

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: FY 2000 Budget Ceiling Adjustment and FY 2001 Conceptual General Fund Operating Budget - University of Northern Iowa

Date: May 8, 2000

Recommended Actions:

1. Approve the FY 2000 budget ceiling increase of \$2,000,000 for a revised FY 2000 budget of \$125,368,163.
2. Consider the FY 2001 conceptual general fund operating budget for the University of Northern Iowa.

Executive Summary:

FY 2000 Budget Ceiling Increase

Board policy and strategic planning (Action Step 4.1.1.5) require the Board to approve all budget ceiling adjustments. The University of Northern Iowa is requesting approval of a budget ceiling adjustment for FY 2000 of \$2,000,000 (1.6%) for a revised FY 2000 budget of \$125.4 million. Tuition and fee revenues, reimbursed indirect costs, and interest income increased. UNI is proposing to use these additional funds for student aid and improving undergraduate education by providing funding for faculty start-up costs, classroom renovations, and instructional equipment.

FY 2001 Conceptual General Fund Operating Budget

The FY 2001 conceptual general fund operating budget at the University of Northern Iowa is presented in accordance with the Board's strategic plan. This conceptual view of the FY 2001 budget summarizes the current budgetary issues and challenges for implementation of the FY 2001 budget. These challenges result primarily from a shortfall in state appropriations for the general fund operating budget and state appropriations that are less than the Regent calculated need for implementation of the state salary policy.

The Legislature recently approved FY 2001 education appropriations (HF 2549) for the University of Northern Iowa that were just \$68,211 above the FY 2000 appropriations base. This amount includes \$100,000 for Roadside Vegetation, \$200,000 for the Iowa Office for Staff Development, and an additional \$150,000 for the Master's of Social Work program. There was also a reduction of \$38,074 in the institution's special purpose appropriations related to economic development. UNI is not expected to receive full funding from state appropriations for salary increases – a shortfall of approximately \$1.2 million for salaries, not including increased costs for health insurance.

UNI plans to implement full funding of salaries as required by collective bargaining. UNI proposes to use new tuition revenues and reallocations to fund the salary shortfall and cover mandatory and other unavoidable cost increases.

Background and Analysis:

FY 2000 Budget Ceiling Increase

Regent Procedural Guide §7.04 requires that Regent institutions docket proposed changes in budget ceilings for general fund operations for Board action prior to institutional action modifying their obligations.

This year the University of Northern Iowa experienced record enrollments, which accounts for much of the budget ceiling increase of \$2,000,000. The budget ceiling adjustment will impact the following revenue line items:

- Tuition and fees by \$1,267,000;
- Reimbursed indirect costs by \$450,000; and
- Interest income by \$283,000.

UNI requests approval to use the \$2,000,000 for student aid as well as improving undergraduate education by providing funding for faculty start-up costs, classroom renovations, and instructional equipment. The revised total general fund operating budget for FY 2000 is \$125,368,163.

FY 2001 Conceptual General Fund Operating Budget

Development of UNI's conceptual budget is based on the Board's and institution's strategic plans, the Board's FY 2001 appropriation request to the Governor and General Assembly, and actions of the General Assembly. At the time of this docket memorandum the Governor had not signed the appropriations bills.

UNI has budgetary concerns given the overall shortfall in appropriations.

Strategic Planning

The Board's budget process for the institutions incorporates strategic planning, reallocations, state appropriations, tuition and fees, and enrollments. In this conceptual view, UNI has identified the consequences of this budget shortfall addressing each of these categories.

The University of Northern Iowa's Strategic Plan has four major goal areas: Intellectual Vitality, Community, Diversity, and External Relations.

Each one of these goals will be affected by the reduced budget. UNI has identified concerns toward achieving strategic planning goals as follows:

➤ Short-term Implications

- Delays of searches for tenure track faculty, reduction of the number of adjunct faculty, and reduction in opportunities for student employment will cause larger class sizes and less frequent offering of some classes.
- Restriction of student employment dollars could result in students searching off-campus for jobs. Studies show that students who work on campus are more likely to be retained.
- Maintaining and improving the quality of teaching and learning spaces, especially the technology components will receive significantly fewer resources in order to maintain the existing classroom environment.
- Enhancing the career development program for faculty and staff will most likely be deferred to facilitate the maintenance of the academic mission.

➤ Long-term Implications

- UNI has had record enrollments. The unfunded gap between tuition and cost per student for instruction, especially considering enrollment growth, will impact educational quality and student learning.
- Diversity goals would be difficult to achieve. UNI diversity initiatives are based on both recruiting and retention efforts. Failure to fund these programs would negatively impact the Board's enrollment goal for diversity.
- Deferred maintenance would be increased which ultimately could lead to safety concerns.
- Failure to provide modern learning environments for students would potentially reduce their preparedness for the workforce.

Salary Funding

The faculty at UNI are covered by a collective bargaining master agreement that includes a mandatory salary increase for next year. Similarly, most staff are covered by collective bargaining. The projected shortfall in appropriations for salary increases cannot be met by foregoing the salary increases since they are required by contract. Another source of revenue will have to address this issue.

Reallocations

The University proposes to use the Board directed 2% reallocations for maintenance purposes rather than quality improvement. Mandatory cost increases and unavoidable costs such as opening new buildings (Gallagher-Bluedorn Performing Arts Center) and inflation are expected to use reallocations from other program areas.

State Appropriations

The recently approved FY 2001 education appropriations bill includes language allowing the University to expend up to an additional \$450,000 for initiatives for which more state appropriations were not provided. These include \$100,000 for Roadside Vegetation, \$200,000 for the Iowa Office for Staff Development, and an additional \$150,000 for the Master's of Social Work program.

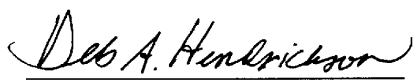
Although the bill language gives the institution flexibility to spend these appropriations for these new purposes, it may be necessary for UNI to use some of these funds elsewhere given the overall budget shortfall. Additionally, unavoidable costs such as opening new buildings were not funded by state appropriations as they had been in the past.

Tuition

The University plans to use all new tuition dollars for salary increase implementation and other mandatory or unavoidable cost increases. This modifies the extent to which UNI can fulfill the Board-approved plan for tuition increases.

Planned Expenditure Reductions

UNI had previously planned to expand faculty to handle enrollment growth. Now the University proposes to reduce salary expenditures for both tenure/tenure track faculty and adjuncts. The University also expects to reduce student employment opportunities on campus, thereby reducing student wages to fund the teacher certification and roadside vegetation initiatives identified in the legislation as well as to fund the required skilled positions that are essential for operating the complex campus environmental services and critical repairs. These reductions will impact UNI's ability to achieve the goals of the strategic plan in areas of quality instruction, competitiveness of graduates, and broadening the state's economic base.


Deb A. Hendrickson

Approved: 
Frank J. Stork