate assistants will be increased 5.6%.</p> <ul style="list-style-type: none"><li>• Salary increases for <u>non-organized employee groups</u> will be delayed by four months. New base salaries will be effective November 1, 2002.</li><li>• <u>AFSCME</u> employees will most likely be asked to take a temporary layoff of one-half day per month for twelve months.</li><li>• The faculty union for United Faculty, agreed to take a 4-month delayed implementation of the contract to its membership for vote on Tuesday, June 18. The membership voted to delay salary increases until November 1, 2002.</li></ul>
Special Schools	<p>The special schools share P&amp;S and faculty salary matrices. (See G.D. 6 and 7.) With the approval of these matrices, the average increase is anticipated to be 3.5%.</p>
Board Office	<p>The Board Office is proposing a revised, more consistent, P&amp;S salary schedule (G.D.6). The pay plan is performance based and will allow a base salary increase for satisfactory performance with an additional increment available to recognize outstanding performance and to make internal equity adjustments. The total of compensation and benefit increases will be 3% on average. No layoffs or furloughs are planned.</p>

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ISSUE: Building Repairs The Board's Strategic plan, Objective 4.3, provides for the maintenance and acquisition of physical facilities and equipment to meet stewardship responsibilities.

With the appropriations reductions of the most recent fiscal years, the Regent institutions have significantly reduced building repair budgets. This reduction is likely to increase deferred maintenance and hinder the institutions' ability to correct fire and environmental safety deficiencies. The inability to make needed repairs/replacement of roofs, exterior building envelopes, windows, plumbing and electrical systems can cause further damage to the facilities, thus increasing the cost of future repairs.

The following table illustrates the significant reductions in building repair expenditures that occurred during the FY 2002 budget reductions.

**General Fund Building Repair Expenditures**

General University	<u>FY 2001</u>	<u>FY 2002*</u>	<u>\$ Decrease</u>	<u>% Decrease</u>
SUI	\$6,527,988	\$4,735,312	(\$1,792,676)	(27.5)%
ISU	9,420,081	3,357,647	(6,062,434)	(64.4)%
UNI	2,236,707	350,000	(1,886,707)	(84.4)%
ISD	741,221	250,000	(491,221)	(66.3)%
IBSSS	<u>417,608</u>	<u>110,257</u>	<u>(307,351)</u>	(73.6)%
Total	\$19,343,605	\$8,803,216	(\$10,540,389)	(54.5)%

\* Budgeted expenditures included in the revised FY 2002 budgets as approved by the Board in May.

The Regent institutional plans for FY 2003 building repair budgets are as follows:

SUI The University of Iowa is planning to restore \$1.8 million from the final FY 2002 level. The restoration would be funded through a combination of new revenues (tuition and indirect cost recoveries) and reallocations from the equipment budgets.

ISD The Iowa School for the Deaf is planning to further reduce its building repairs by 54.3% to \$114,000 to help fund the salary and benefit shortfall. The School will only be able to address vital / emergency repair and maintenance situations.

ISU, UNI, & IBSSS Iowa State University, the University of Northern Iowa, and the Iowa Braille and Sight Saving School are unable to restore any funding to the building repair budget.

The University of Iowa is the only Regent institution restoring building repair budgets. If building repair budgets continue at such reduced levels, there is likely to be deterioration in the condition of the institutions physical facilities.

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**ISSUE:** Opening New Buildings As new buildings are opened, the Regent institutions must provide funding for operations, maintenance, and utilities. For the FY 2003 budget, the Regent institutions will need to fund internally the following amounts for the opening of new buildings.

**Opening New Buildings**

	<u>Proposed FY 2003</u>
SUI	\$2,183,000
ISU	455,729
UNI	0
ISD	148,871
IBSSS	<u>0</u>
Total	\$2,787,600

**SUI** The University of Iowa's new building costs relate to the opening of three facilities: Medical Education and Biomedical Research facility (MEBRF), College of Medicine expansion into the Oakdale Multi-tenant Facility, and College of Public Health space. Although some of these facilities were opened during FY 2002, only the costs related to that portion of the fiscal year not previously budgeted are included as increased costs (i.e. 4 of 12 months of operations).

A large portion of the construction costs for MEBRF was from state capital appropriations. Carver College of Medicine gifts and earnings, as well as revenue bonds, funded the remaining construction costs.

The University plans to utilize new tuition and other revenue increases to fund the additional FY 2003 opening costs of these facilities.

**ISU** Iowa State University will open the following facilities during FY 2003: Gilman Systems Upgrade (renovation), Jischke Honor's Building, Carver Co-Laboratory, and Reiman Garden Conservatory.

The Gilman Systems Upgrade was funded by capital appropriations. The other facilities were funded primarily by private gifts.

The University plans to utilize new tuition and other revenue increases to fund the FY 2003 opening costs of these facilities.

**ISD** The School will open the Lied Multipurpose Complex in FY 2003. Capital appropriations and private gifts funded the construction of this facility. The School plans to reallocate resources to fund the opening of this facility.

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ISSUE: Economic Development Appropriations

The Legislature reduced the base economic development appropriations by 56% - 59% during the second extraordinary session.

SUI

The SUI economic development appropriation units include the Center for Advanced Drug Development (CADD), the Oakdale Research Park, and the Technology Innovation Center. These appropriation units were reduced a total of \$321,908 (57.3%).

Center for Advanced Drug Development (CADD)

CADD works with the Division of Pharmaceutical Service and the University of Iowa College of Pharmacy to offer special capacity to produce, under contract, limited quantities of new medicines under FDA approval. 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.

The proposed reduction will pose serious problems to the continued operation of the Center and severely limit its ability to complete current contractual requirements and to stimulate continued interest in Iowa from pharmaceutical and biopharmaceutical companies that use the Centers services. The Center is planning personnel reductions unless alternative funds can be identified.

Oakdale Research Park/Technology Innovation Center

The Oakdale Research Park represents a substantial commitment by the State and the University to further sustained interaction with business. It offers leased building sites and 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, that offer 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.

The Research Park and the TIC will strive to maintain the current level of services delivered to affiliates while reducing salaries allocated and reducing cooperative activities with local, regional and state economic development groups, travel, conference participation, and marketing initiatives. Historically, the TIC has leveraged more than \$20 in non-state funds for each dollar of state support.

Without significant additional state support in future years, the Research Park / TIC's ability to survive, grow and to take advantage of the public and private investment will be curtailed or eliminated.



## ISU

The ISU economic development appropriation units include the Institute for Physical Research and Technology, the Small Business Development Center, and the ISU Research Park. These appropriation units were reduced a total of \$3.2 million (57.8%).

The legislature reduced Leopold Center operating appropriations by \$32,567 (6.3%) and reduced its fee allocation from the Iowa Groundwater Protection Fund by \$1 million (86%).

### Institute for Physical Research and Technology (IPRT)

IPRT is a consortium of world-class research centers and industrial outreach programs. It includes such renowned centers as the Virtual Reality Applications Center, the Center for Nondestructive Evaluation, and the Ames Laboratory, which leverage a \$4.3 million state investment into over \$40 million in federal and industrial research contracts.

In 2002 alone, IPRT's centers brought in \$7.5 million in new federal funds. These centers also aid economic development through the creation of spin-off companies and by aiding Iowa companies to be at the cutting edge in their respective technologies. IPRT also operates three major industrial outreach programs that provide vital technical assistance to Iowa companies.

IPRT's significant reduction will require the following actions:

- Close the Rare Earth Information Center and merge two or three centers into one;
- Dramatically reduce services provided through three technical assistance programs for Iowa industry;
- Substantially reduce one of the most effective new business start-up assistance programs in Iowa; and
- Reduce staff who serve the state of Iowa through IPRT's centers and industrial outreach programs.

### Small Business Development Center

The Small Business Development Center consists of 17 centers covering ninety-nine counties in Iowa. These Centers have served for over 18 years as the resource, the mentor, and the solution for thousands of business owners in the state. Each of these SBDC offices subcontracts with other universities, community colleges, chambers of commerce and other institutions to provide a network of over 700 full service assistance centers to the small business community.

The SBDC conducts research, counsels, and trains business people in management, financing, and operating small businesses, and provides comprehensive information services and access to experts in a variety of fields.

The FY 2003 state appropriation will reduce the community college, university, and chamber of commerce network of sixteen regional centers by one-third. Approximately 1,200 Iowa businesses will not receive services in fiscal year 2003. Many of these businesses will not be able to obtain funding for growth and expansion due to the lack of knowledge, mentoring, or inadequate planning.

#### ISU Research Park

The ISU Research Park is a technology community and an incubator of new and expanding businesses. It provides a material and human-resource rich environment for technology-based firms and research organizations. The Research Park also helps young Iowa-based companies develop their potential and nurtures scientific and technological entrepreneurial ventures.

State funds had supported the operational costs of the ISU Research Park, which reduced rent costs and supports services for the technology businesses at the Research Park.

The reduction in state funds will require the Research Park to consider:

1. Charging higher rents;
2. Reducing services provided to Research Park companies including administrative support and business development services; and
3. Charging for services previously supported through state funds.

#### Leopold Center for Sustainable Agriculture

The Leopold Center is the only center in the state devoted to studying environmentally sound, profitable farming practices. It sponsors research and education on key issues for Iowa and the nation. It has a national reputation for exploring innovative, profitable approaches to farming that conserve natural resources and stimulate local economies. The Center's research on the effectiveness of streamside buffer strips has been adopted by the USDA as a model for protecting water quality on farms. Its work on developing alternative swine production systems also has had widespread impacts statewide and nationally.

The Center receives an operating appropriation as well as indirect funding from the Iowa Groundwater Protection Act. The FY 2003 operating appropriation was reduced by 6.3%. The more significant reduction is the \$1 million reduction (86%) in the transfer from the Iowa Groundwater Protection Act. The transfer funding is generated from taxes paid by farmers on agricultural chemicals. This reduction will effectively shut down the research programs of the Leopold Center.

UNI

The UNI economic development appropriation units include the Institute of Decision Making and the Metal Casting Center. These appropriation units were reduced a total of \$511,369 (59.8%).

Institute for Decision Making (IDM)

IDM guides the citizens of Iowa with community improvement decisions. Assistance is focused on building ongoing relationships with community clients to assist in project planning and implementation, including: strategic and short-term planning, target industry analysis, applied research, computer software applications for economic development, and proactive marketing strategies.

A reduction of this magnitude will result in both fundamental changes to IDM and immediate impacts on its clients. Professional staff that provide direct economic development services to Iowa communities will be reduced. There will be longer lead times for community client sessions and the probable elimination of some technical assistance programs and services. In addition, IDM will charge fees for its services and seek other sources of revenue to support its core services. Many of IDM's 450 clients are rural communities that rely extensively on technical assistance and guidance for economic development programs.

Metal Casting Center (MCC)

MCC seeks to improve the productivity and competitiveness of the metal casting industry through technology transfer, applied research, and assistance to business.

The reduction will have a drastic impact on the Center's ability to provide outreach services to the regional metal casting industry. Many existing service activities will need to be either eliminated or scaled down as the Center will be operating with fewer employees.

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**ISSUE:**  
Athletics

Intercollegiate athletics at the Regent universities are not self-supporting activities. Each University provides some general fund support to its athletic department. The remaining athletic budget is in the restricted fund. The following table shows data relative to the general fund including mandatory and designated fee support provided by each university to its athletic department.

When the athletic department awards athletic scholarships, it becomes responsible for paying the tuition related to those scholarships. Thus, these tuition payments are an expense to the Department and a source of revenue for the general university.

In May, the Board approved the allocation of mandatory student fees and designated tuition. Some of these student fees directly relate to support for athletic programs. Those are included in the following table.

<b>FY 2003 Preliminary Athletic Revenues</b>						
	<u>SUI</u>	<u>% of Total</u>	<u>ISU</u>	<u>% of Total</u>	<u>UNI</u>	<u>% of Total</u>
Generated Revenue	\$16,308,000	42.4%	10,274,034	41.3%	914,300	13.4%
General Fund Support	2,513,754	6.5%	2,880,000	11.6%	3,358,652	49.1%
Student Fees						
Mandatory Fees	1,289,444	3.3%	0	--	795,500	11.6%
Designated Tuition	0	--	1,230,600	4.9%	239,700	3.5%
Diversity Support	0	--	0	--	400,000	5.8%
Other Income	<u>18,381,000</u>	47.8%	<u>10,482,026</u>	42.2%	<u>1,131,000</u>	16.5%
Total	\$38,492,198		\$24,866,660		\$6,839,152	

<b>Increases from FY 2002 Final Estimates</b>						
	<u>SUI</u>	<u>%</u>	<u>ISU</u>	<u>%</u>	<u>UNI</u>	<u>%</u>
Generated Revenue	2,137,610	15.1%	1,067,861	11.6%	(115,700)	(11.2%)
General Fund Support	350,000	16.2%	56,927	2.0%	196,644	6.2%
Student Fees						51.7%
Mandatory Fees	726	0.1%			795,500	100.0%
Designated Tuition			180,600	17.2%	(442,917)	(64.9%)
Diversity Support					(200,000)	(33.3%)
Other Income	<u>1,422,000</u>	4.6%	<u>(10,855)</u>	(0.1%)	<u>(477,875)</u>	(29.7%)
Total	\$3,910,336	11.3%	\$1,294,533	5.5%	\$(244,348)	(3.4%)

The Regent universities have provided the following justification for the increases in general fund support.

SUI           The University of Iowa has increased its general fund support by \$350,000 (16.2%) to the women's athletic programs for inflationary costs of scholarships created by tuition rate increases and increases in salaries.

ISU           Iowa State University has increased its general fund support by \$56,927 (2.0%). This increase is the net result of an initial decrease of \$38,000 and an increase of \$94,927 for salaries and athletic scholarships. The increase in student activity fees of \$180,600 (17.2%) from designated tuition was approved by the Board in May.

UNI

The University of Northern Iowa has increased its general fund support by \$196,644 (6.2%). The University has limited general fund support for salaries of administrative staff and coaches and student financial aid assistance for women and minority student athletes. Diversity support of \$400,000 from the general fund represents a decrease of \$200,000 (33.3%) from FY 2002.

There is an increase from a new mandatory student services fee as well as student activity fees from designated tuition of \$352,583 (51.7%) to support athletic activities.

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ISSUE:  
UIHC Rate  
Increases

The University of Iowa is proposing annualized rate increases for patient services of 8% at the University of Iowa Hospitals and Clinics, Psychiatric Hospital, and Center for Disabilities and Development. The UIHC anticipates that this rate increase, combined with expected volumes and non-patient revenue sources, will yield an increase in net revenues of 5.8%.

This increase compares to average increases over the past five years of 3.9% for UIHC, 4.4% for Psychiatric Hospital and 4.8% for the Center for Disabilities and Development.

The March 2002 issue of Rate Controls (a health provider publication) noted that, while the CPI for all items increased 3.3% for the 12 months ending January 2002, the increase for all hospital services was 6.7%.

UIHC continues to face challenges with reduced revenues from Medicare, Medicaid, the Indigent Patient Care Program, and increasing managed care products. 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 57.0% of gross charges.

The Board will be asked to approve a rate increase at the July Board meeting that would be effective August 1, 2002.

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ISSUE:  
Regional Study  
Centers


Each year, funds are appropriated to the Board of Regents for distribution to the Quad-Cities Graduate Study Center, the Tri-State Graduate Center, and the Southwest Iowa Regents Resource Center.

Normally in June, the Board would review preliminary general fund operating budgets with salary allocations. This year, however, there was not sufficient information available regarding state appropriations and salary allocations during preparation of the docket materials to permit the presentation of preliminary budgets in June.

The Board is asked to approve a distribution of funds to the study centers. The distribution includes the individual appropriation amounts included in the Omnibus Appropriations Bill, adjusted by allocations for salary increases and the furlough allocation reduction. This total allocation of \$349,786 is comparable to the final FY 2002 allocation.

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Deb A. Hendrickson

Approved:   
Gregory S. Nichols

Impact of FY 2002 Budget Reductions      The following information represents action taken and/or the results of the FY 2002 Budget Reductions

SUI

- 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.

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ISU

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- 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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UNI

- 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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ISD

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

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IBSSS

- The School used utility savings to cover the net reductions in appropriations and allocations.
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