

MEMORANDUM

TO: Board of Regents
FROM: Board Office
SUBJECT: Approval of FY 2003 Detailed Budgets – University of Northern Iowa
DATE: July 8, 2002

Recommended Action:

Approve the University of Northern Iowa final FY 2003 general fund operating budget of \$133,548,947 and the restricted fund budget of \$153,337,395 for a total of \$286,886,342.

Executive Summary:

The University of Northern Iowa prepared its detailed FY 2003 budgets in accordance with the strategic plans of the Board and of the University.

The FY 2003 budgets consist of the general fund and the restricted fund budgets.

General Fund

The University's general fund operating budget of \$133.5 million is organized into three budgetary units (page 3), which reflect separate and distinct state appropriations to the University. Direct state appropriations to UNI for FY 2003 total \$82.8 million.

- During FY 2002, the University experienced reductions in state appropriations of \$10.9 million.
- For FY 2003, state appropriations were further reduced by \$5.7 million.
- State appropriations for salary increases provided only 75% of the funding needed to implement the state's salary policy, a shortfall of \$1.18 million.
- At the end of May, the University was notified by the state of a \$104,000 increase in its workers compensation insurance premiums.

The state appropriations reductions will impair the University's ability to make progress in its strategic plan.

The University has allocated its general fund operating budget by its strategic planning goals of intellectual vitality (\$60.1 million), teaching and scholarship (\$22.8 million), community involvement (\$1.0 million), University culture and diversity (\$3.3 million), University environment (\$5.3 million), human resources (\$6.6 million), physical and informational resources (\$33.1 million), and external relations (\$1.3 million).

General University

The **General University** appropriation unit represents the central educational operating budget of the University and is the largest of the three appropriations. This budget of \$133.0 million includes state appropriations of \$82.2 million. (See details on page 6.)

**General University Budget
(In Thousands)**

<u>Revenues</u>	<u>FY 2000</u>	<u>% of Total</u>	<u>FY 2003</u>	<u>% of Total</u>	<u>Three-Year Shift in Funding Sources</u>	<u>% Change in Dollars</u>
State Approps	\$87,296	70.5%	\$82,228	61.8%	(8.7%)	(5.8%)
Tuition & Fees	34,171	27.6%	47,533	35.7%	8.1%	39.1%
Other	<u>2,367</u>	<u>1.9%</u>	<u>3,200</u>	<u>2.4%</u>	0.5%	35.2%
Total	\$123,834	100.0%	\$132,961	100.0%		

- During FY 2002, this unit experienced reductions of \$10.7 million in state appropriations.
- For FY 2003, state appropriations for this unit were further reduced by \$5.2 million.
- State appropriations for salary increases provided only 75% of the funding needed to implement the state's salary policy, a shortfall of \$1.17 million for this budget unit.
- Tuition and fee revenues increase of \$7.0 million, reflects the Board-approved 18.5% tuition rate increase and a modest decline in enrollment.

The University plans to address this shortfall by using new tuition revenue and allocating cuts throughout various units. Student financial aid will be exempted from the reduction.

The University has identified reallocations of \$2.7 million to meet the University-wide salary and fringe benefit shortfall. This represents 2.1% of the revised FY 2002 budget.

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 6.

Restricted Fund

The restricted fund budget of \$152.3 million includes resources and expenditures related to its sponsored programs, auxiliary enterprise functions, independent operations, bonding activities, and capital projects. (See details on page 7.)

The Residence System and Athletic Department budgets are part of the restricted fund budget and, as such, are presented this month for approval. The preliminary Residence System FY 2003 budget was previously presented to the Board in March. The final FY 2003 Residence System budget reflects no operating change from the preliminary budget. (Attachment B, page 10.)

The Athletic Department budget is detailed in G.D. 6h.

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 as a result of delayed actions on state appropriations. In June, the Board considered key budgetary policy issues. This month, the Board receives final detailed general fund operating budgets for approval.

The restricted fund budget is also presented this month for Board approval. Revenues 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.

Analysis:

General Fund

The FY 2003 general fund operating budget for the University of Northern Iowa is \$133.5 million. The University's budget is distributed among the following units:

	<u>Total Budget</u>	<u>Direct State Appropriations</u>
General University	\$132,961,102	\$82,228,033
Recycling and Reuse	217,290	217,290
Economic Development*	<u>370,555</u>	<u>370,555</u>
Total	\$133,548,947	\$82,815,878

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

The summary sheet on page 8 of this docket memorandum details the budget by strategic planning goal and identifies uses of new revenues and reallocations.

Appropriation Reductions and Funding Shortfalls

- During FY 2002, this unit experienced reductions of \$10.9 million in state appropriations.
- For FY 2003, state appropriations were further reduced by \$5.2 million.
- The University received a state salary allocation of \$3.7 million for salary and benefit increases. The actual increases were \$6.4 million representing an additional shortfall of \$2.7 million.

Budget Actions UNI proposes to reduce expenditures through its reallocation process and utilize new tuition revenues.

Impact of Operating The following information represents action taken to address the
Reductions FY 2003 budget reductions:

- Reduced the budget allocated to the Malcolm Price Laboratory School;
- Eliminated five general fund positions and reduced three appointments in the division of Educational and Student Services;
- Reduced supplies and services budgets that will impact admissions, career development, the office of financial aid, commencement, and diversity programming;
- Eliminated more than 15 general fund professional and scientific and merit positions in the division of Administration and Finance;
- Eliminated two general fund positions within the President's budget and Advancement and Marketing budget;
- Reduced student wages, a form of student aid, campus wide;
- Reduced significantly professional travel and career development; and
- Reduced equipment budgets.

Salary Policy 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&S employees. Stipends for graduate assistants will be increased 5.6%.

- Salary increases for non-organized employee groups will be delayed by four months. New base salaries will be effective November 1, 2002.
- Several possibilities are under consideration for AFSCME employees. They include: 1) a temporary layoff of one-half day per month for twelve months; 2) permanent campus-wide layoff based on seniority; or 3) delay pay increases.
- 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.

Tuition Revenues

The University has projected increases in FY 2003 tuition and fee revenues of \$7.0 million for a total of \$47.5 million. Projected tuition revenue is based on enrollment estimates, mix of resident and nonresident students, and the Board's approved rate increases. The University proposes to use tuition revenues as follows:

Planned Use of Tuition

Student Aid (26.9%)	\$1,877,433
Tenure Track and Adjunct Faculty	2,466,970
Equipment	908,600
Supplies and Services	872,752
Professional and Scientific Staff	443,595
Merit Positions	325,400
Student Wages	33,065
Library Acquisitions	50,000
Total	<u>\$6,977,815</u>

Reallocations

The FY 2003 budget reflects internal programmatic reallocations totaling \$2.7 million (Attachment A on page 9), which recognize both permanent and temporary shifts in the use of general education fund resources to meet the budget appropriations reductions. The reallocations represent 2.1% of the revised FY 2002 budget and are consistent with the Board's policy on reallocations.

Some examples of reallocations to meet the salary and fringe benefit shortfall include:

- Academic Affairs with the largest reallocation of \$2.0 million:
 - Closing / suspending centers including the Center for Economic Education, Center for the Study of Adolescence, and the Center for the Enhancement of Teaching;
 - Reducing support for the Center of Environmental Education and the Center for Social and Behavioral Science;
 - Reducing administrative support;
 - Reducing support for KUNI Public Radio;
 - Reducing equipment budgets; and
 - Reducing faculty development support.
 - UNI is partnering with SUI for all outbound University mailings with early estimates of postage savings of approximately \$150,000.
 - The University is planning a reorganization, shifting Conferences and Visitor Services from the Advancement division to Continuing Education and Special Programs to better coordinate duplicate functions.
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General University The General University appropriation unit represents the central educational operating budget of the University. The FY 2003 general fund operating budget for General University is \$133.0 million, including state appropriations of \$82.2 million.

- During FY 2002, this unit experienced reductions of \$10.7 million in state appropriations.
- For FY 2003, state appropriations were further reduced by \$5.2 million for this unit.
- State appropriations for salary increases provided only 75% of the funding needed to implement the state's salary policy, a shortfall of \$1.17 million for this budget unit.

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 2003 general fund operating budget for the Recycling and Reuse Technology Transfer Center is \$217,290 and is funded entirely by state appropriations. The state appropriation includes a \$12,551 (5.5%) reduction in FY 2003 after reductions of \$29,329 (11.6%) in FY 2002.

The reductions will result in fewer student internship opportunities and a decrease in funding for all approved research projects underway. Two planned research projects will be stopped as well as the graduate and undergraduate experiential student learning. Supplies, services, and travel will be reduced.

Economic Development

The FY 2003 economic development appropriations were combined into one appropriation. This appropriation includes funding for the Institute of Decision Making and the Metal Casting Center. These appropriation units experienced reductions as follows:

- During FY 2002, these units experienced reductions of \$109,714 (11.7%) in state appropriations.
- For FY 2003, state appropriations were further reduced by \$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.

Restricted Fund

The restricted funds budget for FY 2003 totals \$152.3 million. Capital appropriations for FY 2003 include \$14.5 million for the McCollum Science Hall renovation, Steam Distribution System, Innovative Teaching Center. The tuition replacement is estimated to be \$6.3 million.

The restricted fund budget includes sponsored programs such as competitively awarded federal grants and contracts; auxiliary enterprise functions such as the Residence System and Athletic Department; and independent operations such as its parking, telecommunications, and utility enterprises. The restricted fund also incorporates the activities related to bonding and capital projects, including tuition replacement and capital appropriations.

Residence System

Proposed residence system revenues for FY 2003 total \$24.5 million and proposed expenses for operations total \$19.5 million, leaving \$5.0 million net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. (See Attachment B, page 10, for details.)

The final FY 2003 operating budget reflects no operating change from the preliminary budget presented to the Board in March. These amounts are based upon room and board rates the Board approved in April.

Athletic Department

The athletic department budget, which is part of the restricted fund, is addressed separately in General Docket 6h.

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

**UNIVERSITY OF NORTHERN IOWA
FY 2003 General Fund Budget Summary**

STRATEGIC PLANNING GOALS		
Goal #1	Intellectual Student Learning	\$60,052,496
Goal #2	Teaching and Scholarship Support	22,752,677
Goal #3	Community Involvement	1,033,361
Goal #4	Diversity	3,314,028
Goal #5	University Culture and Environment	5,302,444
Goal #6	Human Resources	6,628,055
Goal #7	Physical and Informational Resources	33,140,276
Goal #8	External Relations	<u>1,325,610</u>
	TOTAL	\$133,548,947

FY 2003 New Revenues and Reallocations

	Goal	Approp.	Tuition	Reallocation	Other	Total
<u>Strategic Initiatives</u>						
New faculty in strategic areas	1	0	\$2,411,000	0	0	\$2,411,000
Equipment	2	0	300,500	0	0	300,500
Outreach Activities	3	0	23,500	0	0	23,500
Recruitment and Retention	4	0	69,150	0	0	69,150
Operations Improvements	5	0	348,855	0	0	348,855
Career Development	6	0	27,919	0	0	27,919
MEMFIS Staffing	7	0	340,790	0	0	340,790
External Relations	8	0	214,600	0	0	214,600
<u>Mandatory Cost Changes</u>						
Compensation Increases		3,668,423	0	2,680,732	400,000	6,749,155
Student Financial Aid		0	1,877,433	0	0	1,877,433
Library Acquisitions		0	50,000	0	0	50,000
Disability Services		0	15,000	0	0	15,000
Replace March Reversion of Temporary Funds		0	1,299,068	0	0	1,299,068
Base Budget Reductions		(5,681,435)	0	0	0	(5,681,435)
TOTAL		\$(2,013,012)	\$6,977,815	\$7,787,500	\$2,801,944	\$8,045,535

University of Northern Iowa
FY 2003 FINAL BUDGET
Summary of Reallocations
General University

From:

Faculty salaries	470,909
Professional & Scientific positions	923,340
Regent merit positions	164,674
Supplies and Services	777,376
Equipment	344,433
Total Reallocations	\$2,680,732

To:

Salary & fringe benefit shortfall	2,680,732
Subtotal:	
Programmatic:	
Used to address salary shortfall	
Subtotal:	
Total Reallocations	\$2,680,732

July 2002

UNIVERSITY OF NORTHERN IOWA
Residence System Final Budget
2002-03

G.D.6c
Attachment B
Page10

	Actual 2000-01	Approved Budget 2001-02	Revised Estimate 2001-02	Proposed Budget 2002-03
OPERATIONS (Accrual Basis)				
Revenues \$	24,522,544	24,360,695	24,621,521	24,487,852
Expenditures for Operations	18,018,387	20,251,622	19,279,005	19,456,780
Net Revenues	6,504,157	4,109,073	5,342,516	5,031,072
% of Revenues	26.5%	16.9%	21.7%	20.5%
Debt Service (due July 1)	2,802,036	2,811,508	2,811,507	2,933,978
Mandatory Transfers	330,000	330,000	330,000	330,000
Net after Debt Service and Mandatory Transfers \$	3,372,121	967,565	2,201,009	1,767,094
% of Revenues	13.8%	4.0%	8.9%	7.2%
University Overhead Payment from Surplus	541,859	636,291	611,975	620,219
% of Expenditures	3.0%	3.1%	3.2%	3.2%
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	(304,532)	-	-	-
Operation and Maintenance Fund	-	-	-	-
Improvement Fund	1,116,367	1,092,147	1,092,147	57,147
Surplus Fund	5,240,288	5,524,790	5,524,790	5,675,464
Subtotal - Voluntary Reserve Balances	6,052,123	6,616,937	6,616,937	5,732,611
Sinking Fund	1,068,657	1,068,657	1,068,657	1,068,657
Bond Reserve Fund	2,843,549	2,843,549	2,843,549	3,383,303
Construction Fund	2,256,972	-	-	7,216,496
Subtotal - Mandatory Reserve Balances	6,169,178	3,912,206	3,912,206	11,668,456
TOTAL - All Reserve Balances (June 30)	12,221,301	10,529,143	10,529,143	17,401,067
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	19,542,436	20,105,361	20,220,188	19,995,169
Interest	1,549,401	667,746	697,000	625,000
Other Income	3,430,707	3,587,588	3,704,333	3,867,683
TOTAL	24,522,544	24,360,695	24,621,521	24,487,852
Expenditures				
Salaries, Wages & Benefits (1)	10,073,174	11,556,965	11,056,817	11,830,311
Cost of Food or Goods Sold	3,048,242	3,318,625	3,168,193	3,082,204
Other Operating Expense	2,881,251	2,718,774	2,686,075	2,198,952
Utilities	1,339,806	1,658,352	1,510,830	1,434,596
Repairs & Maintenance (1)	675,914	998,906	857,090	910,717
TOTAL	18,018,387	20,251,622	19,279,005	19,456,780
TOTAL STAFF FTE - October	441	448	460	454

(1) Excludes amounts for repair and maintenance supplied by Residence System staff.
Staff maintenance costs for the respective years are: \$611,643; \$624,190; \$644,027