

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Operating Appropriations Requests for FY 2004
Date: September 9, 2002

Recommended Actions:

1. Approve the operating appropriations requests for FY 2004.
 2. Approve the priorities for restoring the base operating appropriations for FY 2004 to fulfill state statutory requirements for budget development.
 3. Approve the preliminary FY 2005 operating appropriations requests.
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Executive Summary:

State statutes require requests for appropriations be submitted on or before October 1 of each year.

Operating Appropriations Regent operating requests are normally based on continuation of current fiscal year base appropriations.

At its July meeting, the Board was presented with conceptual guidelines for FY 2004 operating appropriations requests in the following two categories:

- Full Funding of Salaries from State Appropriations
- Strategic Investments

State Guidelines The day after the Board's July meeting, the Department of Management (DOM) notified agencies of state budget guidelines for FY 2004 and FY 2005 appropriations requests. Those guidelines indicate that the incremental FY 2003 salary funding is not to be considered a continuing appropriation, and therefore, that funding is not to be included in the base FY 2004 appropriations. The state utilized non-recurring non-general fund sources (Regent demutualization proceeds) to fund the FY 2003 salary increases.

Although the FY 2003 incremental salary appropriation for the Board of Regents was \$25 million, it considerably under funded the amount needed to implement the state's policy for salary increases. As noted in the FY 2003 budgets submitted to the Board in July, the FY 2003 salary increases were distributed to employees as required by law.

If this salary funding were not continued for FY 2004, it would represent another budget reduction in addition to the \$124 million of appropriations reductions over the past two fiscal years.

Regent FY 2004 Appropriations Requests

Full Funding of Salaries from State Appropriations

Full funding of salaries from state appropriations continues to be the first priority of the Board and its institutions. For FY 2003, salaries comprise almost 75% of the general education budgeted expenditures. Competitive salaries are crucial in attracting and retaining outstanding faculty and staff. A strong and professional workforce is essential for the Board and its institutions to achieve their strategic planning goals.

The recommended salary requests for appropriations contain the following two components:

- Continuation of FY 2003 Incremental Salary Funding - \$25 million
- Full Funding of Incremental FY 2004 Salary Funding - an amount has not yet been determined pending the setting of state salary policy during collective bargaining negotiations.

Strategic Investments

In light of the lower than anticipated revenues of the state, the recommendations for incremental FY 2004 appropriations for the educational/programmatic initiatives have been limited to increases at or below the midpoint of the HEPI range on base FY 2003 operating appropriations and follow the conceptual guidelines outlined in July.

	<u>FY 2003 Budget</u>	<u>FY 2003 Direct State Appropriations*</u>	<u>FY 2004 Incremental Strategic Investments**</u>	<u>FY 2005 Incremental Strategic Investments**</u>
SUI	\$1,036,190,955	\$287,422,685	\$5,000,000	\$16,500,000
ISU	409,721,602	239,809,203	4,000,000	13,500,000
UNI	133,548,947	82,815,878	2,000,000	6,500,000
ISD	8,559,913	7,943,985	300,000	1,300,000
IBSSS	<u>4,776,425</u>	<u>4,446,059</u>	<u>175,000</u>	<u>700,000</u>
Subtotal	\$1,592,797,842	\$622,437,810	\$11,475,000	\$38,500,000
Other	<u>2,854,947</u>	<u>1,555,041</u>	<u>59,000</u>	<u>150,000</u>
Total	\$1,595,652,789	\$623,992,851	\$11,534,000	\$38,650,000

* Includes FY 2003 state salary funding of \$25 million.
** Excludes incremental salary funding, which has not yet been determined.

Incremental FY 2004 Appropriations Requests

	<u>Initiative</u>	
SUI	Restore Faculty Positions/Expand College Transition	\$2,000,000
	Public Health Initiative	2,272,000
	Economic Development	406,000
	Opening New Buildings	322,000
ISU	Rebuilding the Ranks of Faculty	3,500,000
	Economic Development	500,000
UNI	Educational Excellence	2,000,000
ISD	Director of Education	100,000
	Recreation Complex Programming/Operations	200,000
IBSSS	Restoration of Summer Services	<u>175,000</u>
	Institutional Subtotal	\$11,475,000
Bd. Office	Staff Support for Collaborative Efforts	45,000
Study Ctrs.	Strategic Investments	<u>14,000</u>
	Total	\$11,489,000

Statutory
Provisions

The Iowa Code requires several budgetary steps for requesting state appropriations for an upcoming fiscal year. One requirement is an exercise to develop modified budgets assuming that base operating appropriations will be reduced by 25%. Restoration from 75% of the base appropriations to 100% involves the prioritization of programs and services in a series of decision packages.

The requests for continuation of the FY 2003 salary funding are included as additional restoration packages. (See Attachment F.)

Another mandate is for state department to use a "budgeting for results" format whereby budget requests are to be allocated by desired results. The Regent institutions have incorporated their respective strategic planning goals to satisfy the required budget format, which are included in the Regent Exhibit Book.

Strategic Plan:

State appropriations are critical to sustaining operational excellence at the Regent institutions consistent with the Board's strategic plan. Requests for state operating appropriations provide a mechanism for achieving quality (KRA 1.0.0.0) and maintaining accountability (KRA 4.0.0.0).

- Action Step 4.1.1.1: Requires the development of common institutional appropriations requests.
- Action Step 4.1.1.6: States preliminary consideration of appropriations requests is scheduled for the Board in July with final action in September.
- Action Step 1.2.1.2: Emphasizes the continued practice of annually seeking state appropriations at a level at least 3 percentage points above the Higher Education Price Index.

The incremental recommended appropriations requests reflect the strategic plans of the Board and the institutions.

Background:

Statutory
Provisions

Iowa Code §8.23 requires that all state agencies prepare estimates of appropriation expenditures for the ensuing fiscal year for which state appropriations are requested. These requests are to be submitted to the Department of Management on or before October 1.

During the 2001 session, the General Assembly passed and the Governor signed the Accountable Government Act. This bill mandates that the appropriation estimates required by law be based on achieving goals contained in the agency's strategic plan. It further requires that requested appropriations be accompanied by an explanation of the manner in which the requested funds will assist the agency in meeting the goals contained in the strategic plans.

Regent
Appropriations
Requests Process

The chronological appropriations process includes the following:

- Regent institutions develop institutional budget requests.
- The Board receives preliminary operating appropriations requests (excluding dollar amounts for implementing state salary policy).
- Board Office staff discusses appropriations requests with institutional officials (summer) and makes recommendations to the Board (September).
- The Board approves final operating appropriations requests, excluding dollars for salaries (September).
- The Board-approved operating appropriations requests are submitted to the Department of Management (October 1).
- The Governor prepares state appropriations recommendations including recommendations for Regent appropriations.
- The Governor delivers his Condition of State/Budget message (January 2004).
- General Assembly and Governor consider and approve appropriations.

Regent Request
Criteria

The initiatives presented by the institutions are evaluated based on the following criteria:

- Relationship of initiatives to institutional strategic plans, which also guide capital budget requests
- Prior appropriations for similar or connected initiatives
- External funding which provides a leverage of state resources
- Equity among institutions
- Impact of initiatives on the state's economic development

Regent
Appropriations
History

The Regent universities rely heavily on state appropriations, but have other funding sources for general fund operating budgets. The Special Schools rely entirely on state appropriations for operating revenues.

The Regent share of the state's general fund appropriations from FY 1992 through FY 2001 ranged from 14.7% to 15.3%. For FY 2003, the Regent share of the state general fund is less than 14%. One percent of the state's FY 2003 general fund total is roughly \$45 million.

The following table represents the state appropriations for institutional operations from FY 2000 through FY 2003.

**Institutional Operating Appropriations
(In thousands)**

	FY 2000	FY 2001	FY 2002*	FY 2003**
SUI	\$310,019	\$318,588	\$294,093	\$287,423
ISU	262,026	269,898	248,811	239,809
UNI	88,497	91,829	84,829	82,816
ISD	7,936	8,178	7,891	7,944
IBSSS	4,433	4,568	4,423	4,446

* Final appropriations.

** As enacted by legislation.

**Appropriation
Reductions**

The Regent institutions have had appropriations reductions in each of the last four years with significant reductions in state appropriations in FY 2002 and FY 2003.

**State Appropriations Reductions
Regent Institutions**

FY 2000	\$(3.4 million)
FY 2001	(2.7 million)
FY 2002	(81.9 million)
FY 2003	(42.6 million)

State Salary Policy

In addition to these reductions, state appropriations to implement the state's salary policy have been underfunded over this same time period.

The state, during its process of negotiating collective bargaining agreements, determines the statewide salary increase policy. Certain Regent salary increases are determined through various collective bargaining agreements, including the state's negotiation of the AFSCME contract.

Historically, legislation requires that Regent institutions provide comparable salary increases for non-contract employees as provided for contract covered employees.

**State Appropriations Salary Underfunding
Regent Institutions**

FY 2000	(\$ 1.6 million)
FY 2001	(17.7 million)
FY 2002	(7.0 million)
FY 2003	(8.0 million)

University Funding

The Regent universities funding consists of state appropriations; tuition and fees; federal support; indirect cost reimbursements; and other sources. The following table summarizes funding sources for all three universities as a percent of total general university budgets. (The percentages vary by institution.)

**University General Education Budget Totals
(In Thousands)**

<u>Revenues</u>	<u>FY 2000</u>		<u>FY 2003</u>		<u>Three- Year Shift in Funding Sources</u>	<u>% Change in Dollars</u>
	<u>Actual \$</u>	<u>% of Total</u>	<u>Budgeted \$</u>	<u>% of Total</u>		
State Approps	\$527,598	64.3%	\$497,507	54.3%	(10.0%)	(5.7%)
Tuition & Fees	246,656	30.1%	359,371	39.2%	9.1%	45.7%
Other	<u>45,675</u>	<u>5.6%</u>	<u>58,920</u>	<u>6.4%</u>	0.8%	29.0%
Total	\$819,929	100.0%	\$915,798	100.0%		

**Shifting Revenue
Sources**

A considerable shift in university revenues has occurred since FY 2000. In the aggregate, state appropriations percentage of budget declined by 10% while tuition and fees as a share of the budget increased 9.1%. University revenue sources are being shifted from state appropriations to students and their families.

State appropriated dollars for the general university budgets have decreased 5.7% since FY 2000 while tuition dollars have increased 45.7%.

Regent Strategic
Planning

The Board of Regents has invested a great deal of time and effort on formulating and assessing progress on strategic plans. This commitment to strategic planning and organizational effectiveness has been an integral part of the Board's stewardship role in governing the Regent institutions. The Board's strategic plan is comprised of four key result areas: Quality, Access, Diversity, and Accountability.

The goal for each institution is simple, yet empowering: to become the best enterprise of public education in the United States through the unique teaching, research, and outreach programs. The Board's intent is to make progress in its mission, aspirations, and statutory responsibilities.

The Board has adopted a comprehensive list of performance indicators that measure progress beyond those contained in the institutional and Board strategic planning efforts. Each year, the Board reviews the progress of these indicators.

Analysis:

Full Funding of
Salaries from State
Appropriations

Continuation of FY 2003 Incremental Salary Funding - \$25 million

The \$25 million in salary funding is distributed as follows:

FY 2003 Incremental Salary Funding

SUI	\$11,744,064
ISU	9,160,500
UNI	3,668,423
ISD	245,767
IBSSS	131,401
Board Office	41,908
Study Centers	<u>7,937</u>
	\$25,000,000

Although the FY 2003 incremental salary appropriation for the Board of Regents was \$25 million, it considerably under funded the amount needed to implement the state's policy for salary increases. As noted in the FY 2003 budgets submitted to the Board in July, the FY 2003 salary increases were distributed to employees as required by law. The Regent institutions had to reallocate and use other funding sources to address this issue.

If this salary funding were not continued for FY 2004, it would represent another budget reduction in addition to the \$124 million of budget reductions over the past two fiscal years.

During the 2002 regular legislative session, HF 2623 mandated that the Regent institutions transfer \$30 million from the demutualization proceeds to the state general fund. Since these are non-recurring non-general fund sources, the Department of Management specifically stated that these funds are not to be considered a continuing appropriation.

Full Funding of Incremental FY 2004 Salary Funding

Full funding from state appropriations of the state's salary policy and state negotiated agreements for Regent institutions is a key component of the Board's strategic plan for quality. State funding of salaries is necessary for the institutions to be competitive with their peers and is a beneficial investment for the state.

The dollar amounts for FY 2004 incremental appropriations for increases in salary are not included in the Regent appropriations requests in September. These amounts are calculated at a later date in conjunction with the state collective bargaining negotiations and the setting of the state's salary policy.

FY 2003 budgeted salaries comprise more than 75% of the institutional general fund budgets, excluding the University of Iowa hospital operations.

Factors to be considered for full funding of salaries include:

- Quality faculty and staff are essential to the implementation of the Board's and institutions' strategic plans.
 - Advance Regent and institutional goals and objectives related to undergraduate and graduate instructional programs.
 - Foster distinguished research, scholarship and artistic creation.
 - Facilitate interdisciplinary interaction in teaching, research, and service.
- To recruit and retain top faculty in a global marketplace, the Regent universities must remain competitive by paying competitive salaries in each discipline.
 - The reputation of a university/school and the ability to recruit and retain students is largely dependent on the range of offerings and the quality of the people who provide instruction, conduct research, and support academic activities.
 - Premier programs are developed and maintained by attracting and retaining premier faculty and staff.
- The Regent institutions face serious competition from other institutions of higher learning as well as from the private sector, which pays market rates.
 - Faculty and staff in public universities have many opportunities to leave academe to work for private employers, sometimes at higher salaries.
 - Public and private institutions of higher education are in keen competition with each other for the best and the brightest.
- To remain competitive for essential positions within the professional & scientific compensation plans, it is not sufficient just to keep pace with inflation, especially in high demand occupational groups such as sciences and technology.

- The state benefits from quality faculty and staff.
 - Quality faculty and staff are dedicated to discovering, disseminating, and preserving knowledge and to the development of an educated citizenry.
 - Through teaching, research, scholarship, clinical practice, and public outreach, the institution develops ideas, enlarges understanding, and extends its resources to society.
 - Faculty determine what students should learn and shape the body of knowledge that will be passed on to future generations.
 - It is also the institution's obligation to engage all members of its community in collective reflection on their responsibilities not only to their disciplines and professions but also to the institution and to society.
 - The costs of personnel benefits are rising rapidly. The continued escalation of these costs erodes the institutions salary dollars for competitive position.

Strategic
Investments

Each of the institutional strategic investments proposals are identified in attachments A through E.

Board Office

The recommended incremental request of \$45,000 would provide staff support for collaborative efforts identified through the Higher Education Roundtable and the Regents new 2004-2008 strategic plan. The FY 2003 Board Office appropriation is \$1,190,152.

Clothing,
Prescriptions, and
Transportation

This appropriation represents state funding for tuition and transportation, in lieu of property taxes, for children of employees of the Iowa School for the Deaf who reside on school property and attend the Lewis Central public school system. This appropriation is also available for clothing and prescriptions as allowed by Iowa Code §270.4. The FY 2004 request of \$7,500 is less than the 15,103 appropriated for FY 2003 due to a reduced number of children that meet the criteria.

Regional Study
Centers

The Regional Study Centers request incremental appropriations for FY 2004 are identified in the following table.

	FY 2003 Iowa Appropriations <u>Base</u>	FY 2004 Board Office <u>Recomm.</u>
Quad-Cities Graduate Study Center		
Strategic Investments	\$161,173	\$6,500
Tri-State Graduate Study Center		
Strategic Investments	79,940	3,200
Southwest Iowa Regents Resource Center		
Strategic Investments	<u>108,673</u>	<u>4,300</u>
Total	\$349,786	\$14,000

The combined incremental appropriations of \$14,000 will provide for strategic investments, including:

- Increasing marketing and promotion efforts to expand student access to degree programs;
- Assisting Regent universities with outreach and continuing education initiatives; and
- Improving facilities

The requests for the three regional study centers are computed on the State of Iowa appropriations share of the centers' budgets.

FY 2005
Incremental
Appropriations
Requests


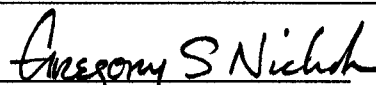
The Department of Management budget instructions direct departments to enter both years of the biennium, FY 2004 and FY 2005, into the state's budget system to assist with fiscal planning for the coming years.

The Board Office recommends full funding of the FY 2005 state's salary policy and state negotiated agreements, yet to be determined, from state appropriations.

The Board Office recommends incremental operating appropriations for FY 2005 of \$38.65 million. These additional appropriations, not intended to replace funds already cut, would be used to build program quality, implement academic enhancements, and account for inflation pursuant to the Board's new 2004-2008 strategic plan, which has yet to be developed.

The requested funding level is a notable amount; however, even if both FY 2004 and FY 2005 requests were approved, state support would still be below the appropriations level the Board received for FY 2001 and the beginning of FY 2002.

The requests reinforce the Board's expectation for state support of higher education so that future increases in tuition costs to the students and their families can be moderated.


 Approved: 
 Deb A. Hendrickson Gregory S. Nichols

ATTACHMENT A
FY 2004 Appropriations Requests
University of Iowa

	<u>FY 2003 Budget</u>	<u>FY 2003 Direct State Appropriations</u>	<u>FY 2004 Incremental Strategic Investments*</u>
General University	\$443,042,375	\$232,423,103	\$4,594,000*
University Hospital	546,802,400	28,833,519	*
Psychiatric Hospital	18,650,600	7,442,887	*
Center for Disabilities and Development	8,634,100	6,724,505	*
Oakdale Campus	3,214,191	2,808,191	*
Hygienic Laboratory	6,452,011	4,018,388	*
Family Practice	2,225,798	2,193,798	*
SCHS	4,877,100	685,914	*
Special Purpose**	<u>2,292,380</u>	<u>2,292,380</u>	<u>406,000*</u>
Total	\$1,036,190,955	\$287,422,685	\$5,000,000

* Does not include an amount for the salary funding request.
**Includes Economic Development.

Incremental FY 2004 Appropriations Requests
Initiative

Restore/ Expand Education		\$2,000,000
Restore Faculty Positions	\$1,500,000	
Expand College Transition	500,000	
Public Health Initiative		2,272,000
Economic Development		406,000
Opening New Buildings		<u>322,000</u>
Total		\$5,000,000

Restore Faculty
Positions -
\$1,500,000

The University of Iowa is requesting funding that will begin a process of restoring over 100 faculty positions lost due to the recent budget reductions. The first phase of the University's plan calls for 20 positions to be restored in FY 2004. The replacement of these faculty lines is critical to the University's aspiration of becoming a top ten public research university.

The University offered 65 fewer course sections in Spring 2002 compared to Spring 2001 and average section size increased in undergraduate, graduate, and professional courses as a result of the recent budget reductions. In Summer 2002, the University offered 127 fewer course sections compared to Summer 2001. This trend will continue into Fall 2002 as the University tries to find a way to teach more students with fewer faculty.

The academic cuts hit faculty budgets exceptionally hard despite efforts to protect collegiate budgets. The majority of collegiate general fund budgets are dedicated to faculty compensation.

The following table highlights Fall 2001 student and faculty FTE at peer institutions with the full array of professional schools (including medicine). Those institutions with lower student-to-faculty ratios are typically ranked ahead of the University of Iowa in national surveys. Those with higher student-to-faculty ratios are typically ranked below University of Iowa in the same national surveys.

Institution	Student FTE	Faculty FTE	Student-to-Faculty FTE
UCLA	36,418	4,328	8.4:1
Michigan	36,061	4,236	8.5:1
North Carolina	22,688	2,479	9.2:1
Wisconsin	37,718	3,253	11.6:1
Iowa	24,697	2,137	11.6:1
Ohio State	43,112	3,397	12.7:1
Minnesota	36,818	2,839	13.0:1
Arizona	31,146	2,181	14.3:1

The new lines would be added to help restore degree options for undergraduate students. Currently, a number of colleges and departments are restricting access to their programs of study because of a lack of faculty resources. Entrance requirements have been raised in Business, Education, Nursing, and several departments in Liberal Arts to deal with an imbalance between student demand and program resources.

Entry restrictions will force qualified students into second and third choice degree options. This, in turn, will impact the University's current efforts to improve career planning and placement services and, ultimately, the University's ability to recruit and retain students.

Without additional faculty resources, the University will likely begin another period of unstable enrollments as students who are initially attracted to it because of the breadth of program offerings learn that actual opportunities are far less than anticipated.

Expand College
 Transition -
 \$500,000

The University of Iowa piloted a first-year experience course for freshmen last fall that enrolled 140 students in 7 sections. The purpose is to provide an opportunity for new students to come together in small faculty or staff-led classes to learn about the University and to discover how to get the most out of their university experience.

The course was directed and staffed collaboratively by the Academic Advising Center and Orientation Services. Top universities have developed first-year courses such as this all across the nation.

In Fall 2002, the University has enrolled 480 students in 24 sections. The syllabus includes topics spanning academic success, goal setting, library resources, financial management, career planning, integrity, diversity, and alcohol/drug awareness.

Public Health
Initiative -
\$2,272,000

The University would like to expand The College Transition course to all new students who want to take it. Moving from the present 480 students to 2,000 or more would require a major commitment of resources for administering the course and staffing the classes (approximately 100 sections).

Although the Public Health Initiative was established to respond to a recognized need for improved public health practice throughout Iowa, especially in rural Iowa, it was developed within the context of the University's strategic plan. The initiative focuses primarily on three of the University's goals: premier graduate and professional programs, distinguished research and scholarship, and interdisciplinary interaction. The initiative provides the concentration of public health education, research, and service to improve and maintain the health of Iowans.

Meeting the needs and improving the health of Iowans is clearly a statewide priority. Healthy Iowans 2010, a comprehensive statewide strategic plan, addresses health disparities, needs, and action steps to guide the state in improving health. The Public Health Initiative provides a concentrated approach for improving and maintaining the health of Iowans.

The Public Health Initiative has three components: 1) development of the College of Public Health, 2) advancement of the Health and Independence of Elderly Iowans Program; and 3) cost-sharing funds for the Iowa Cancer Registry.

College of Public Health

Founded in July 1999, the College of Public Health possesses a strong tradition of education, research, and service in dealing with public health needs in Iowa and the Midwest. The College's mission is to promote health and prevent injury and illness through commitment to education and training, excellence in research, innovation in policy development, and devotion to public health practice. This College was the first new college established at the University in over 50 years.

The College has made substantial progress on implementation of the several new functions, including the completion of its five-year strategic plan, the initial development of the new Master of Public Health (MPH) degrees and a Certificate of Public Health. It has recruited faculty and staff and acquired equipment to offer distance learning MPH core courses and the Certificate of Public Health. The Center for Public Health Practice and the Center for Public Health Statistics have been established. These centers form the outreach program to the public health constituents and state agencies. Their further development is essential to better serve the public health needs of rural Iowans and local communities.

Health and Independence of Elderly Iowans—Center on Aging

The Health and Independence of Elderly Iowans program FY 2000 and FY 2001 allocation allowed core staffing for the Center on Aging. With this funding, the Center on Aging has accomplished the following:

- Worked to identify, inform and connect over 290 SUI faculty and professional staff with aging-related research, education and/or clinical activities;
- Implemented an active public policy and outreach effort;
- Assisted in coordinating academic programs and education opportunities in aging, including the MPH in aging studies;
- Conducted a population needs analysis for the Department of Elder Affairs;
- Helped develop numerous grant proposals to assist many disciplines acquire national recognition and funding; and
- Served as a resource for state organizations.

The Center has worked closely with the Iowa Departments of Inspection and Appeals, Elder Affairs, Corrections and the Iowa Finance Authority and the Iowa Partners for Long-Term Care in policy and program development, personnel training, and innovative service delivery to the aged residing in rural areas. However, much more needs to be accomplished in light of Iowa's continually increasing elder population.

Iowa Cancer Registry

The Iowa Cancer Registry most recent contract with the National Cancer Institute (NCI) requires 20% cost sharing as a part of renewing the next seven-year contract. Renewal of this contract will bring \$29 million in NCI funding to the University over the next seven-year period.

The Registry's data collection, evaluation, and reporting provide researchers and public health officials with unique information to support other studies and service programs addressing the cancer experience of the people in the state of Iowa. The Registry is a valuable and unique resource for the University and the State of Iowa. Additional funding is necessary to ensure the Registry has sufficient financial support to meet the NCI match requirement and to maintain core Registry activities that are complete, timely, and of high quality.

Funding

Additional state appropriations will allow the College of Public Health, the Health and Independence of Elderly Iowans, and the Iowa Cancer Registry to:

- Provide additional core faculty for each of the 5 departments to meet accreditation requirements and the goals and objectives of the College of Public Health strategic plan.
- Continue to implement MPH sub-tracks, focus areas, and dual degrees with several colleges at the University of Iowa, Iowa State University, and the University of Northern Iowa.

- Implement the statewide distance learning MPH and Certificate of Public Health.
- Continue the statewide College of Public Health outreach and education program through the Center for Public Health Practice, Center for Public Health Statistics, and the cooperative agreement with the Iowa Department of Public Health.
- Recruit a permanent director for the Center on Aging to lead its public policy and outreach, research, education, and clinical components; collaborate with the College of Public Health to further develop the MPH in Aging Studies; and position the Center to compete for external research funding.
- Meet the National Cancer Institute match requirement and maintain core Cancer Registry activities and the \$29 million in federal support.

Economic
Development -
\$406,000

The FY 2003 economic development appropriations were combined into one appropriation. This appropriation includes funding for the Center for Advanced Drug Development, the Oakdale Research Park, and the Technology Innovation Center. These appropriation units experienced reductions as follows:

- During FY 2002, these units experienced reductions of \$71,861 (11.7%) in state appropriations.
- For FY 2003, state appropriations were further reduced by \$321,908 (57.3%).

Center for Advanced Drug Development

CADD works with the Division of Pharmaceutical Service and the University of Iowa College of Pharmacy to offer special capacity to produce, under contract, limited quantities of new medicines under FDA approval. The Center addresses a crucial economic need to shorten the lead-time between new pharmaceutical discoveries in the laboratory and their commercialization in the market place.

The requested support of \$146,000 for FY 2004 will restore core support for the Center's activities and accommodate a staff of 20 FTE and enable activities to focus on continuation of developing wider services.

Oakdale Research Park/Technology Innovation Center

The Oakdale Research Park represents a substantial commitment by the State and the University to further sustained interaction with business. It offers leased building sites and space to corporations engaged in research and development and related production and marketing activities.

The Technology Innovation Center (TIC) is a business incubator for start-up companies, that offer new technology-based business ventures a nurturing business environment that includes cost-effective laboratory and office space, shared equipment and services and access to relevant University research expertise and resources.

This FY2004 budget increase of \$260,000 will allow the Oakdale Research Park (ORP) and the Technology Innovation Center to meet their chartered missions and, accordingly, will allow the University to maintain the programs.

Opening New
Buildings - \$322,000

Funding is requested for the cost of operating the following buildings scheduled to open in FY 2004.

<u>Building</u>	<u>Gross Square Feet</u>	<u>Estimated Opening Date</u>	<u>FY2004 Request</u>
Blank Honors Center	58,700	9/01/03	\$312,000
Dey House Addition	8,560	5/01/04	10,000

Blank Honors Center

The Blank Honors Center will house the Belin-Blank International Center for Gifted Education and Talent Development and the University of Iowa Honors program. By bringing these two programs together, the University will become the first school in the nation to offer programs, services and support for academically gifted students all the way from kindergarten through college. The majority of the funding for the Blank Honors Center was provided from gifts to the University.

Dey House

The Dey House is the home of the University of Iowa Program in Creative Writing, known around the world as the Iowa Writers' Workshop. The Dey House is an 1857 residential structure located just southwest of the President's residence on a bluff overlooking the Iowa River. The new two-story addition will house classrooms, faculty offices and additional space for graduate students. The new structure will also contain a resource room and a common area that will be utilized for readings by students, faculty and visiting writers. Funding for the Dey House was provided from gifts to the University.

**ATTACHMENT B
FY 2004 Appropriations Requests
Iowa State University**

	<u>FY 2003 Budget</u>	<u>FY 2003 Direct State Appropriations</u>	<u>FY 2004 Incremental Strategic Investments</u>
General University	\$340,511,547	\$183,134,521	\$3,500,000*
Experiment Station	36,842,821	32,712,448	*
Cooperative Extension	29,220,676	20,815,676	*
Special Purpose**	<u>3,146,558</u>	<u>3,146,558</u>	<u>500,000*</u>
Total	\$409,721,602	\$239,809,203	\$4,000,000

* Does not include an amount for the salary funding request.

**Includes Economic Development.

Incremental FY 2004 Appropriations Requests

<u>Initiative</u>	
Rebuilding the Ranks of Faculty	3,500,000
Economic Development	<u>500,000</u>
Total	\$4,000,000

Rebuilding the Ranks of Faculty - \$3,500,000

Iowa State University is requesting funding for approximately 43 new faculty positions. A series of significant budget reductions have forced the elimination of many faculty positions during a time when the university has experienced record undergraduate enrollments.

The number of tenured and tenure track faculty has decreased by 9% while the total enrollment of the university has increased 9% between the fall of 1993 and the fall of 2002 as illustrated in the following table. Consequently, the student-to-faculty ratio continues to climb resulting in larger class sizes and reduced course offerings for undergraduate students, both of which compromise the quality of the University's instructional programs.

FALL TERM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002*
Total FTE Students	23,211	22,732	22,476	22,744	23,125	23,248	23,680	24,368	25,271	25,300
Total FTE Tenured & Tenure Eligible Faculty	1,429	1,427	1,413	1,405	1,405	1,392	1,376	1,377	1,351	1,300
Student to Faculty Ratio	16.2	15.9	15.9	16.2	16.5	16.7	17.2	17.7	18.7	19.5

* Estimated

The University's five-year goal is to achieve a student to faculty ratio of 17:1. The student to faculty ratio was close to that level in the Fall of 1999.

Since that time, the ratio increased to 18.7 (Fall 2001) and is projected to increase to 19.5 (Fall 2002). Budget cuts have forced the elimination of faculty positions, resulting in fewer course offerings and larger course sections. In the last five years, the number of undergraduate courses with enrollments of 50 to 100 has increased by 43% and the number of undergraduate courses with more than 100 students has increased by almost 30%.

Bringing the University back to a 17:1 ratio would require the addition of 188 new faculty members. The University could reduce the sizes of undergraduate courses and increase the range and frequency of undergraduate course offerings. The University must make progress toward this goal in FY 2004 or risk damage to the quality of its undergraduate instructional programs.

Economic
Development -
\$500,000

The FY 2003 economic development appropriations were combined into one appropriation. This appropriation includes funding for the Institute for Physical Research and Technology, Small Business Development Center, and the Research Park. These appropriation units experienced reductions as follows:

- During FY 2002, these units experienced reductions of \$702,032 (11.5%) in state appropriations.
- For FY 2003, state appropriations were further reduced by \$3.2 million (57.8%).

This loss of funding has severely impaired the ability of these units to stimulate economic growth and support new businesses. The cuts have forced program elimination, reduction of services, and reduction of workforce.

Funding would be used to repair a small part of the damage caused by significant appropriation reductions to those programs that foster and aid in the development of new business ventures. That process starts with the creation of intellectual property, which attracts existing companies and creates the possibility of new companies. Technical and business advice, and a full complement of physical, financial and human resources are needed to move an idea to a reality that fuels the economy.

A brief description of each unit is included below.

Institute for Physical Research and Technology (IPRT)

IPRT is a consortium of world-class research centers and industrial outreach programs. It includes such renowned centers as the Virtual Reality Applications Center, the Center for Nondestructive Evaluation, and the Ames Laboratory. In FY 2002, IPRT leveraged the \$4 million it received in state appropriation to bring \$7.5 million in new federal funds to the State of Iowa.

These centers also aid economic development through the creation of spin-off companies and by aiding Iowa companies to be at the cutting edge in their respective technologies. IPRT also operates three major industrial outreach programs that provide vital technical assistance to Iowa companies.

Small Business Development Center (SBDC)

The Small Business Development Center consists of 17 centers covering ninety-nine counties in Iowa. These Centers have served for over 18 years as the resource, the mentor, and the solution for thousands of business owners in the state. Each of these SBDC offices subcontracts with other universities, community colleges, chambers of commerce, and other institutions to provide a network of over 700 full service assistance centers to the small business community.

The SBDC conducts research, counsels, and trains business people in management, financing, and operating small businesses, and provides comprehensive information services and access to experts in a variety of fields.

In FY 2002, SBDC leveraged the \$1.1 million it received in state appropriation to bring in over \$2 million in federal, foundation, and private funds to benefit Iowa businesses.

Iowa State University Research Park (ISURP)

The ISU Research Park is a technology community and an incubator of new and expanding businesses. It provides a material and human-resource rich environment for technology-based firms and research organizations. The Research Park also helps young Iowa-based companies develop their potential and nurtures scientific and technological entrepreneurial ventures.

**ATTACHMENT C
FY 2004 Appropriations Requests
University of Northern Iowa**

	FY2003 <u>Budget</u>	FY 2003 Direct State <u>Appropriations*</u>	FY 2004 Incremental Strategic <u>Investments*</u>
General University	\$132,961,102	\$82,228,033	\$2,000,000*
Recycling and Reuse	217,290	217,290	*
Economic Development**	<u>370,555</u>	<u>370,555</u>	*
Total	\$133,548,947	\$82,815,878	\$2,000,000

*Does not include an amount for the salary funding request.
**Includes the Institute for Decision Making and Metal Casting Center

Educational
Excellence -
\$2,000,000

Improving Student-Teacher Ratios, Class Size, and Graduation Rates

The University of Northern Iowa is proposing to create 34 new faculty positions in high demand areas with these requested resources. These positions will be allocated based on current needs rather than past reductions. Several years of steady enrollment growth combined with significant base budget reductions have led to declines in institutional performance indicators.

In the past, the University attempted to maintain class sizes by increasing the proportion of courses taught by lower-cost adjunct instructors. The University reported to the Board last year that using adjunct instructors was not a long-term solution. The most recent report on performance indicators shows significant declines in three key indicators:

- Percent of undergraduate student credit hours taught by tenured/tenure track faculty;
- Percent of lower division courses taught by tenured/tenure track faculty; and
- Average undergraduate class size - increased 10% in one year.

Quality education is important not only to the University's students, but to the economic growth of the state that has its basis in the production, dissemination, and application of knowledge. The state will need a citizenry who has the capacity to participate in the knowledge economy.

The performance indicator targets can only be met by increasing the number of full-time, tenure-track instructors or by reducing the size of the University.

In contrast to part-time faculty, full-time faculty provide:

- Student advising or mentoring;
- Supervision of experiential learning, independent study, or reading courses;
- Service on departmental and university committees that contribute to the governance and operation of the institution;
- Creation of new knowledge through scholarship and creative activity, involving students with creative experiences; and
- Instruction in upper division or graduate students.

ATTACHMENT D
FY 2004 Appropriations Requests
Iowa School for the Deaf

	<u>FY 2003 Budget</u>	<u>FY 2003 Direct State Appropriations</u>	<u>FY 2004 Incremental Strategic Investments*</u>
Iowa School for the Deaf	\$8,559,913	\$7,943,985	\$300,000*

*Does not include an amount for the salary funding request.

Education Director -
\$100,000

Comprehensive and appropriate educational programs and services are key components of the School's mission and strategic plan.

The Iowa School for the Deaf has operated without a Director of Education during the past year due to the budget shortfall. Funding to reclaim this position is imperative to the core mission of the School. This position oversees:

- Development of each student's Individual Education Program;
- Development of the curriculum; and
- Principals of the Elementary, Middle, and High School programs.

These duties are currently being covered by the Superintendent, which does not allow adequate time for in-depth educational planning or appropriate oversight of middle level administrative staff, and oversight of assessments of educational activities for the students. It is particularly important to fund and fill this position, in light of the transition that will take place when the current Superintendent retires.

Recreation Complex
Programming and
Operations -
\$200,000

The Iowa School for the Deaf Recreation Building was completed in July of 2002. With its completion, it is necessary to fund new expenses associated with the opening. This request provides funding for three staff positions, program operations, utility costs, and will support:

- Routine scheduling and maintenance;
- Program development for deaf and hard of hearing students;
- Enhanced building utilization for various constituencies;
- Educational and residential programs for ISD students;
- A venue for special interest groups such as the National Deaf Athletic Association;
- Expanded regional deaf sports activities for deaf youngsters; and
- Building programming to further integrate the general population with the deaf community.

This is the first new building at the Iowa School for the Deaf in decades. The project was funded with state capital appropriations and with private gifts from an aggressive School-led fund raising campaign.

Without support, the building use will have to be limited and programs will have to be discontinued. Two positions, Program Coordinator and Housekeeping are currently being temporarily funded through a one-time reallocation of resources, such as from lower utility costs.

ATTACHMENT E
FY 2004 Appropriations Requests
Iowa Braille and Sight Saving School

	<u>FY 2003 Budget</u>	<u>FY 2003 Direct State Appropriations</u>	<u>FY 2004 Incremental Strategic Investments*</u>
Iowa Braille and Sight Saving School	\$4,776,425	\$4,446,059	\$175,000*

*Does not include an amount for the salary funding request.

**Restore Summer
 Services - \$175,000**

With the recent budget reductions, services at the Iowa Braille and Sight Saving School have been seriously disrupted. Over the past few years, the School has undergone substantial reorganization and internal reallocations to better serve the visually impaired and blind children of Iowa.

The School continues to serve students needing comprehensive services on campus through its center-based residential program. However, since the majority of visually-impaired students attend their local public schools, a strong Outreach Services program had been provided to students when individual education plan teams determined that placement in the local school offered a particular student the best opportunity to learn and grow. These outreach initiatives had been funded through internal reallocations.

The most recent budget reductions forced the School to eliminate the Summer School program for FY 2003. The FY 2004 operating budget request would restore the Summer School program back to a full eight weeks of services including a mini camp.

This program provides significant opportunities for students who don't normally attend the IBSSS to learn those additional skills required for independence---skills not always provided by their local schools.

The Summer School program has become a very popular activity for many Iowa families. During the summer of 2001, around 110 families were served through the school's many summer program offerings.

ATTACHMENT F
Statutory Provisions

Priority Setting

Iowa Code §8.23 requires that each department (institution) develop modified budgets by assuming that base appropriations of the current fiscal year will be reduced by 25%.

To develop the base appropriations budgets for FY 2004, the institutions must identify, for approval by the Board, a series of priority decision packages to build back the 25% reduction to the FY 2003 base level appropriations.

Each institution has identified the specific programs and services which would be curtailed if the base appropriation budgets were reduced by 25% and has established priorities for restoring each unit to the FY 2003 appropriation level.

The restoration of the \$25 million in salary funding, although not part of the 25% restoration per DOM instructions, has been included as additional restoration packages.

FY 2004 Budget
Requests by
Strategic Plan

During the 2001 session, the General Assembly passed and the Governor signed the Accountable Government Act. This bill mandates that the appropriation estimates required by law be based on achieving goals contained in the agency's strategic plan. It further requires that requested appropriations be accompanied by an explanation of the manner in which the requested funds will assist the agency in meeting the goals contained in the strategic plans.

The Regent institutions incorporated their respective strategic planning goals into the development of the required budget format for FY 2004 to be submitted to the Department of Management.

The FY 2004 budget requests are based on Board approved strategic plans; identify specific institutional goals, programs, and performance measures; and allocate all funding sources among them.

Priorities for Restoring Base Operating Appropriations

University of Iowa

General University	1	Instructional program for on-campus students.	\$13,973,367
	2	Academic support for libraries, computing services, and audiovisual services.	16,774,812
	3	Student services for counseling, academic advising, and placement services.	5,031,791
	4	Institutional support for administration of instruction, research, and public service programs, including affirmative action, general management, financial coordination, planning, and various administrative services.	10,246,602
	5	Plant operations and maintenance services such as building maintenance, remodeling, and custodial services.	6,551,373
	6	Public service (outreach) for continuing education programs.	3,001,926
	7	Continuation of FY 2003 Salary Funding	10,103,619
UIHC	1	County quota allocations for services and admissions of indigent patients. (Phased in three parts.)	7,039,977
	2	Continuation of FY 2003 Salary Funding	673,610
Psychiatric Hospital	1	Funding for inpatient admissions, patient days, hospital service programs, and supplies. (Phased in three parts.)	1,800,550
	2	Continuation of FY 2003 Salary Funding	240,687
Center for Disabilities and Development	1	Funding for staff positions supporting the care of children as well as professional and support services. (Phased in three parts.)	1,614,982
	2	Continuation of FY 2003 Salary Funding	264,575
Oakdale Campus	1	Funding for transportation between the Oakdale and main campus; supplies and services in housekeeping, administration, business affairs, services, and plant operations and maintenance, equipment and building renewal, and personnel services. (Phased in four parts.)	682,018
	2	Continuation of FY 2003 Salary Funding	80,117
Hygienic Laboratory	1	Environmental monitoring, public health microbiology, statewide computer services, and public programs. (Phased in three parts.)	954,831
	2	Continuation of FY 2003 Salary Funding	199,065
Family Practice Program	1	Funding for faculty to maintain community based physician training programs and teaching visits to training sites. (Phased in two parts.)	530,771
	2	Continuation of FY 2003 Salary Funding	70,714
SCHS	1	Direct patient care services, primary education for physicians and nurses, monitoring of services to children, and monitoring of local health care providers for children. (Phased in three parts.)	157,144
	2	Continuation of FY 2003 Salary Funding	57,338
Economic Development	1	Funding for Advanced Drug Development position	26,743
	2	Funding for Oakdale Research Park position	22,530
	3	Funding for Technology Innovation Center position	10,591
	4	Continuation of FY 2003 Salary Funding	13,882

Priorities for Restoring Base Operating Appropriations

Iowa State University

General University	1	Academic and nonacademic staff, equipment and services for teaching, research, and outreach.	\$17,558,821
	2	Academic and nonacademic staff, financial aid, equipment and services for instruction and research, library acquisitions, and student financial aid.	12,291,174
	3	Instructional programs, student services, research, graduate education, outreach programs, faculty and staff development, equipment, and building repairs.	14,047,056
	4	Continuation of FY 2003 Salary Funding.	7,546,315
Agriculture and Home Economics Experiment Station	1	Research programs for a number of departments and continuing of operations at outlying research farms.	3,187,403
	2	Research programs, funds for continuing outlying research farms, supplies and services.	2,231,183
	3	Food Safety/biosecurity and animal genomics programs.	2,549,922
	4	Continuation of FY 2003 Salary Funding.	838,416
Cooperative Extension Service	1	Staff positions, one-on-one counseling with livestock producers, and various research and demonstration programs.	2,022,539
	2	Youth and family development and resource management.	1,328,478
	3	Revitalizing Rural Iowa program.	876,562
	4	Environmental management of natural resources for sustainable agriculture and communities.	460,900
	5	Nutrition, diet, and health program.	346,565
	6	Continuation of FY 2003 Salary Funding.	675,501
Economic Development	1	Funding for outreach programs including Iowa Physical Research and Development (IPRT) positions, support and equipment, Small Business Development Center (SBDC) regional centers, and Research Park support for client services.	232,572
	2	Research and development projects for IPRT, SBDC regional centers, and Research Park client services.	186,057
	3	Technical Development Projects, full support of SBDC regional centers, and Research Park full client services for start-up companies.	162,802
	4	Continuation of FY 2003 Salary Funding.	98,445

Priorities for Restoring Base Operating Appropriations

University of Northern Iowa

General University	1	Instructional program.	\$7,360,410
	2	Academic support for academic advising, library placement, student financial aid, student counseling, and wellness, and recreation.	5,924,336
	3	Physical plant and institutional support for maintenance, facilities planning, public safety, custodial services, grounds services, operations and maintenance.	6,362,508
	4	Continuation of FY 2003 Salary Funding.	3,639,018
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Recycling and Reuse Center	1	Funding for staff.	53,547
	2	Continuation of FY 2003 Salary Funding.	3,102
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Economic Development	1	Funding for staff.	86,063
	2	Continuation of FY 2003 Salary Funding.	26,303

Iowa School for the Deaf

1	Elementary school program and funding for utilities, food products, and supplies.	\$1,308,697
2	Utilities, building repairs, and maintenance.	230,946
3	Instructional and academic support staff.	384,911
4	Continuation of FY 2003 Salary Funding.	245,767

Iowa Braille & Sight Saving School

1	Personnel, professional supplies and services, building repair, library, and equipment.	\$358,437
2	Personnel, supplies, and services.	475,821
3	Personnel, supplies, and building repair.	244,406
4	Continuation of FY 2003 Salary Funding.	131,401

Board Office

1	Board of Regents support staff.	\$287,061
2	Continuation of FY 2003 Salary Funding.	41,908