

MEMORANDUM

TO: Board of Regents

FROM: Board Office

SUBJECT: Preliminary FY 2004 General Fund Operating Budget – University of Northern Iowa

DATE: June 9, 2003

Recommended Action:

Consider the preliminary FY 2004 general fund operating budget for the University of Northern Iowa in the amount of \$139,287,339.

Executive Summary:

The University of Northern Iowa prepared its preliminary FY 2004 general fund operating budget in accordance with the strategic plans of the Board and of the University. In July, the University will present its final FY 2004 general and restricted fund budgets.

General Fund

The University's general fund operating budget of \$139.3 million is organized into three budgetary units, which reflect separate and distinct state appropriations to the University.

The primary FY 2004 revenue sources include:

- State appropriations of \$80.4 million,
- Tuition and fees of \$56.1 million, and
- Indirect cost recoveries of \$1.6 million

FY 2004 state appropriations were reduced by \$2.4 million. No state appropriations were provided for salary increases to implement the state's salary policy.

The University plans to address the shortfall in state appropriations by using a portion of new tuition revenue and reallocations.

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	\$132,961,102	\$138,699,494	\$5,738,392
Recycling and Reuse	217,290	217,290	0
Economic Development*	<u>370,555</u>	<u>370,555</u>	<u>0</u>
Total	\$133,548,947	\$139,287,339	\$5,738,392

*Includes the Institute for Decision Making and Metal Casting Center.

The University has identified total reallocations of \$3.0 million. This includes \$1.5 million for unavoidable cost increases including the budget shortfall and \$1.5 million for strategic initiatives.

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

Intellectual Student Learning	\$62.7 million
Teaching and Scholarship Support	23.7 million
Community Involvement	1.2 million
Diversity	2.8 million
University Culture and Environment	5.5 million
Human Resources	7.0 million
Physical and Informational Resources	34.8 million
External Relations	1.6 million

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

This preliminary budget of \$138.7 million includes direct state appropriations of \$79.8 million, tuition and fees of \$56.1 million, and indirect cost recoveries of \$1.6 million.

Budgeted salaries of \$109.6 million represent 79.0% of the FY 2004 budget. Student financial aid represents 7.3% of the budget and 18.0% of tuition and fees.

Other Appropriation Units The other appropriation units in the general fund include the Recycling and Reuse Technology Transfer Center and the Economic Development unit. Summaries of these units begin on page 7.

Athletics The preliminary Athletic Department budget, which is part of the restricted fund budget, is presented this month in G.D. 6g.

Background:

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

Analysis:

General Fund

The proposed FY 2004 general fund operating budget for the University of Northern Iowa is \$139.3 million and is distributed among the following units:

	<u>Total Budget</u>	<u>Direct State Appropriations</u>
General University	\$138,699,494	\$79,799,494
Recycling and Reuse	217,290	217,290
Economic Development*	<u>370,555</u>	<u>370,555</u>
Total	\$139,287,339	\$80,387,339

*Includes the Institute for Decision Making and Metal Casting Center.

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

Intellectual Student Learning	\$62,679,303
Teaching and Scholarship Support	23,678,848
Community Involvement	1,197,870
Diversity	2,785,746
University Culture and Environment	5,571,494
Human Resources	6,964,367
Physical and Informational Resources	34,821,835
External Relations	<u>1,587,876</u>
Total	\$139,287,339

The summary sheet on page 8 of this docket memorandum identifies uses of new revenues and reallocations.

**Appropriation
Reductions and
Funding Shortfalls**

- FY 2004 state appropriations to the University were reduced by \$2.4 million.
- No state appropriations were provided for salary increases to implement the state's salary policy.

Reallocations

The FY 2004 budget reflects internal reallocations totaling \$3.0 million. The reallocations represent 2.3% of the FY 2003 budget and are consistent with the Board's policy on reallocations.

The following table summarizes reallocations. Details are provided in the Regent Exhibit Book.

**University of Northern Iowa
FY 2004 PRELIMINARY BUDGET
Summary of Reallocations
General University**

From:	
President's Division	39,087
Academic Affairs	2,130,330
Education & Student Services	210,618
Administration & Finance	590,200
Advancement & Marketing	66,156
Total Reallocations	3,036,391
To:	
University Pool:	
Utilities	257,717
Building Repairs	650,000
McCollum Hall new space costs	140,000
MEMFIS project (administrative systems)	600,000
Student recruitment initiatives	125,000
Public relations & marketing position	80,000
Mandated Unavoidable Costs:	
Property Insurance premium increase	115,000
State Audit costs	90,000
Other Reallocations	578,674
Loss in interest income	400,000
Total Reallocations	3,036,391

Some examples of UNI reallocations include:

- Academic Affairs plans to reallocate the \$1.4 million that was used during FY 2003 to temporarily fund the Price Laboratory School during its transition to create new positions in Management Information Systems, Management, Supply Chain Management, Elementary Education, Literacy Education, Visually Impaired Education, Educational Leadership, Criminology, Family Services, Geographic Information Systems, Bioethics, Communicative Disorders, Graphic Design, English Education, TESOL, Biology, Mathematics, and Digital Technology.
- The Division of Educational and Student Services plans to reallocate over \$400,000 from salaries, supplies and services, and equipment to meet the budget shortfall.
- Administration and Finance will reallocate over \$1 million in business services, facilities management and planning, public safety, and intercollegiate athletics. Some examples include reducing custodial and grounds services, delaying hardware and software purchases, and eliminating a project planner position involved in facility and campus design changes.

Salary Policy

UNI has a unique situation, with the United Faculty bargaining contract requiring a higher percentage increase than the other Regent universities plan to provide.

United Faculty negotiated a collective bargaining agreement that provides for a FY 2004 salary increase of 3.5%. Correspondingly, the University proposes that the overall total increase for non-organized faculty and P&S employees be approximately 3.5%.

The AFSCME contract includes an increase of 2.0% effective July 1, 2003 and the continuation of merit step increases on employee anniversary dates. The University plans to award non-organized merit system staff similar increases.

FY 2003 salary increases were effective November 1, 2002 to address appropriation shortfalls. It was agreed these base salary rates would be used when determining FY 2004 salary increases. Therefore, the University has to absorb an additional \$1.2 million to fully annualize the FY 2003 salary increases.

General University

The UNI General University appropriation unit represents the central educational operating budget and includes its six colleges, the library, and central administration.

- College of Business Administration
- College of Education
- College of Humanities and Fine Arts
- College of Natural Sciences
- College of Social & Behavioral Sciences
- Graduate College

Central Administration includes the:

- Office of the President,
- Office of the Vice President for Academic Affairs and Provost,
- Office of the Vice President for Educational and Student Services,
- Office of the Vice President for Administration and Finance, and
- Office of the Vice President for University Advancement.

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

University of Northern Iowa - General University Budget Comparisons			
	FY 2003 Original Budget	FY 2004 Proposed Budget	Change Over/(Under)
REVENUES			
Appropriations	\$82,228,033	\$79,799,494	(\$2,428,539)
Interest	1,000,000	600,000	(400,000)
Tuition and Fees	47,533,069	56,100,000	8,566,931
Reimbursed Indirect Costs	1,575,000	1,575,000	-
Sales and Services	625,000	625,000	-
TOTAL REVENUES	\$132,961,102	\$138,699,494	\$5,738,392
EXPENDITURES			
Salaries	\$106,143,677	\$109,577,190	\$3,433,513
Prof. /Scientific Supplies	10,415,107	10,872,105	456,998
Library Acquisitions	1,891,520	1,891,520	-
Rentals	878,925	900,000	21,075
Utilities	2,659,545	3,308,345	648,800
Building Repairs	350,000	1,000,000	650,000
Auditor of State	135,000	225,000	90,000
Equipment	1,298,086	825,334	(472,752)
Aid to Individuals	9,189,242	10,100,000	910,758
TOTAL EXPENDITURES	\$132,961,102	\$138,699,494	\$5,738,392

Appropriations The FY 2004 general fund operating budget for General University is \$138.7 million, including state appropriations of \$79.8 million.

- FY 2004 state appropriations were reduced by \$2.4 million.
- No state appropriations were provided for salary increases to implement the state's salary policy.

Tuition Revenues The University has projected increases in FY 2004 tuition and fee revenues of \$8.6 million, for a total of \$56.1 million. The net increase in tuition and fee revenues consists of:

- \$9.6 million from the Board-approved 17.6% tuition rate increase and the transfer of designated tuition to mandatory fees, and
- \$1.0 million decrease due to enrollment of 225 fewer students.

Expenditures

The University proposes to use tuition revenues as follows:

Planned Use of Tuition

Student Financial Aid (10.6% of new tuition revenues)	\$910,758
Compensation Increases*	7,308,890
Utility Costs	<u>347,283</u>
Total	<u>\$8,566,931</u>

* Including \$1.2 million annualization from FY 2003 increases.

The University is planning to allocate 10.6% of new tuition revenue to student financial aid with a total student aid set-aside that is 18.0% of total tuition revenue. This compares to 19% in previous years.

Recycling and Reuse Technology Transfer Center

The Recycling and Reuse Technology Transfer Center provides assistance with recycling of waste products through targeted research projects, experiential education of undergraduate students, and outreach to the solid waste recycling and reuse community.

The FY 2004 general fund operating budget for the Recycling and Reuse Technology Transfer Center is \$217,290 and is funded entirely by state appropriations.

Economic Development

The FY 2003 economic development appropriations total \$370,555 and include funding for the Institute of Decision Making and the Metal Casting Center.

Institute for Decision Making (IDM) \$300,149

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.

Metal Casting Center (MCC) \$70,406

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

Deb A. Hendrickson Approved: Gregory S. Nichols
Deb A. Hendrickson Gregory S. Nichols

**UNIVERSITY OF NORTHERN IOWA
FY 2004 New Revenues and Reallocations**

	Goal	Approp.	Tuition	Reallocation	Other Income	Total
<u>Strategic Initiatives</u>						
Modern Executive Management and Information System	7			600,000		600,000
Student Recruitment	4			125,000		125,000
External Relations	8			80,000		80,000
Building Repairs	7			650,000		650,000
<u>Mandatory Cost Changes</u>						
Base Budget Reduction		(2,428,539)			(400,000)	(2,828,539)
Compensation Increases			7,308,890			7,308,890
Internal Reallocations -						
University pool						0
Utilities			347,283	257,717		605,000
Student Financial Aid	4		910,758			910,758
Opening New Buildings: McCullum Science Hall:	7			140,000		140,000
Property Insurance				115,000		115,000
State Audit				90,000		90,000
Other Reallocations				978,674		978,674
TOTAL		(2,428,539)	8,566,931	3,036,391	(400,000)	8,774,783