

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: FY 2004 Budget Reductions
Date: November 3, 2003

Recommended Action:

Support proposed plans to address FY 2004 mid-year budget reductions.

Executive Summary:

Budget Reductions The Regent institutions have proposed plans to address total budget reductions of \$18.8 million. This includes appropriations reductions of \$15.5 million and other reductions of \$3.3 million.

	Original FY 2004 Budgeted Revenues	Revised FY 2004 Budgeted Revenues
University of Iowa	\$1,123,348,710	1,115,574,616
Iowa State University	426,278,344	417,957,927
University of Northern Iowa	139,287,339	137,277,656
Iowa School for the Deaf	8,897,748	8,691,771
Iowa Braille & Sight Saving School	<u>5,109,681</u>	<u>4,936,653</u>
Subtotal: Institutions	1,702,921,822	1,684,438,623
Board Office	<u>2,489,077</u>	<u>2,459,323</u>
Total General Fund Operating	\$1,705,410,899	\$1,686,897,946
Tuition Replacement	<u>24,303,459</u>	<u>23,969,883</u>
Total	\$1,729,714,358	\$1,710,867,829

Deappropriation In October, the Governor announced an across-the-board 2.5% reduction in FY 2004 appropriations. These cuts for the Regents total \$15.5 million and represent a mid-year budget reduction.

	FY 2004 Original General Fund Appropriations	2.5% Reductions	FY 2004 Revised General Fund Appropriations
SUI	\$278,963,722	\$6,974,094	\$271,989,628
ISU	232,816,705	5,820,417	226,996,288
UNI	80,387,339	2,009,684	78,377,655
ISD	8,305,689	205,977	8,099,712
IBSSS	<u>4,646,740</u>	<u>115,248</u>	<u>4,531,492</u>
Subtotal: Institutions	605,120,195	15,125,420	589,994,775
Regional Study Centers	349,786	8,745	341,041
Board Office	1,190,152	29,754	1,160,398
Clothing / Transportation	15,103	378	14,725
Tuition Replacement	<u>24,303,459</u>	<u>333,576</u>	<u>23,969,883</u>
Total	\$630,978,695	\$15,497,873	\$615,480,822

Tuition Replacement	<p>The tuition replacement appropriation of \$24.3 million is funded from three sources:</p> <ul style="list-style-type: none">• \$13.3 million from the state general fund;• \$10.6 million from tobacco securitization bond proceeds; and• \$0.4 million from the Rebuild Iowa Infrastructure Fund (RIIF). <p>Only the State general fund portion of the tuition replacement appropriation was affected by the gubernatorial across-the-board reductions. The Board Office is exploring options to address the cut of \$333,576.</p>
Other Reductions	<p>In addition to appropriation reductions, tuition revenue projections will be reduced by \$2.3 million due to lower enrollment. Indirect cost recovery projections are expected to be reduced by \$1 million for costs associated with large research contracts.</p>
Proposed Process for Revised Budgets	<p>This month, the institutions and the Board Office are presenting plans to address the deappropriation and other revenue shortfalls. In the spring, the Board will be presented with detailed budgets including expenditures for approval.</p>
Budget Reductions Plans	<p>The proposed actions to address the shortfalls vary by institution and include a combination of one-time and permanent reductions. The institutions are attempting to protect the students by exempting student financial aid from any reductions and implementing larger percentage reductions to non-academic areas.</p> <p>The Universities are implementing processes on campus to strategically reshape the institutions following multiple years of cuts in state appropriations.</p> <p>The details and potential impacts of the planned reductions are identified in Attachments A – F. The reductions were guided by the strategic planning goals of the Board and the institutions.</p>

Background:

Appropriations
Reductions

On Friday, October 10th, Governor Vilsack ordered a 2.5% across the board cut in state spending due to revised revenue estimates that were reduced \$142.2 million by the Revenue Estimating Conference.

Iowa Code §8.31 requires the Governor to implement uniform reductions, prorated between all departments, agencies, and establishments upon the basis of their respective appropriation.

SF 453, §32(2d), as enacted during the 2003 legislative session exempts charter agencies from the uniform reduction. Five departments designated as charter agencies were exempted: Department of Human Services, Department of Corrections, Veterans Home, Department of Natural Resources, Department of Revenue and the Alcoholic Beverage Division of the Department of Commerce.

Board Budget
Process

The revised Regent budgets will be accomplished in two phases.

- This month, the Board is provided with the institutions adjustments to revenues and plans for addressing the budget shortfall.
- In the spring, the Board would be provided with detailed revised general fund budgets including specific expenditure reductions for approval.

Special Schools

The Special School FY 2004 incremental salary funding was only partially funded by resources from the state general fund. Therefore, when the across-the-board reduction was implemented, the Special Schools were reduced 2.48% instead of the flat 2.5%.



Deb A. Hendrickson

Approved: 
Gregory S. Nichols

UNIVERSITY OF IOWA

General Fund

The following table shows reductions in revenues from the original budget.

**FY 2004
General Operating Fund
Revenue Budget
University of Iowa**

	Original Budget	Reduction	Revised Budget
REVENUES			
General Appropriations	\$278,963,722	\$(6,974,094)	\$271,989,628
Federal Support	2,749,293	-	2,749,293
Interest	934,000	-	934,000
Tuition and Fees	199,091,993	(800,000)	198,291,993
Reimbursed Indirect Costs	45,991,600	-	45,991,600
Sales and Services	593,601,711	-	593,601,711
Other Income	2,016,391	-	2,016,391
TOTAL REVENUES	\$1,123,348,710	\$(7,774,094)	\$1,115,574,616

Budget Reductions In addition to the \$7.0 million reduction in state appropriations, the University expects \$800,000 less in tuition revenue due to lower than expected enrollment. The University also plans additional expenditure reductions of \$2.1 million, for a total reduction of \$9.9 million.

In the July 2003 final budget submission for the General Education Fund, the University reported a \$2.1 million shortfall that would be funded by either revenue in excess of budget or additional expenditure reductions. Given the current revenue expectations, the University is planning to resolve this issue with additional expenditure reductions.

**UNIVERSITY OF IOWA
FY 2004**

	<u>Original Appropriations</u>	<u>Reduction</u>	<u>Revised Appropriations</u>
General University	\$225,576,763	\$5,639,419	\$219,937,344
University Hospital	27,984,189	699,605	27,284,584
Psychiatric Hospital	7,223,647	180,591	7,043,056
Center for Disabilities and Development	6,526,426	163,161	6,363,265
Oakdale Campus	2,725,472	68,137	2,657,335
Hygienic Laboratory	3,900,021	97,501	3,802,520
Family Practice	2,129,177	53,229	2,075,948
SCHS - Cancer, Hemophilia, High Risk Infant	665,709	16,643	649,066
Primary Health Care	779,359	19,484	759,875
State of Iowa Cancer Registry	183,322	4,583	178,739
Substance Abuse Consortium	66,534	1,664	64,870
Biocatalysis	903,984	22,600	881,384
Birth Defects Registry	45,781	1,144	44,637
Economic Development	253,338	6,333	247,005
Total	\$278,963,722	\$6,974,094	\$271,989,628

Principles

The University is currently working to identify measures that will be necessary to implement the budget reductions and is guided by the strategic plan and principles that have been established for addressing FY 2004 budget reductions. A synopsis of the principles is as follows:

1. The 2000-2005 University of Iowa strategic plan and core values continue to provide the framework for the University's budget. The focus will remain on preserving excellence and supporting the most vital missions of the University. Core principles that have been used to guide budget adjustments will continue to be observed.
2. Budget reduction strategies must protect the University's ability to recruit and retain a high quality and diverse student body, consistent with on-going enrollment management planning.
 - Maintaining the University's reputation for offering a high quality educational experience will be of paramount importance.
 - Financial aid will be maintained at the percentage that is currently in effect (FY04).
 - The University will protect to the extent possible the ability of students to graduate in a timely fashion. The University's capabilities of maintaining the four year graduation plan will be reviewed during the course of the spring semester.
 - The library acquisitions budget will not be reduced.
3. The University will maintain a robust research and scholarly enterprise. Essential support to funded research programs and research support units will be maintained at a level that does not unduly jeopardize the continuation or growth of external funding.
4. The President and other University administrators will continue seeking input from faculty, staff, and student leaders on budget strategies, as well as seeking assistance in identifying potential cost savings and revenue enhancements.
5. Vice presidents, deans and unit directors will be given flexibility in achieving savings within a framework that includes these principles:
 - Units should review existing programs in light of University, collegiate and departmental missions and goals, including the University's diversity goals.
 - Decisions about cost reductions must always consider the impact on revenue generation.
 - Budget decisions should balance short-term obligations with longer-range priorities for advancement.
 - Layoffs/furloughs/reassignments of staff and/or reallocation of positions may be implemented when and to the degree necessary.

- Units should seek to maximize productivity and enhance efficiencies, which may include work redesign and the consolidation of programs and services within and across units.
 - Budget reduction strategies must protect the University's ability to recruit and retain high quality and diverse faculty and staff.
6. The allocation to resource pools such as building repair, equipment, classroom improvements, and faculty start-up will be scrutinized to determine where deferrals can occur or where investments must be continued, consistent with stewardship responsibilities.
 7. Allocation reductions will be made differently between curricular units and administrative units so as to support undergraduate activities to the greatest degree possible.

**General University
 FY 2004**

	<u>Original Budget</u>	<u>Total Reduction</u>	<u>Revised Budget</u>
General University	\$467,620,000	\$6,439,419	\$461,180,581
Proposed Reductions	<p>The majority of the budget reduction, \$8.5 million, is from the General University appropriation unit and includes current reductions of \$6.4 million and reductions not captured in the original budget of \$2.1 million.</p> <ul style="list-style-type: none"> • Colleges and administrative units will receive reduction allocations. In addition to this budget reduction, \$720,000 of additional cuts are being distributed to administrative units to be reallocated to academic units. This funding will be used to mitigate the impact on undergraduate education. • The General Fund support of Intercollegiate Athletics will be reduced two to three times more than the average percentage reduction of other programs. No immediate reductions of scholarship or participation opportunities in any sport are expected. <p>The reductions in other appropriation units of \$1.4 million include: The Indigent Patient Care Program, with a reduction of \$700,000, which will limit services provided while still maintaining the number of patients served; other units are considering measures to be taken to address the reductions.</p>		

Items Under
Consideration

The means of achieving the budget reductions will be determined by the Deans, Vice Presidents and the Provost using the Principles that have been developed. Some items under consideration include:

- The commitment to the four-year graduation plan could be compromised.
- There will likely be a significant reduction in the number of positions with the need to redistribute workload to those who remain. The preliminary projection is a loss of 90 positions including 38 faculty. It is anticipated that the majority would be through attrition and reassignments. However, layoffs could be required in some areas.
- Academic departments could be reduced in some areas.
- Reorganizations are likely in some colleges.
- The Office of the Provost is considering substantial reductions in a program designed to educate faculty regarding incorporating technology in the curriculum.
- Colleges are canceling faculty searches.
- Funding for digital initiatives in the library could be delayed or abandoned.
- Fifteen course sections could be eliminated from the summer session.

A University-wide review of the potential for long-term changes that will be needed to cope with the cumulative loss of more than \$100 million in state appropriations over that last four years is currently underway.

IOWA STATE UNIVERSITY

General Fund

The following table shows reductions in revenues from the original budget.

**FY 2004
 General Operating Fund
 Revenue Budget
 Iowa State University**

	Original Budget	Reduction	Revised Budget
REVENUES			
General Appropriations	\$232,816,705	\$(5,820,417)	\$226,996,288
Federal Support	12,525,373	-	12,525,373
Interest	1,370,000	-	1,370,000
Tuition and Fees	161,309,266	(1,500,000)	159,809,266
Reimbursed Indirect Costs	16,000,000	(1,000,000)	15,000,000
Sales and Services	290,000	-	290,000
Other Income	1,967,000	-	1,967,000
TOTAL REVENUES	\$426,278,344	\$(8,320,417)	\$417,957,927

Budget Reductions

In addition to the \$5.8 million reduction in state appropriations, the University would reduce tuition revenue by \$1.5 million to account for lower than expected enrollment and indirect cost recoveries by \$1.0 million primarily due to lower spending on some large federal awards.

**IOWA STATE UNIVERSITY
 FY 2004**

	<u>Original Appropriations</u>	<u>Reduction</u>	<u>Revised Appropriations</u>
General University	\$177,630,514	\$4,440,763	\$173,189,751
Agriculture Experiment Station	31,814,892	795,372	31,019,520
Cooperative Extension Service	20,244,546	506,114	19,738,432
Leopold Center	476,225	11,905	464,320
Livestock Disease Research	226,367	5,659	220,708
Economic Development	2,424,161	60,604	2,363,557
Total	\$232,816,705	\$5,820,417	\$226,996,288

Exemptions

The University expects to protect student financial aid, Office of Admissions, and fuel and utilities from any budget reductions.

**General University
 FY 2004**

	<u>Original Budget</u>	<u>Total Reduction</u>	<u>Revised Budget</u>
General University	\$358,556,780	\$6,940,763	\$351,616,017

**Proposed
 Reductions**

The majority of the budget reduction is from the General University appropriation unit. The University is planning to distribute this unit's reductions across the four major administrative areas in a differential manner. Academic Affairs, home of the University's colleges, will receive the smallest percentage cut to protect the quality of the academic programs.

President

The cuts made to units reporting to the President total \$1.3 million (8.1%).

- Intercollegiate Athletics currently receives general fund support of \$3.2 million. The University plans to reduce this funding by \$560,000 (17.7%). The Athletic Director will lead a process to determine the impact of this reduction on positions and sports programs.
- Strategic Initiatives are expected to be reduced by \$425,000. These funds were earmarked for new faculty positions and retention of existing faculty members.
- The Office of the President, Governmental Relations, Institutional Research, University Marketing, and University Relations would be reduced \$282,742. The impact of these areas is currently being assessed.

Academic Affairs

Academic Affairs cuts total \$4.2 million (1.8%). The reductions have been allocated to individual units using a process of consultation and input from the Deans, Vice Provosts, and others. It is too early to fully assess the impact of these reductions. Priority will be given to maintaining course offerings to the extent possible.

The Office of the Vice Provost for Undergraduate Programs will be eliminated and the Graduate College will be removed from the Office of the Vice Provost for Research and Advanced Studies. All programs associated with these two programs are under review and are expected to be reconfigured under the Office of the Provost. This is expected to result in closer coordination of undergraduate and graduate academic programs.

An aggressive planning model is underway for navigating through the next three to five years. The plan would guide the evaluation of each academic program and likely lead to significant structural changes. Planning will focus on the University's land grant mission, strength in science and technology, and aspirations for the future.

- Student Affairs The proposed reductions in Student Affairs total \$245,691 (1.9%) and include:
- Reducing support for programs and services that benefit students as well as funds for staff professional development.
 - Delaying or eliminated staff and student positions.
 - Keeping vacant open positions in the Dean of Students office – Assistant Dean of Students and a Sign Language Interpreter until FY 2005.
 - Eliminating a program assistant and graduate assistant positions from Minority Student Affairs associated with the Early Success Program.
 - Eliminating three program assistant positions in International Education Services and six student positions in the Memorial Union.
- Business & Finance The Business and Finance units cuts total \$1.2 million (3.5%). The proposal is to reduce a number of external operations and support functions resulting in lower levels of services and likely reductions in staff. Priority would be given to maintaining critical services.
- General University support to WOI Radio, Iowa State Center, and University Museums would be significantly reduced. An effort will be made to offset these reductions by increased fundraising, more outside events, and adjusting user charges.
- WOI Radio (\$239,285) is developing a proposal for increased cooperation and sharing of staff and programming among the three university public radio stations to better utilize resources.
 - The University Museums program (\$95,000) may be forced to close some facilities, reduce hours of operation, reduce the annual number of exhibitions, and reduce support for visual learning programs. Staff reductions are also likely.
 - The Iowa State Center (\$250,000) plans to revise rental rate structures and reduce the support provided to university users. The campus would be affected since more than 60% of the events scheduled are by campus-based organizations. Athletics, theater programs, continuing education programs, and cultural programming would be most heavily impacted. Some repairs and facility improvements will be deferred.

- Business and Finance would reorganize university risk management functions. Insurance procurement functions and administration would be transferred to Business Affairs, workers compensation to Human Resource Services, and portions of tort claims administration to the Office of University Counsel. These changes would likely result in the elimination of two positions and the cost of maintaining a separate office with annual savings projected of \$150,000.
- Asset recovery and printing service staff would be reassigned. These units were originally established to comply with state printing and inventory record keeping requirements which have been modified by recent legislation. Necessary functions will continue to be provided but should save approximately \$151,000 per year.
- The continuing development of on-line and web applications in the Treasurer's Office and Accounts Receivable would permit the reduction of General Fund support saving approximately \$100,000.
- Facilities Planning and Management would continue its aggressive energy management program and reduce support for project planning based upon completion of a number of projects saving \$244,162. While an effort would be made to avoid staff reductions, position eliminations may prove necessary.

UNIVERSITY OF NORTHERN IOWA

General Fund

The following table shows reductions in state appropriations from the original budget.

**FY 2004
 General Operating Fund
 Revenue Budget
 University of Northern Iowa**

	Original Budget	Reduction	Revised Budget
REVENUES			
General Appropriations	\$80,387,339	\$(2,009,683)	\$78,377,656
Interest	600,000	-	600,000
Tuition and Fees	56,100,000	-	56,100,000
Reimbursed Indirect Costs	1,575,000	-	1,575,000
Sales and Services	625,000	-	625,000
TOTAL REVENUES	\$139,287,339	\$(2,009,683)	\$137,277,656

No other reductions are being proposed at this time.

**UNIVERSITY OF NORTHERN IOWA
 FY 2004**

	Original Appropriations	Reduction	Revised Appropriations
General University	\$79,799,494	1,994,988	\$77,804,506
Recycling & Reuse	217,290	5,432	211,858
Economic Development	370,555	9,264	361,291
Total	\$80,387,339	\$2,009,684	\$78,377,655

**Proposed
 Reductions**

The University's budget reductions total \$2.0 million in state appropriations. Since the reductions are being implemented mid-year, the University plans to implement short-term solutions. The University believes the use of one-time funds provides more planning time to identify permanent base reductions. The University plans to:

- Allocate \$800,000 to divisions on a pro-rata basis which would most likely result in:
 - Delaying the filling of vacant positions
 - Foregoing equipment, library, and supplies and services purchases
 - Consolidating responsibilities and reducing administrative support through attrition
 - Reducing printings and mailings to students and alumni
 - Reducing project grant awards in the Recycling and Reuse Technology Transfer Center (RRTTC)

Impact: The ability to provide needed resources and services to students, faculty, and the citizens of Iowa would be delayed or reduced. The life of aged equipment would be extended, requiring more maintenance costs. Implementation of a new automated personnel / payroll system would be delayed. Reduction in the RRTTC budget would likely reduce the number of potential intellectual property disclosures.

- Use \$600,000 in one-time insurance premium rebates.

Impact: Administrative computing system improvements and equipment purchases would not be made this fiscal year.

- Use \$509,683 of undistributed contingency funds budgeted for projected tuition revenue shortfalls and unavoidable cost increases.

Impact: If spring semester tuition revenue is less than projected or health insurance rates increase more than forecasted, additional reallocations would be required.

- Reduce building repairs by \$100,000, from \$1 million to \$900,000 for FY 2004 with the plan to restore it in FY 2005. The goal is to restore this fund to its FY 2001 budget level of \$2.0 million as soon as possible.

Impact: A delay in deferred maintenance backlogs such as repairing roofs and upgrading heating, ventilation, and air conditioning systems would continue to occur.

The University's long-term strategy is to maintain its quality of education. The University states that further reductions in the size of the University may be required should state support continue to diminish.

IOWA SCHOOL FOR THE DEAF

General Fund

The following table shows reductions in state appropriations from the original budget.

**FY 2004
General Operating Fund
Revenue Budget
Iowa School for the Deaf**

	Original Budget	Reduction	Revised Budget
REVENUES			
General Appropriations	\$8,305,689	\$(205,977)	\$8,099,712
Other Appropriations (DOE)	178,450	-	178,450
Federal Support	54,000	-	54,000
Interest	25,000	-	25,000
Sales and Services	322,693	-	322,693
Other Income	11,916	-	11,916
TOTAL REVENUES	\$8,897,748	\$(205,977)	\$8,691,771

The School's state appropriations for FY 2004 were reduced by \$205,977.

**Proposed
Reductions**

The School plans to address the reduction by:

- Eliminating funding of \$153,953 for several positions:
 - Staffing replacement for a faculty science position;
 - The Director of Education position;
 - A House Parent position in the dormitory; and
 - Reducing funds available for eligible future retirees.

Impact: This reduction would shift duties to existing faculty and staff resulting in greater workload; increase supervisory responsibility in the classroom and dormitory; and increase staff/student ratios with a corresponding decrease in ISD's ability to appropriately individualize programs.

- Reducing summer program funding by \$30,000.

Impact: This would reduce a valuable outreach service for the School and key enrichment opportunity for deaf and hard of hearing students statewide.

- Reducing funding of \$22,024 for the vehicle replacement fund, speakers for staff development, and travel.

Impact: This would require the existing vehicle pool to be utilized past the replacement policy, increasing mileage and the potential for breakdowns. It also would reduce the opportunity for staff professional growth.

IOWA BRAILLE AND SIGHT SAVING SCHOOL

General Fund

The following table shows reductions in state appropriations from the original budget.

**FY 2004
General Operating Fund
Revenue Budget
Iowa Braille and Sight Saving School**

	Original Budget	Reduction	Revised Budget
REVENUES			
General Appropriations	\$4,646,740	\$(115,248)	\$4,531,492
Other Appropriations (DOE)	89,787	-	89,787
Federal Support	248,952	(53,500)	195,452
Interest	6,000	-	6,000
Reimbursed Indirect Costs	74,414	(4,280)	70,134
Sales and Services	24,638	-	24,638
Other Income	19,150	-	19,150
TOTAL REVENUES	<u>\$5,109,681</u>	<u>\$(173,028)</u>	<u>\$4,936,653</u>

**Proposed
Reductions**

The School plans to address a total reduction of \$173,028, including reductions in state appropriations of \$115,248, by:

- Eliminating the Early Childhood consultant position which would put a delay in the Schools childhood services strategic initiative.
- Eliminating the unfilled, part-time Independent Living Skills consultant position for the dormitory which would have greatly enhanced the quality of programming and student outcomes in this area.
- Reducing summer programming by \$20,000.
- Reducing equipment expenditures by \$15,000.
- Reducing building repairs by \$23,000 which would result in deferral of necessary repairs.
- Reducing supplies, contracted services, and travel expenditures.
- Reducing state audit expenditures as a result of a decrease in audit scope.

**BOARD OFFICE
FY 2004**

	<u>Original Appropriation</u>	<u>Reduction</u>	<u>Revised Appropriation</u>
General Operations	\$1,190,152	\$29,754	\$1,160,398

The Board Office state appropriations for FY 2004 were reduced by \$29,754.

Proposed
Reductions

The Board Office plans to reduce the following:

- Staff education and training including travel - this would reduce the amount for staff professional development opportunities, making it hard for staff to interact with other professionals in their field and to keep up with the educational environment around the country.
- Office equipment - this would reduce the amount that is available to upgrade office equipment and could increase the cost of the buying new equipment and repair costs.
- Communications, Outside Services, and Data processing - this would impact the Board Office's ability to conduct business by reducing the amount that can be spent for daily contact with students, institutional personnel and others in the educational environment.
- Advertising - this would limit advertising within the state rather than national to recruit candidates for the directors position being vacated soon by a retirement.
- Special Services - this would reduce the amount of the Institutional money for Strategic Planning, affecting both current and future Board planning.

Additionally, the Board Office, after consultation with the University Presidents, plans to eliminate university funding of a previously mandated \$50,000 expense for the Iowa Research Council.