

MEMORANDUM

TO: Board of Regents

FROM: Board Office

SUBJECT: Approval of FY 2002 Detailed Budgets – University of Northern Iowa

DATE: July 9, 2001

Recommended Action:

Approve the University of Northern Iowa FY 2002 general fund operating budget of \$133,803,370 and the restricted fund budget of \$140,663,332 for a total of \$274,466,702, including the proposed changes in the allocation of tuition revenues, subject to further review by the Board Office since information was not received in time to allow proper analysis.

Executive Summary:

In accordance with the Board's strategic plan, the University of Northern Iowa is presenting its detailed FY 2002 budgets to the Board for approval. The FY 2002 budgets consist of the general fund operating budget and the restricted fund budget. The general fund operating budget is consistent with the conceptual budget previously presented to the Board.

General Fund Operating Budget - \$133,803,370

The University's general fund operating budget of \$133.8 million is organized into four budgetary units, which reflect separate and distinct state appropriations to the University. Direct state appropriations to UNI for FY 2002 total \$90.4 million. All state operating appropriations to the University were reduced by approximately 6% for a total reduction of \$5.3 million.

The University reduced base operating expenditures by \$5.3 million by allocating cuts throughout various units. The University reports that the budget reductions will impair its ability to make progress in its strategic plan.

The state salary allocation for compensation increases is \$3.9 million. The University estimates compensation increases of \$5.3 million, including increased health insurance and other benefit costs.

The **General University** appropriation unit represents the central educational operating budget of the University. This budget of \$132.7 million includes state appropriations of \$89.3 million, tuition and fee revenues of \$40.6 million, and reimbursed indirect costs from federal programs of \$1.6 million. The state appropriations for this budget unit reflect a \$5.2 million base appropriation reduction.

Tuition and fee revenues include an increase of \$4.1 million as a result of the Board-approved 7.2% tuition rate increase and projected enrollment increases. The University proposes to use most of its new tuition revenues to cover a portion of the state appropriations reduction and funding needed for compensation increases not covered by the state salary allocation.

The University has identified programmatic reallocations of \$6.7 million to meet the budget shortfall. This represents 5.1% of the revised FY 2001 budget and is consistent with the Board's policy on reallocations.

The University has allocated its general fund operating budget by its strategic planning goals of intellectual vitality (\$60.3 million), teaching and scholarship (\$22.4 million), community involvement (\$1.6 million), University culture and diversity (\$3.4 million), University environment (\$5.2 million), human resources (\$5.8 million), physical and informational resources (\$33.5 million), and external relations (\$1.6 million).

Restricted Fund Budget - \$140,663,332

The restricted fund budget includes resources and expenditures related to its sponsored programs, auxiliary enterprise functions, independent operations, bonding activities, and capital projects. The preliminary Residence System budget was previously presented to the Board in March. The final FY 2002 Residence System budget reflects no operating change from the preliminary budget. The Athletic budget is detailed in G.D. 12h.

Background:

The University of Northern Iowa presented its FY 2002 conceptual budget to the Board in May and revised conceptual budget in June. The detailed general fund operating budget is presented to the Board this month for approval. This final budget is consistent with the previous submissions and strategic plans of the Board and UNI.

The restricted fund budget is also presented this month for Board approval. 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 and telecommunications enterprises. The restricted fund also incorporates the activities related to bonding and capital projects, including capital appropriations.

Institutional officials have conducted university-wide efforts to plan for the budget reductions and have engaged various campus constituencies.

- On March 26, 2001 all students, faculty and staff were invited to a public discussion of the impact of these base budget reductions, both long and short term.
- President Koob outlined the impact of the budget reductions in the global sense. Implementation of a “soft freeze” in filling positions was described. Essentially, every vacancy was reviewed and only those positions deemed critical were filled. Many searches were discontinued.
- Following President Koob’s remarks, each university division head discussed specifics in their area, and the potential impact to be expected.
- With input from faculty and staff, University cabinet members presented potential reduction plans for consideration. Every constituency group on campus was involved and informed. Reduction plans were shared at department meetings, college meetings, and divisional meetings.

Analysis:

General Fund Operating Budget

The FY 2002 general fund operating budget for the University of Northern Iowa is \$133.8 million. The University’s budget is distributed among the following units:

	Total <u>Budget</u>	Direct State <u>Appropriations</u>
General University	\$132,653,110	\$89,297,856
Institute for Decision Making	736,075	736,075
Recycling and Reuse		
Technology Transfer Center	240,963	240,963
Metal Casting Center	<u>173,222</u>	<u>173,222</u>
Total	\$133,803,370	\$90,448,116

The summary sheet, as prepared by UNI, on page 6 of this docket memorandum details the budget by strategic planning goal, revenue source, new revenues and reallocations, and the related expenditure allocations.

Appropriations Reduction:

The base operating appropriations were reduced from the original FY 2001 appropriations by \$5.3 million. UNI proposes to reduce expenditures through its reallocation process and utilize new tuition revenues. To address the appropriation cut, the University has identified certain reductions and the deployment of most of the new tuition revenues, which were previously planned for quality improvements.

The University reports that the appropriation reductions will result in the following consequences:

- Eliminate 34 full time equivalent faculty positions.
- Eliminate 5 full time equivalent professional and scientific and merit positions and 1 graduate assistant position in Educational and Student Services.
- Eliminate 3 full time equivalent professional and scientific positions in Financial Accounting and Purchasing.
- Eliminate 1.5 full time equivalent professional and scientific positions and 9 full time equivalent merit positions in Facilities Planning.
- Eliminate 3 full time equivalent professional and scientific positions in Public Relations and Marketing.
- Publish one less issue of Northern Iowa Today, the University's magazine – a 25% reduction.
- Reduce ability to achieve goal of 75 – 25 ratio of classes taught by tenure track faculty due to enrollment growth and reduced faculty.
- Reduce academic supplies and services budgets by \$1.5 million.
- Reduce professional and scientific positions in Academic Affairs that total approximately \$190,000.
- Reduce academic educational equipment budgets by approximately \$180,000.
- Reduce building repair budget by \$50,000.
- Reduce student wages budget, which is further compounded with the elimination of state work-study funds.
- Reduce significantly supplies and services budget for the Development Office.
- Student aid set-aside from tuition will be 18% of budget revenues as compared to the 19.5% projected during the tuition discussion.

Tuition Revenues

The University has projected increases in FY 2002 tuition and fee revenues of \$4.1 million for a total of \$40.6 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 most of the new tuition and fee revenue to offset the appropriation reduction.

Reallocations

The FY 2002 budget reflects internal programmatic reallocations totaling \$6.7 million (Attachment A on page 7), which recognize both permanent and temporary shifts in the use of general education fund resources to meet the budget appropriations reductions. The reallocations represent 5.1% of the FY 2001 budget and are consistent with the Board's policy on reallocations. UNI's annual reallocations for the previous five years averaged 2.5%.

Restricted Fund Budget

Restricted funds for FY 2002 total \$136.1 million. Capital appropriations for FY 2002 are \$9.8 million and tuition replacement is estimated at \$4.9 million.

State appropriation increases for capitals include the state funding of \$5.8 million for McCollum Science Hall renovation and \$4.0 million for Steam Distribution Upgrade. Tuition replacement appropriations increased slightly in line with debt service increases on academic building revenue bonds.

The restricted fund also includes an allocation of state appropriations of \$1.0 million from the technology bill for UNI to continue development of a 21st century learning initiative in consultation with the state's Information Technology Department.


Residence System Budget

Proposed residence system revenues for FY 2002 total \$24.4 million and proposed expenses for operations total \$20.3 million, leaving \$4.1 million net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. (See Attachment B, page 8, for details.)

The final FY 2002 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 Budget

The athletic department budget, which is part of the restricted fund, is addressed separately in General Docket 12h.


Deb A. Hendrickson

Approved: 
Frank J. Stork

**FY 2002 FINAL OPERATING BUDGET SUMMARY
UNIVERSITY OF NORTHERN IOWA**

STRATEGIC PLANNING GOAL				ALLOCATION OF MANDATORY COST INCREASES	
Goal #1 Intellectual Vitality			\$60,308,068	Salary Bill Allocation	\$3,878,720
Goal #2 Teaching & Scholarship			22,449,382	Reallocation to Cover Salary Bill Shortfall	1,392,500
Goal #3 Community Involvement			1,560,002		
Goal #4 University Culture & Diversity			3,403,522		
Goal #5 University Environment			5,225,962		
Goal #6 Human Resources			5,841,071		
Goal #7 Physical & Informational Resources			33,455,362		
Goal #8 External Relations			1,560,001		
				Total	<u>\$5,271,220</u>
Total Budget				STRATEGIC PLANNING INITIATIVES DECREASES TO MEET APPROPRIATIONS SHORTFALL	
				Goal #1: Intellectual Vitality	
				To provide intellectually stimulating & challenging experiences for students	(\$3,264,636)
				Goal #2: Teaching & Scholarship	
				Support creative & intellectually rigorous teaching & scholarship	(309,028)
				Goal #3: Community Involvement	
				Expand university involvement in critical local, state, national & global needs	(672,750)
				Goal #4: University Culture & Diversity	
				Strengthen a university culture characterized by diversity, collegiality & mutual respect	(92,500)
				Goal #5: University Environment	
				Foster a supportive living, learning & working environment with services & programs that promote individual well being & organizational effectiveness	(492,300)
				Goal #6: Human Resources	
				Enhance quality, diversity & number of human resources available	(138,492)
				Goal #7: Physical & Informational Resources	
				Continue to improve capital, physical & informational resources at the university	(1,359,762)
				Goal #8: External Relations	
				Establish strong mutually beneficial rela- tionships with external constituencies	(322,780)
				Internal Reallocations	<u>(\$6,652,248)</u>
SOURCE OF REVENUE					
General Fund Revenues	ORIGINAL FY 2001	REVISED FY 2001	FINAL FY 2002		
State Appropriation:	\$91,829,144	\$91,829,144	\$90,448,116		
Tuition and Fees	36,207,937	36,432,937	40,555,254		
Reimb. Indirect Cos	1,350,000	1,575,000	1,575,000		
Interest	600,000	600,000	600,000		
Sales and Services	625,000	625,000	625,000		
Total	<u>\$130,612,081</u>	<u>\$131,062,081</u>	<u>\$133,803,370</u>		
NEW REVENUES & REALLOCATIONS					
Salary & Benefits Increase		\$3,878,720			
Tuition (rate increase & growth)		<u>4,122,317</u>			
Total Revenue Increase			\$8,001,037		
Lost Appropriations			<u>(5,259,748)</u>		
Total New Revenue and Reallocations			<u>\$2,741,289</u>		
MANDATORY COST INCREASES					
Funded					
Compensation (funded by salary bill)				\$3,878,720	
Unfunded					
Compensation (funded by reallocation)				1,392,500	
Rentals					
Opening Buildings					
Utilities					
Audit Costs, Board Support, Lakeside Lab					
Memberships, Insurance					
Student Aid					
MEMFIS					
Performing Arts Center					
			<u>\$5,271,220</u>		

FORM 1b

**University of Northern Iowa
FY 2002 FINAL BUDGET
Summary of Reallocations to Meet Budget Reductions
Total University**

From:

President	(35,119)
Academic Affairs	(3,921,438)
Educational & Student Services	(1,132,967)
Administration & Finance	(1,238,413)
Advancement & Marketing	(324,311)
Total Reallocations	(6,652,248)

To:

1.0 To provide intellectually stimulating & challenging experiences for students	(3,264,636)
2.0 Support creative & intellectually rigorous teaching & scholarship	(309,028)
3.0 Expand university involvement in critical local, state, national & global needs	(672,750)
4.0 Strengthen a university culture characterized by diversity, collegiality & mutual respect	(92,500)
5.0 Foster a supportive living, learning & working environment with services & programs that promote individual well being & organizational effectiveness	(492,300)
6.0 Enhance quality, diversity & number of human resources available	(138,492)
7.0 Continue to improve capital, physical & informational resources at the university	(1,359,762)
8.0 Establish strong mutually beneficial relationships with external constituencies	(322,780)
Total Reallocations	(6,652,248)

UNIVERSITY OF NORTHERN IOWA
Residence System Final Budget
2001-02

	Actual 1999-00	Approved Budget 2000-01	Revised Estimate 2000-01	Final Budget 2001-02
OPERATIONS (Accrual Basis)				
Revenues	\$ 21,060,673	21,709,359	23,515,975	24,360,695
Expenditures for Operations	16,691,503	17,628,684	18,020,694	20,251,622
Net Revenues	4,369,170	4,080,675	5,495,281	4,109,073
% of Revenues	20.7%	18.8%	23.4%	16.9%
Debt Service (due July 1)	1,818,452	2,943,005	2,843,549	2,811,508
Mandatory Transfers	330,000	330,000	330,000	330,000
Net after Debt Service and Mandatory Transfers	\$ 2,220,718	807,670	2,321,732	967,565
% of Revenues	10.5%	3.7%	9.9%	4.0%
University Overhead Payment from Surplus	541,859	570,717	580,517	636,291
% of Expenditures	3.2%	3.2%	3.2%	3.1%
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	-	-	-	-
Operation and Maintenance Fund	-	-	-	-
Improvement Fund	1,623,484	333,502	333,502	11,502
Surplus Fund	3,145,243	4,217,732	4,886,458	4,217,732
Subtotal - Voluntary Reserve Balances	4,768,727	4,551,234	5,219,960	4,229,234
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	3,331,086
Construction Fund	13,121,032	-	-	1,058,463
Subtotal - Mandatory Reserve Balances	17,033,238	3,912,206	3,912,206	5,458,206
TOTAL - All Reserve Balances (June 30)	21,801,965	8,463,440	9,132,166	9,687,440
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	19,071,193	18,550,218	18,871,316	20,105,361
Interest	635,153	500,000	1,362,142	667,746
Other Income	1,354,327	2,659,141	3,282,517	3,587,588
TOTAL	21,060,673	21,709,359	23,515,975	24,360,695
Expenditures				
Salaries, Wages & Benefits (1)	9,202,798	9,343,059	10,163,609	11,556,965
Cost of Food or Goods Sold	2,496,118	2,753,324	3,066,979	3,318,625
Other Operating Expense	2,815,362	3,103,271	2,569,520	2,718,774
Utilities	1,312,409	1,519,927	1,327,905	1,658,352
Repairs & Maintenance (1)	864,816	909,103	892,681	998,906
TOTAL	16,691,503	17,628,684	18,020,694	20,251,622
TOTAL STAFF FTE - October	441	448	448	455

(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