

THE UNIVERSITY OF IOWA

General Education Fund FY 2011 Final Budget

The FY 2011 General Education Fund (GEF) budget has been developed based on the most current information available regarding revenue projections and an expenditure plan guided by *The Iowa Promise*. In addition, six strategic task forces were formed during the spring of 2009 to offer recommendations that would shape the academic direction of the University. The task forces' recommendations were an integral part of the FY 2011 budget planning process.

In addition the following principles were also used as decisions on reductions and investment were contemplated:

- Protect personnel
- Protect quality
- Protect affordable access for Iowa students

All other University of Iowa budgets have been developed simultaneous with the General Education Fund budget and under similar and in most instances identical policies and budget guidelines.

GENERAL EDUCATION FUND

A. REVENUE

\$ 577.0 million	FY 2010 Original GEF Base Budget
\$(13.8) million	State Appropriation Reduction
\$ 25.2 million	Tuition
\$ 2.2 million	Facilities and Administrative Cost Reimbursement
<u>\$ 1.0 million</u>	Interest Income
\$ 14.6 million	Net Revenue Increase
\$ 591.6 million	FY 2011 GEF Budget

Appropriations

The University's base General Education Fund support from appropriations in FY 2010 was \$235.5 million or 40.8% of the University of Iowa's General Education Fund. Among the Regent institutions the University of Iowa's appropriation base was

46.7% of the total general education fund appropriations provided to all three Regent institutions.

The University's General Education Fund state appropriation was reduced by a net \$9.9 million during the current year (FY 2010). This includes a supplemental appropriation of \$14.4 million. Current plans for using the supplemental appropriation funds include the return of the \$100 tuition surcharge to students (effective mid-April) and investing the remaining funds in a series of projects that would produce long-term benefits and savings to the University. Some of these projects include student success and faculty development, safety and security, energy conservation, active learning classrooms, and razing to antiquated Oakdale Hall.

While it is intended that the supplemental appropriation be spent or encumbered in FY 2010, decisions on carry forwards will need to be made later in the fiscal year.

Based on the appropriation legislation recently passed by the General Assembly, the University's General Education Fund FY 2011 appropriation of \$221.7 million will be 5.8% (\$13.8 million) less than the original FY 2010 appropriation. It should be noted that \$4.1 million of the FY2011 appropriation will be funded from the Iowa Comprehensive Petroleum Underground Storage Tank Fund.

Tuition

Information through April 2010 indicates that FY 2010 tuition revenue will be approximately \$2.5 million above the original budget (\$296 million). A revised FY 2010 budget reflecting this expected revenue increase, other revenue increases and the reduction in state appropriations was provided to the Board at its April 2010 meeting.

In February 2010, the Board of Regents approved tuition increases for FY 2011 of 6.0% for all resident and non-resident undergraduates, graduate and professional students. Approximately 100 additional freshman students are anticipated next year and a slightly higher mix of non-resident verses resident students. The University is projecting \$19.1 million in new tuition revenue prior to offsets for student financial aid.

The interdependence of the University's tuition revenue from enrollment increases and concomitant enrollment demands for academic and student support services is fundamental to the budgeting process and accounted for within this budget.

In addition to the base tuition increases, the Board also approved professional school and upper division undergraduate tuition supplements. These supplements will yield approximately \$3.6 million in FY 2011 for corresponding programmatic improvements and for funding student financial aid.

Facilities and Administrative Cost Reimbursement (Indirect Cost Recoveries)

Information through April 2010 indicates FY 2010 indirect cost recoveries in the General Education Fund will be \$4.2 million higher than the FY 2010 budget (\$44.9 million). A complicating factor in projecting indirect cost recoveries is the application of substantial, one-time federal ARRA awards. These awards are expected to impact FY 2010-2012.

The University's on-campus indirect cost rate will be 50.0% during FY 2011. For FY 2011, the University is currently estimating a 5% increase (\$2.2 million) above the FY 2010 budget. The impact of a large number of supplemental research grant opportunities through NIH and NSF stimulus funding (ARRA) is uncertain and therefore only partially factored into this budget. As more is known throughout FY 2011, the University will make projections of the indirect cost recovery impact as well as the concomitant cost of research administration and compliance activities.

Interest Income

Information through April 2010 indicates FY 2010 interest income will be \$3.3 million higher than the very suppressed FY 2010 budget (\$0.5 million). This increase is due to higher than anticipated interest earnings during FY 2010 derived from a substantial improvement in the valuation of investments since the financial crisis of 2008-2009.

The University is expecting FY 2011 interest income to stabilize at \$1.5 million annually.

B. REALLOCATION AND COST SAVING MEASURES

The University's FY 2011 reallocation policy was guided by the overall operational plan generally described in this document coupled with final determination of available resources and the need to fund unavoidable and other essential cost increases.

For FY 2011, the University will require a minimum reallocation policy of 1% of the FY 2010 original GEF base. Areas such as student financial aid and library acquisitions will be protected from this reallocation policy.

In addition to the University-wide reallocation policy, the Provost Office will require the colleges to make an additional reallocation. A .5% reallocation by academic units will pay for \$1.5M of collegiate needs that the Office of the Provost (OP) is unable to fund from its budget. They include decanal transition needs (salary of former dean returning to the faculty; resources for new dean) and other prior commitments made by OP to colleges. These funds will be reallocated within academic units and will continue to support the academic mission.

C. EXPENDITURES

SALARY POLICIES AND FRINGE BENEFITS

The University will honor all collective bargaining agreements and fringe benefits will be charged in accord with the federally approved rate structures of the University. The average GEF budget cost for merit increases in FY 2011 will be 3.81%.

The salary policy for faculty and non-bargaining professional and scientific staff is stated below and will be based on the revenue and reallocation assumptions above.

An overall average budget allocation increase for non-bargaining faculty and staff will be distributed differentially to individuals based upon performance. The policy will provide collegiate and other major units latitude in establishing average salary policies within a range regardless of source of funds. This permits units with differential funding models and supplemental reallocations to resolve comparable worth/pay equity concerns, compression problems, market adjustments or other special needs.

Faculty

For FY 2011, funds equal to 2% of faculty salaries plus fringe benefits will be allocated to General Education Fund supported collegiate units. The University-wide average faculty increase is expected to be approximately 2%. Average faculty salary increases for individual collegiate units are expected to be between 1% and 4%. Colleges will have latitude in faculty pay adjustments based upon individual circumstances of the college, but the average increase for the college must fall within the range cited above.

The University proposes that units be allowed to provide on a case-by-case basis promotional increases (e.g. assistant to associate professor), as well as meet counter offers, equity matters, and acute compression issues.

In addition, Colleges which have plans allowing variable, non-recurring compensation to faculty based on productivity will continue to be authorized to do so in FY 2011. Four SU1 colleges currently have such compensation plans, and they include:

College of Medicine: The College will apply the variable compensation plans approved by the Board of Regents. The College of Medicine has three types of variable compensation plans applicable to its faculty:

- University of Iowa Physicians Practice Plan (UIP)
- Basic Science Incentive Plan
- UI Health Care Senior Leadership Incentive Program

College of Dentistry: The College of Dentistry will apply the policy previously approved by the Board of Regents for salary supported through the College of Dentistry Contingency Compensation Plan. The College of Dentistry has two types of variable compensation plans applicable to its faculty:

- Department of Oral & Maxillofacial Surgery Clinic
- Other Clinic Departments

College of Pharmacy: The College of Pharmacy will apply the policy previously approved by the Board of Regents for salary supported through the College of Pharmacy Incentive Pay Plan.

College of Nursing: The College of Nursing will apply the policy previously approved by the Board of Regents for salary supported through the College of Nursing Faculty Practice Plan.

Non-Bargaining Professional and Scientific (P&S) Staff

The University of Iowa has 7,300 (FTE) professional and scientific (P&S) staff of which 2,350 are covered under the SEIU bargaining agreement.

Funds equal to 2.0% of non-bargaining P&S staff salaries plus fringe benefits will be allocated to General Education Fund supported budgetary units. The average salary increase policy for non-bargaining P&S staff salaries for each college, vice presidential unit, and other major administrative unit will be between 2.0% and 4.0%, regardless of source of funds.

The University also proposes that units be allowed to provide on a case-by-case basis reclassification increases, equity and acute market adjustments and counter offers.

The University will continue to utilize the exceptional performance pay policy approved by the Board in 2006 for non-bargaining P&S staff; and, it will be both selective and reflective of the University's economic circumstances. Achievements recognized by the awards include activities such as completion of a major project, sustained exceptional performance, outstanding productivity and revenue generation. This is entirely non-recurring compensation.

Collective Bargaining Units

The University will fully implement the terms and attendant costs of all collective bargaining agreements which are specified in the "Unavoidable or Essential Cost Increases" section of this report.

Salary and wage costs for FY 2011 in percentage increase terms for each of the relevant agreements are as follows:

	<u>FTE</u>	<u>General Fund</u>	<u>FTE</u>	<u>Total UI</u>
AFSCME/Merit	1,050	3.81%	4,700	4.48%
COGS (graduate assistants) ⁽¹⁾	1,380	0.00%	2,530	0.00%
SEIU (health care workers)	-	-	2,350	2.83%

(1) Does not include scholarship increases designed to fund 100% of tuition costs. FTE for graduate assistants is defined as 50% time (HTE).

Fringe Benefit Rates

In March 2010, the University completed negotiations with the Federal Department of Health and Human Services which established the FY 2011 fringe benefit rates for each employee category. This includes a specific, predetermined rate for each of the twelve classes of faculty and staff. The rates have changed from year to year based upon increasing costs and the projection model required by the federal government. FY 2011 fringe benefit rates are as follows:

Clinical Faculty	24.0%
Non-Clinical Faculty	28.0%
Professional & Scientific (incl. merit exempt)	36.0%
SEIU	39.3%
Merit	48.0%
House Staff	9.5%
Graduate Assistants	20.0%
Post Docs	20.0%
Fellowships	8.0%
Temporary	9.4%
Bi-Weekly Students	4.0%
Miscellaneous & Extra Compensation	5.0%

These rates are applied to salaries as they are paid to fund the employer's share of fringe benefit costs. The rates for the University's 4,060 Merit System Staff who bargain collectively are based upon benefits determined by the state through its bargaining process with AFSCME.

UNAVOIDABLE OR ESSENTIAL COST INCREASES

Impact of Fringe Benefit Rate Changes on Salary Base

As cited above, fringe benefit rates for FY 2011 have been negotiated and finalized with the federal government. The effect of changes in fringe benefit rates on the existing General Education Fund compensation base is a net decrease of \$7.1 million. These decreases are attributable to cumulative historic costs of covered benefits, changes in the average salary for employees in each fringe benefit pool, the University's internal charge back system (federally mandated) to recover its payments of fringe benefit costs, and University driven cost saving measures.

In the fall of 2008, following a lengthy review process, the University recommended several changes to its flexible health/dental/life benefit system. The objective was to better control cost increases and to distribute benefits as fairly as possible to individual faculty and staff. The plan began immediately and was to be phased over 3 years. Full implementation of all recommendations will occur on January 1, 2011. Health and dental benefits for AFSCME covered staff are determined by the state and were not included in these changes.

In October 2009, the Board approved the University's recommendation to temporarily reduce employer contributions to each of its Defined Contribution Retirement Plans from November 2009 through June 2011. The projected General Education Fund savings for FY 2011 is \$4.7 million.

The University's fringe benefit plans are divided into three basic groups. AFSCME covered employee's health plans and other benefit plans are governed by the State of Iowa. Organized Graduate Assistants plans are negotiated by the Regents/University with COG's and are distinct from other staff. Health plans and other benefits for Faculty and P&S staff (both SEIU bargained and non-bargained staff) are managed by the University as a single group plan.

Student Financial Aid

For FY 2011, the University will increase student financial aid set-aside by \$8.7 million. This increment includes 17% of the budgeted tuition increase, increases for programs such as National Scholars Awards and Advantage Iowa and contracted scholarship costs increases (\$1.9 million) for Graduate Assistants. The University is committed to meeting its increased financial aid targets for undergraduate lowans with demonstrated financial need.

Student Success Initiatives

One of the University's six strategic task forces was chartered to make recommendations regarding undergraduate education and success. The task force

was asked specifically to create a five-year enrollment management plan which included the following metrics:

- An increase in retention from 83% to 88% by 2016;
- An increase in the six-year graduation rate from 65% to 70%;
- A reduction in time to degree by 5%;
- An increase in our performance on measures of student engagement;
- Increase enrollment of first-year first time undergraduate students by 100 each year through 2014.

These proposals were blended with the University administration's student success initiatives described to the Board in fall of 2009 during discussions of future tuition rates.

In FY 2011, the University will allocate an additional \$2.9 million toward these initiatives. The initiatives include additional first year student seminars, more identification and help for students not succeeding, living-learning opportunities for undergraduates, and the development of more active learning classroom opportunities. One million dollars of this increase will go toward the hiring of tenure/tenure track faculty.

F&A Distribution to Colleges Based Upon Productivity

Beginning in FY 2009, the component of indirect cost recoveries attributable to collegiate and departmental administration within the General Education Fund was assigned to each individual college. Collegiate and departmental administration within the General Education Fund is currently 17.72% of recoveries. This relationship is defined within the approved Facilities and Administrative rate agreement between the University and the HHS Department. Each year, this component of the collegiate allocation adjusts up or down based upon the indirect cost recovery growth derived from a college during the average of the prior three fiscal years.

In FY 2011 this component's increase will be \$0.4 million.

Non-Salary Utility Inflation

General Fund non-salary utility expenses are expected to increase by \$0.8 million. This increase includes the General Fund's share of additional debt service payments for expanded chilled water production capacity serving the campus, energy conservation investments, and general inflationary increases for supplies, services, fuel and purchased electricity.

The University continues to exploit opportunities for reducing purchased fuel costs, decreasing its reliance on coal and reducing the University's carbon footprint by burning renewable fuels. The University's 2007 Energy Plan has established two

aggressive energy objectives for 2013. By July 1, 2013, the University aims to reduce energy consumption by 10% for all owned, major, conditioned facilities and anticipates that 15% of all energy (combination of purchased and self generated) consumed by the University campus will be produced from renewable sources. Renewable energy sources include solar, wind, waste management, resource recovery, refuse-derived fuel, biomass, wood burning, small hydro, and other carbon neutral sources.

Opening New Buildings: Costs to occupy new, improved or reassigned space

The projected cost of utilities, custodial services, information technology and general maintenance for new, improved, or reassigned General Education Fund-supported buildings in FY 2011 are expected to be \$2.5 million. Included in this total are:

Old Music Building	\$ 130,000
Environmental Waste Management Facility	475,000
University Hygienic Lab	524,000
The Iowa Memorial Union-common student and academic department use space	620,000
Chemistry Building	102,000
Campus Recreation and Wellness Center	334,000
2501 Crosspark Road – research space	200,000
Library Storage – leased space	<u>135,500</u>
	\$2,520,500

Building Renewal

The University of Iowa's 2006 Campus Master Plan recognizes that a strong plan for the future builds on the University's commitment to responsible and effective stewardship of today's campus environment. This commitment includes taking a long-term institutional view towards total cost of ownership of its facilities. Achieving this financial model requires a disciplined investment strategy addressing funding for facility renewal. Overall, the University has 16,930,000 square feet of space, of which 7,553,000 is supported by the General Education Fund.

The University's strategic objective affirmed by the Board continues to be attaining annual financial support for facilities renewal equal to 1% of the replacement cost of all General Education Fund-supported buildings. Contributing to this goal is the General Education Fund Building Renewal budget, operations and maintenance budget directed to renewal, State capital appropriations for facilities, State Academic Building Revenue Bonding authorizations and any other central sources of support such as designated gifts and grants. The replacement cost of the University's General Education Fund-supported buildings is now \$3.09 billion (does not reflect damage or partial restoration of flood-damaged facilities).

As total facilities replacement cost continues to rise due to inflation and new buildings/major additions, the financial model must include a future capital renewal

set aside equal to 1.5% of replacement value for each new major addition or building project approved.

Progress toward the 1% goal had been possible over the last several fiscal years, but will not be in FY 2011. Given the substantial decreases in state support during FY 2010 and FY 2011, building renewal will temporarily be reduced by \$2.3 million during FY 2011.

Campus Safety and Security

The commitment to protect students, faculty, staff and visitors remains paramount. To achieve the goal of maintaining a safe campus, the University of Iowa has developed a comprehensive set of policies, processes, protocols, and technologies to address campus security. This follows the Board's adoption of its safety and security policy in FY 2008.

For the past several years, the University has strategically invested in several safety and security initiatives. For example, the University has improved its campus emergency communications and response by installing an immediate telephone and text message delivery system ("Hawk Alert"), erected voice-capable outdoor warning sirens, increased its ability to identify, assess and resolve potentially threatening situations, and expanded its police officer and dispatching coverage. The University has also systematically been adding card access security systems to existing buildings.

In FY 2011, the University will make available \$0.5 million to improve campus security. Additional support is needed to expanded police officer coverage and to extend the centralized building card access systems.

Other

Other unavoidable or essential General Education Fund projected cost increases include the following:

Annualization of FY 2010 Merit Employee Step Increases	\$ 477,000
FY 2011 Merit Employee Contract Costs (including steps)	2,132,000
Professional School and Upper Division Undergraduate Tuition Supplement Commitments	3,022,000
Library Acquisitions	728,000
General Education Fund Insurance Premium Increase	400,000
Various Administrative/Collegiate Support Commitments	148,500

GENERAL EDUCATION FUND SUPPORT FOR ATHLETICS

The University of Iowa's Athletics Department operates as a self-supporting unit. It receives no General Education Fund support and is billed the full cost of University support services.

The FY 2011 budget developed for Athletics will continue to reflect a full assessment to the department for central services costs such as utilities, maintenance, and administration overhead for operations.

D. INITIATIVES

The Iowa Promise: A Strategic Plan for the University of Iowa 2005-2010

Below are the strategies and indicators of progress supported by the FY 2011 budget. Additional details regarding the initiatives, including funding by revenue source, are reported in the attached Form 1B.

Core Salary/Benefit Increases	\$623,000	P&S Salary and Benefits (\$174,000) Merit Staff Salary and Benefits (\$449,000)
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Strategies:

- Recruiting and retaining excellent staff;
- Maintaining competitive compensation for staff;

Indicators of Progress: (Five Year Plan Targets)

- #29 – Monitor competitiveness of P&S staff salaries.
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Additional Investment in Faculty	\$2,552,000	Faculty Salary and Benefits (\$1,052,000) Provost Reallocation (\$1,500,000)
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Strategies:

- Providing nationally competitive faculty salaries;
- Recruiting and retaining excellent faculty;
- Developing methods for identifying programs of emerging distinction that are central to improving the University's stature;
- Identifying, through a University-wide reallocation process, financial resources to support excellence and emerging distinction;
- Identifying opportunities for investment in existing University strengths and extramural funding opportunities;

Indicators of Progress: (Five Year Plan Targets)

- #13 - Increase external funding 2.5% per year;
- #14 - Increase the number of annual external grant applications from 3,041 to 3,200;
- #15 - Increase to 10 the average number of national faculty fellowships and scholarships awarded per year;
- #28 – Increase non-clinical tenured/track faculty salaries to the top third of peer group; increase clinical medicine salaries to the 50th percentile in the AAMC;
- #43 – Increase the number of options and licenses of UI intellectual property from 30 to 75.

Additional Investment in Students	\$14,819,000	Student Financial Aid Set-Aside (\$6,751,000) Professional School Tuition Supplements (\$3,022,000) Grad Asst Salary, Benefits & Scholarships (\$2,026,000) Undergraduate Initiatives (\$2,900,000) AGEP program – graduate education (\$120,000)
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Strategies:

- Providing access through an appropriate blend of merit and need-based financial aid and by increasing the amount of aid available;
- Providing competitive financial support for graduate scholars and professional students;
- Improving access and opportunity for underrepresented students and students of disadvantaged socioeconomic status by increasing scholarships while decreasing reliance on loans;
- Introducing students to the process by which research, scholarship, and creative work are produced and enabling their participation in that process, which is the key “value added” of a comprehensive research university;
- Developing more freshman seminars, honors courses, and other small class venues where students can interact with tenured faculty;
- Strengthening the honors program and other opportunities for high-achieving students;
- Promoting their facility for critical thinking, writing, and other communication skills, creative endeavor, and the use of information technology;
- Providing them with opportunities to develop leadership and teamwork skills and an understanding of business and other organizations;
- Continuing efforts to internationalize the educational experience;
- Providing curricular and co-curricular opportunities that will enable them to understand and succeed in a multicultural and global community;
- Ensuring the availability and robustness of information technology services and support required for extraordinary and day-to-day research, scholarship, and creative activity;
- Providing competitive financial support for graduate scholars and professional students;
- Educating highly competent and committed health professionals and research scientists for Iowa and beyond.

Indicators of Progress: (Five Year Plan Targets)

- #2 – Increase the one-year retention rate from 83.2% to 86.0%;
- #3 – Increase the six-year graduation rate from 66.2% to 70.0%;
- #8 - Create additional opportunities for students to engage in research, scholarship, and creative work;
- #16 - Increase graduate assistant salary and scholarship levels to the top third of peer group;
- #19 – Increase the racial/ethnic minority student enrollment as a percentage of total enrollment from 8.7% to 10.9%;
- #26 – Increase the undergraduate racial/ethnic minority student first-year retention rate from 79.6% to 85.2%.

**Renewing
Environments
for Learning &
Research**

\$3,254,000

Utility Inflation & Energy Conservation (\$800,000)
Opening New Buildings (\$2,520,500)
Building Renewal and Def. Maint. (-\$2,276,000)
Library Acquisitions Inflation (\$728,000)
Campus Safety & Security (\$500,000)
GEF Insurance Premium Increase (\$400,000)
CA/DA F&A Distribution to Colleges (\$433,000)
Various Administrative/Collegiate Support
Commitments (\$148,500)

Strategies:

- Augmenting support for our research collections, libraries, museums, and information technologies - broadly defined - that are critical to teaching and learning;
- Creating safe environment in which to live, learn, and work.
- Advancing health care and the public's health through excellence in biomedical and population-based research.

Indicators of Progress: (Five Year Plan Targets)

- #13 – Increase external funding 2.5% per years;
- #14 – Increase the number of annual external grant applications from 3,041 to 3,200;
- #15 – Increase to 10 the average number of national faculty fellowships and scholarships awarded per year;
- #30 – Maintain top 15 Association of Research Libraries (ARL) ranking among public research libraries;
- #37 – Reallocate \$1 for every \$2 in new capital appropriations received to address critical deferred maintenance and safety improvement needs;
- #43 – Increase number of options and licenses of UI intellectual property from 30 to 75.

**UNIVERSITY OF IOWA HOSPITALS AND CLINICS
FINAL FY 2011 OPERATING BUDGETS OF THE
UNIVERSITY OF IOWA'S STATEWIDE HEALTH SERVICE UNITS**

STRATEGY

In FY 2011, the strategic focus for the University of Iowa Hospitals and Clinics (UIHC) will continue to center on the offering of a broad spectrum of clinical services to all patients, serving as the primary teaching hospital for the University, and providing a base for innovative research to improve health care.

UI Hospitals and Clinics is committed to providing patient-focused care—available to every person, around the clock—in an environment devoted to innovative care, excellent service, and exceptional outcomes. These three commitments identified in the strategic plan are the key drivers in drafting the FY 2011 operating budgets. Achievement of each commitment will occur by following defined goals, strategies, and tactics.

1) Innovative Care

- Care Delivery - UIHC will be recognized as a state and national leader in developing and implementing new and more efficient health care delivery models that emphasize quality-driven patient experience.
- Clinical Programs – Select UIHC clinical services will be leaders in the state and national market by offering cutting edge clinical services, robust clinical research, and strong training opportunities.

2) Excellent Service

- Patient Satisfaction – Patients and families will be highly satisfied with their entire UIHC experience in all settings.
- Referring Physician Satisfaction – UIHC will be recognized by referring physicians for its efficient and effective support to their patients.
- Staff, Faculty, and Volunteer Engagement – Staff, faculty, and volunteers are valued and engaged in the pursuit of UIHC's vision.

3) Exceptional Outcomes

- Safety – UIHC will provide a continuously improving, safe environment for all patients and staff at all times.
- Clinical Outcomes – UIHC will use a continuous improvement process to achieve exceptional clinical outcomes.

The following are key strategies implemented to achieve UIHC's goals:

- Development and optimization of several key product lines, including Heart & Vascular, Solid Organ Transplant, Neurosciences, Pediatrics and Cancer.
- Initiatives to reduce length of stay
- Begin renovations to expand acute and ICU bed capacity as well as conversion to single patient rooms
- Implementation of process improvement teams in three key areas, surgical throughput, patient access and discharge process.
- Aggressive improvement in labor productivity and effectively flexing to match resources to volumes
- On-going policy of contracting with third-party payors at fair and reasonable rates
- Investment in radiology to increase throughput and provide state-of-the-art technology
- Continued emphasis on revenue cycle and supply chain initiatives
- Use critical modules of the EPIC information technology infrastructure which provide significant enhancements to clinical information, operating room, ICU, and electronic medication systems
- Continued ambulatory service initiatives to increase patient access and physician productivity

CHALLENGES

There are ever-increasing pressures on the healthcare industry to maintain funding sources while keeping operating expenses in check. In FY10 UIHC faced a number of significant challenges. The decline in the economy and the reduction in patient volume and types of cases seen resulted in revenues being significantly less than budget. We also saw changes in payor mix, reductions in Medicaid rates, continued growth of the IowaCare program, increased number of procedures in the outpatient setting rather than the inpatient setting, and some reduction in inpatient case mix index due to the lower volume of surgical inpatient cases. On the expense side there have been assertive efforts to flex down costs in relation to the reduced patient volume levels. These efforts include voluntary vacation giveback, temporary reductions in pay and benefits, flexing staff to volume, early retirement program, continued efforts to reduce length of stay, and the oversight of the hiring board.

The challenges in FY 2011 will be just as great. An average “all-in” salary increase of 3.5 percent is projected for next year. Wage increases continue to be impacted by collective bargaining agreements, market competitive salaries and the associated benefit costs. While we continue to standardize product utilization and implement supply chain savings initiatives, medical and surgical supply costs are estimated to rise 3 percent or more due to price increases and changes in technology. Pharmaceutical cost increases are anticipated in the 7 percent range. Utilities and other administrative services purchased from the University of Iowa will increase 6 percent and 4 percent, respectively. Revenue challenges faced will include the potential impacts of healthcare reform on Medicare payment rates, the continuing challenge related to Iowa Medicaid rates, and the significant change being made to outpatient payment methodology by the dominant managed care payor in the state (to Enhanced Ambulatory Patient Groups – EAPG's).

The State of Iowa has appropriated \$27.3 million with an additional \$49 million available if the \$27.3 million is exhausted for the care of the state's indigent population at the UIHC in FY 2011. The IowaCare appropriation does not provide funding of dental services, pharmaceuticals or durable medical equipment, but UIHC provides these services. While the Iowa Department of Human Services can terminate IowaCare enrollment if funding is exhausted, stopping such a program during the year would prove difficult.

VOLUMES

The University of Iowa Hospitals and Clinics predicts increasing demand for its services as shown in the following chart. Inpatient acute admissions are expected to increase by 2.2 percent and outpatient activity is also anticipated to grow at a 4.7 percent rate in FY 2011. Length of stay is expected to decrease by 0.18 days.

Combined Health Service Units	Actual 2007	Actual 2008	Actual 2009	Projected 2010	Budget 2011
Acute Admissions (excl. newborns)	27,829	29,349	29,942	30,124	30,787
Surgical Cases	21,952	22,592	23,990	25,062	25,980
Clinic Visits	688,078	701,966	742,312	752,231	787,586
Average Length of Stay for Acute	6.55	6.52	6.58	6.30	6.12
Case Mix - All Patients	1.757	1.7722	1.816	1.781	1.760

RATES

Additional net revenues will be required in FY 2011 to meet the 3% operating margin budgeted. These additional net revenues will be achieved through new volumes and a rate increase of 6.0 percent approved by the Board in April to be effective July 1, 2010. Market data indicates that UIHC continues to have lower rate adjustments when compared to academic medical center peers and other Midwest healthcare institutions.

As always, UIHC is concerned with the effect of higher charges on its patient population. A study completed by the University HealthSystem Consortium shows that the impact on insured patients is minimal, with little or no change to deductibles and co-payments. Self-pay patients, who account for fewer than 4 percent of UIHC charges, have limited exposure due to UIHC's discount policy for the medically indigent. The following chart illustrates how increases in rates affect various payor groups:

Rate Increase Impact by Payor:

- Medicare
 - Charges and cost affect DRG and APC rate setting
 - Charges affect new technology rate setting
 - Outlier thresholds and payments are based on charges and cost
 - Coinsurance up to policy maximum
- Medicaid
 - Charges and cost affect DRG and APC rate setting
 - Outlier thresholds and payments are based on charges and cost
- Managed Care
 - Payors with outpatient percent of charge payment provisions
 - Stop-loss thresholds and payments
 - Carve-out arrangements (i.e. high cost drugs, prosthesis, new technology, etc)
 - Coinsurance up to policy maximum
- Commercial Non-Contracted
 - Payment based on charges
 - Coinsurance up to policy maximum
- Self Pay
 - Individuals not otherwise eligible for uncompensated care discount policy

UIHC Policy Guidelines for Uncompensated Care Discount Percentages:

Income Percent of Federal Poverty Guidelines				
	<200%	201%-250%	251%-300%	301%-350%
Patient Balance	Discount Percentages			
> \$50,000	100%	80%	60%	40%
\$40,000 - 50,000	100%	80%	60%	40%
\$30,000 - 39,999	100%	80%	60%	40%
\$20,000 - 29,999	100%	80%	60%	40%
\$0 - \$19,999	100%	60%	40%	20%

**The University of Iowa
OAKDALE CAMPUS
Budget Summary
FY 2011**

\$ 3,538,925

The FY2011 appropriation (\$2,268,925) is \$252,103 (10%) less than the FY2010 original appropriation.

The Oakdale Campus budget outlines the distribution of appropriations and other income components to the University of Iowa for the operation of the Oakdale Campus. Budget decisions were made in accordance with goals and objectives set forth in the University Strategic Plan. The Oakdale Campus budget is designed to provide a working environment to stimulate research and outreach activities on the Oakdale Campus. For example this budget supports significant building and maintenance costs associated with space occupied by the University Hygienic Lab. Other activities on this campus include the Obermann Center for Advance Studies, the Technology Innovation Center and a number of academic and health care-related activities.

INCOME

State appropriations for FY2011 decreased from \$2,521,028 to \$2,268,925 due to the FY2010 10% mid-year reversion of \$252,103. Other income is projected at \$1,270,000 and includes \$1,148,000 in reimbursed indirect costs due to continued success of faculty securing sponsored research on the Oakdale Campus; \$2,000 revenue predicted from interest earnings; and \$120,000 in rental income based on prior year rental income averages. The total Oakdale Campus budgeted revenue is \$3,538,925.

EXPENDITURES

- Salaries:** Salaries and benefits are estimated at \$1,735,392 for FY2011. This includes negotiated step increases for eligible merit employees based on the AFSCME labor contract and P&S cost of living increases for FY2011 and annualized merit step increases from FY2010. Merit position benefits will decrease from 53% to 48% of budgeted salary dollars and P&S benefits will decrease from 38% to 36% of budgeted salary dollars.
- Utilities:** The FY 2011 utility budget will increase slightly to from \$1,468,519 to \$1,468,677. This amount will continue to be supplemented through a General Education Fund subsidy. Oakdale Campus utilities are not provided to the adjacent Oakdale Research Park.
- Supplies:** The supplies budget includes services and materials that are required to maintain an environment to conduct research. In FY2011 the supply budget is \$322,356.
- Equipment:** The equipment budget will remain at \$12,500 in FY2011.
- Building** The building repairs budget was reduced to \$0 in FY2010 and will remain at \$0 for FY 2011.

**The University of Iowa
STATE HYGIENIC LABORATORY
Budget Summary
FY 2011**

\$6,592,369

The FY2011 appropriation (\$3,669,943) is \$407,772 (10%) less than the FY2010 original appropriation.

FY 2011 REVENUE

The state appropriation for FY2011 is projected to be \$3,669,943 and other revenues (reimbursed indirect costs and sales and services) of \$2,922,426 for total budgeted revenue of \$6,592,369. This amount is approximately 29% of the total laboratory FY2010 projected revenues (\$22.6M). At the beginning of FY2010, the Hygienic Laboratory received an appropriation of \$4,077,715. During FY2010, \$425,542 was rescinded from the original appropriation, leaving \$3,652,173 to fund state public and environmental health activities, requiring the Laboratory to use other non-state appropriated funding to support the \$6.6M of state mandated and related public and environmental health activities performed in FY2010. Fee for service charges comprise 56% of total revenue. In FY2010, the State Hygienic Laboratory faced a substantial decrease in fee for service (10.5% or \$1M). Being a service agency to other state agencies such as the Iowa Department of Public Health and the Iowa Department of Natural Resources and local governments, laboratory revenues are directly impacted when the budget cuts occur within other state and local agencies. In FY2010, the laboratory has seen a reduction of our direct funding from other agencies in grants and contracts, reduction in the number of tests or services ordered, requests to change agreements in order to reduce funding or test volume, and additional requests to discount charges in order to allow performance of a specific volume of testing within a reduced budget.

FY 2011 EXPENDITURES

SALARIES: Due to revenue decreases, salaries have been decreased by an average of 5.15%. A reduction in fringe benefit rates has been accounted for. The budget proposes faculty staff salaries of \$65,981, P&S salaries of \$4,200,706 and merit staff salaries of \$1,786,550.

SUPPLIES: The supplies budget includes laboratory supplies and rentals necessary to conduct state mandated laboratory testing. Expenses related to the public health mandate but not covered by the appropriation include over \$232,000 for the influenza response and \$828,674 for the statewide courier and the facility rent for the Ankeny Laboratory. The statewide courier and facility rent for the Ankeny laboratory had previously been approved by the Board of Regents as a state funding request in FY09 but, due to budget cuts, was subsequently not funded.

IMPACT STATEMENT

The Laboratory has and continues to make significant changes in the expense structure as demonstrated by the reduction of over \$380,000 in the FY10 YTD expenses compared to FY09. The laboratory still needs to determine funding sources to sustain the statewide courier and the facility rent for the Ankeny laboratory (\$828,674). The mandated reduction in the state appropriation in FY10 required the Laboratory to reallocate other funding sources to support state related activities, reduce staffing, increase fees and eliminate low volume testing wherever possible. This has also severely reduced the laboratory's surge capacity for natural disaster and outbreak response and any ability to set aside funds for equipment replacement and annual salary increases.

THE UNIVERSITY OF IOWA
Statewide Family Practice Program
Budget Summary
Fiscal Year 2011

\$1,860,628

The FY 2011 appropriation (\$1,855,628) is \$206,181 (10%) less than the FY 2010 original appropriation.

FY 2011 INCOME

The statewide program's appropriation for FY 2011 is \$1,855,628. Non-appropriated income is estimated at \$5,000. Total revenues, therefore, will be \$1,860,628. Eighty percent (80%) of the appropriated funds are scheduled to be spent directly in the UI-affiliated physician training centers consistent with statutory requirements, and 20% of the appropriations (\$371,124) will be spent on University-sponsored activities in support of the community-based training programs. The College of Medicine provides educational, administrative and research support for the community sites.

FY 2011 EXPENDITURES

Salaries budgeted for faculty have increased by 2.86%, and those for professional/scientific (P&S) personnel has been reduced by 6.30%. The salary budget proposed for merit staff is consistent with contractual obligations negotiated by the State.

The amount budgeted for hourly wage employees is \$9,593. Those funds will provide extra compensation to faculty who temporarily leave their regular duties at the University of Iowa to participate as visiting instructors at the community-based training sites through the College's Visiting Professor Program. Funds for that activity were reduced in recent years through the reallocation process in order to sustain faculty and professional positions.

Expenditures for supplies are proposed at \$10,000. The supply budget supports the central office operations, including travel, data processing, disposable supplies and other administrative support expenditures associated with the statewide program.

**THE UNIVERSITY OF IOWA
Primary Care Initiative
Budget Summary
Fiscal Year 2011**

\$673,375

The FY 2011 appropriation (\$673,375) is \$74,820 (10%) less than the FY 2010 original appropriation.

FY 2011 INCOME

The appropriation for the Primary Care Initiative (PCI) for FY 2011 is \$673,375. The University of Iowa Health Sciences Center operates four continuing programs with this appropriation. These initiatives fill important gaps in the state's efforts to educate, retain and track health professionals. Program allocations are: Department of Family Medicine Faculty \$271,159; Regional Medical Education Centers Grant Program \$181,802; Iowa Health Professions Inventory \$117,849; and Rural Physician Support Program \$102,565.

FY 2011 EXPENDITURES

The faculty salaries are for specific Department of Family Medicine faculty and community-based teaching positions. The professional salary lines are University-based positions that provide administrative and technical support for the various programs within the PCI. The funds for hourly wage employees provide support for student research assistants. The supply budget supports travel, data processing, conferences, telecommunications, and educational resources.

**The University of Iowa
STATE OF IOWA CANCER REGISTRY
Budget Summary
FY 2011**

\$154,666

The FY2011 appropriation (\$154,666) is \$17,185 (10%) less than the FY2010 original appropriation.

In 2010, an estimated 6,400 Iowans will die from cancer, 14 times the number caused by auto fatalities. Cancer is becoming the leading cause of death in Iowa. For the years 1973-2006, over 495,609 cancers were diagnosed among Iowans, with more than 204,919 Iowans having died from cancer. In 2010 alone, we expect 16,400 new cancers will be diagnosed among Iowa residents. However, on the positive side, during the past 10 years there has been a measurable reduction in mortality resulting from cancer. These statewide cancer incidence and survival data are available due to the existence of the Iowa Cancer Registry.

Since 1973, the Iowa Cancer Registry has been a member of the National Cancer Institute's Surveillance, Epidemiology and End Results (SEER) Program. There are only 18 state and regional cancer registries throughout the United States that participate in this prestigious program. Iowa represents rural agricultural and Midwestern populations and provides data included in many NCI publications. The objectives of the Registry include: 1) collecting data on each Iowan diagnosed with cancer and reporting these data to the NCI; 2) monitoring annual trends in the incidence of cancer among Iowans and the number of deaths related to cancer; 3) monitoring changes over time in prevalence of cancer, trends in therapy, and survival rates; and 4) promoting and conducting research studies designed to assist with cancer prevention and control.

Cancer is a reportable disease in Iowa, and the Iowa Department of Public Health has designated responsibility for cancer data collection to the Registry. Each year the Registry responds to many requests from Iowans for data, analyses, and cancer cluster investigations. Additionally, Registry staff members participate in community outreach efforts designed to provide useful cancer-related education for citizens in Iowa. The Registry functions as a data resource for local, national and international research. The Registry also serves as the source of data for measuring progress with cancer and measuring the cancer burden for the Iowa Cancer Consortium, a cancer prevention and control group that represents over 50 agencies in Iowa. Cancer Registry data are useful in guiding the planning and evaluation of cancer control programs in Iowa (e.g., determining whether prevention, screening and treatment efforts are making a difference). This knowledge helps in setting priorities for the allocation of health resources.

The existence of the Iowa Cancer Registry allows for the study of the cancer experience of Iowans and focuses national attention and research dollars on this issue. The Iowa Registry is funded primarily through a contract with the NCI, but the contract requires a portion of funding for the Registry be obtained from non-federal sources such as the state of Iowa. Currently, for every dollar the state of Iowa invests in the Iowa Cancer Registry, approximately \$28.48 of federal funds are returned to Iowa through the core SEER contract. Additionally, the presence of the Registry and its database have helped attract numerous research projects and funds to Iowa from other federal agencies such as the Environmental Protection Agency, the Centers for Disease Control, and the National Institutes of Health; annually several millions of dollars are received from these agencies that are directly attributable to the existence of the Registry.

The state of Iowa appropriation is used to help meet the NCI's cost-sharing requirement by supplementing core support for the Registry, including salaries, computer services, equipment and general expenses. Over the course of the current contract beginning in 2003, annual funding from the state has been reduced by approximately \$42,000, or nearly 1 FTE. In order to maintain NCI contract funding, it is essential that the need to reduce costs be balanced with the continuing need to meet the NCI contractual requirements of timeliness, completeness, and quality.

The University of Iowa
IOWA CONSORTIUM FOR SUBSTANCE ABUSE RESEARCH AND EVALUATION
Budget Summary
FY2011

\$57,621

The FY2011 appropriation (\$57,621) is \$6,402 (10%) less than the FY2010 original appropriation.

The Iowa Consortium for Substance Abuse Research and Evaluation (Consortium) is an alliance committed to strengthening substance abuse prevention and intervention activities through collaborative research. The Consortium coordinates research and knowledge transfer among researchers, assists professionals in the field, and informs public policy makers in the area of substance abuse. The Consortium's Coordinating Board is made up of representatives from the University of Iowa, the University of Northern Iowa, Iowa State University; state departments of Public Health, Corrections, and Drug Control Policy; and representatives from local substance abuse service agencies.

The Consortium facilitates multidisciplinary research to evaluate substance abuse prevention and treatment efforts in the State of Iowa. Research and evaluation activities involve practitioners, treatment providers, state agency representatives, government policymakers, and researchers from institutions of higher education. The Consortium addresses its mission through the following activities:

- Supporting and conducting substance abuse research and evaluation within the State of Iowa;
- Strengthening substance abuse prevention and intervention strategies operating within the State of Iowa;
- Supporting the education of new researchers in substance abuse;
- Contributing to the education of students and professionals in fields such as health care, education, corrections, human services and counseling; and
- Contributing to the development of public policy related to substance abuse.

In the coming year, the Consortium will continue its unique capacity for interdisciplinary alcohol and drug research and evaluation in Iowa. Specific projects include:

- Interviewing recipients of substance abuse treatment across the state and reporting outcomes to IDPH.
- Updates to a state of Iowa epidemiological profile to assess the prevalence of substance use, abuse, and dependence and related problems.
- Evaluating community and jail-based substance abuse treatment programs in the state.
- Evaluating youth substance abuse prevention programming at the local and state level.
- Assisting the State in implementing quality improvement techniques at the state and agency levels.
- Evaluating culturally competency treatment to increase service options for diverse populations.
- Evaluating a project to reduce alcohol use by youth in Linn and Jackson Counties.
- Analyzing data and reporting outcomes of the Iowa Youth Survey, a statewide survey of 6th, 8th, and 11th graders, about youth attitudes and experiences regarding substance abuse, violence, and their perceptions of peer, family, school, and community environments.

Funds for FY11 will help provide for the continuation of the Consortium's unique capacity for interdisciplinary alcohol and drug research and evaluation in Iowa.

**The University of Iowa
CENTER FOR BIOCATALYSIS AND BIOPROCESSING
Budget Summary
FY2011**

\$750,990

The FY2011 appropriation (\$750,990) is \$83,443 (10%) less than the FY2010 original appropriation.

CBB is one of its kind, state of the art microbial pilot plant facility, unmatched by any other University. The Center for Biocatalysis and Bioprocessing (CBB) Laboratory serves as the primary contract research facility for fermentation, fermentation-derived metabolites, protein expression and downstream processing, and biocatalytic process in the State of Iowa. It is the only facility for production of therapeutic proteins for human Phase I trials in the State of Iowa. Biocatalysis harnesses enzyme-catalyzed reactions occurring in living cells to produce valuable biofuels and chemicals. Bioprocessing, or downstream processing steps are required for the recovery and purification of biological (industrial) products for wide ranging therapeutic, health, nutritional and chemical uses. These technologies are necessary to implement modern "biotechnology" based approaches to solve problems in agricultural, chemical, nutritional and bio/pharmaceutical industries. Traditionally, CBB has operated under GLP conditions to provide pre-clinical materials. In 2008, CBB upgraded the facility to GMP status. Currently, CBB is capable of producing clinical grade materials for Phase I trials for biotherapeutic products. More than 40 campaigns have been run since late 2007, and one IND (Investigative New Drug) has been filed by a client. CBB has currently lined up two more clients for GMP production. The funding to build the GMP facility came via Grow Iowa Values Fund grant. This has been put to "good use" as evidenced by 2010 IDED audit report.

The University of Iowa has assembled its Biocatalysis Research Group -- an experienced and multidisciplinary cluster of more than fifty faculty with broad expertise in biocatalysis/bioprocessing. Housed administratively within the CBB, the group is recognized for its individual and collective scientific talent that has secured in excess of \$15 million annually in extramural research support. Collectively, the Center represents one of the strongest clusters of scientists, laboratory personnel, graduate and postdoctoral students in the area of biocatalysis and bioprocessing in the United States and in the world.

Laboratories in the CBB are an essential link in the technology transfer mission of The University of Iowa. These laboratories provide unsurpassed fermentation, protein purification, biocatalysis and bioprocessing facilities and equipment for the conduct of multidisciplinary industry/academic research. The Good Laboratories Practice (GLP) pilot plant-scale bioprocessing laboratory brings research findings from the bench through the first stages of scale-up necessary for industrialization. These unsurpassed facilities attract significant funding and interactions from industries, universities, and foundations throughout the world. They enable the CBB to function competitively in fulfilling its goals and obligations to bring industrial interactions to the State of Iowa. CBB also takes active role in the economic development activities of the University of Iowa, and bringing biotechnology companies to the University of Iowa Research Park. The CBB works within the University of Iowa and assists the Iowa Department of Economic Development in developing industrial relationships. The CBB encourages ongoing contracts with corporations within Iowa, the United States and internationally. Last year more than 42 companies utilized the CBB's vast technical resources and funded a high percentage of the CBB's research and contract activities.

The CBB pursues an aggressive industrial outreach effort in order to help Iowa industry reduce the time to introduce new products and processes into the marketplace. Industries are also attracted to major biotechnology centers in other states such as Michigan, Georgia, Maryland, Minnesota, Nebraska, Utah and California. In order to continue this and keep pace with both biotherapeutic and industrial biotechnology industrial interactions, CBB must maintain a competitive and viable funding base. CBB experience dedicated to industrial research and development projects

supports initial contacts with industry (to identify the scope of a specific project), entices companies to consider the state of Iowa for their research and contract needs, and fosters projects that are of mutual interest and which promote long-term contractual relationships and industrial partnerships. A five-year, multimillion dollar National Science Foundation-Engineering Research Center grant received in 2003 enables the CBB to leverage state of Iowa support with other federal and industrial funding sources.

FY 2011

Given the excellent progress we have made at CBB, in terms of elevating our technology platform (GMP) as well as in the area of biocatalysis (green chemistry for products), this has required adding resources and also salary increases. Over the last 9 years, CBB has experienced significant reduction in funding (10% in FY10), which has impacted our ability to retain the best talent for continued growth. Given the competitive nature of this area and also considering the fact that we are constantly competing with industries in terms of talent retention, providing career opportunities and compensation for CBB-staff, increased funding is essential. In addition, CBB continues to fulfill the academic goals in terms of graduate student fellowships, conferences and related activities.

To better reflect current spending and capture dollars in appropriate budgeted lines we reallocated the current budgeted dollars:

- 1) Moved our fellow's salary/fringe (\$130,000) from the Supplies and Services into the more appropriate budget line Fac and Inst. Off. Salaries.
- 2) Increased the Rentals line to \$165,000 (actual cost of renting space within MTF)

The University of Iowa
IOWA REGISTRY FOR CONGENITAL AND INHERITED DISORDERS
Budget Summary
FY2011

\$39,730

The FY2011 appropriation (\$39,730) is \$4,415 (10%) less than the FY2010 original appropriation.

PURPOSE:

The Iowa Registry for Congenital and Inherited Disorders (IRCID) was established by the Iowa General Assembly (Chapter 23 of the Iowa Code) in 1983. Since that time, the IRCID has received national attention for its role in birth defects surveillance and has served as a model for other states establishing surveillance programs. In recent years, the Registry has expanded its mission to include surveillance of developmental disabilities (Duchenne-Becker Muscular Dystrophy), stillbirths (not only those with a birth defect), and selected, confirmed newborn screening disorders. The IRCID is the only active, statewide birth defects surveillance program in the Midwest. It is also one of only six programs nationally to conduct muscular dystrophy surveillance, one of only two to conduct stillbirth surveillance, and one of only four to conduct surveillance for newborn screening disorders. Through these activities, the IRCID serves families in all 99 Iowa counties.

The objectives of the IRCID are integrated and fully consistent with those of The University of Iowa College of Public Health. These objectives are to:

- maintain statewide surveillance for birth defects; and
- monitor trends in birth defects occurrence and mortality.

Data collected permit comparison of birth defects rates in geographic areas of interest (e.g., cities or counties) with state and national rates. In addition, data are used to monitor trends in birth defect occurrence by population characteristics such as maternal age. Statewide surveillance is necessary to accurately evaluate such trends and to guide health promotion and disease prevention efforts in Iowa.

A number of investigators and public health professionals also utilize IRCID data to:

- conduct research studies to identify genetic and environmental risk factors for birth defects;
- promote education activities for the prevention of birth defects; and
- provide outreach to patients and families to appropriate clinical, educational and social services.

As examples, Dr. Paul Romitti (College of Public Health) and faculty in the Colleges of Public Health, Medicine, and Pharmacy were awarded a five-year renewal agreement with the Centers for Disease Control and Prevention. The agreement is targeted to continue a 'Center for Excellence in the Research and Prevention of Birth Defects' in Iowa. Drs. Romitti and Katherine Mathews (Carver College of Medicine) were awarded a five-year renewal agreement to expand activities to include surveillance of children with Duchenne and Becker Muscular Dystrophy. Annual renewal of each of these agreements will require identification of state funds to support surveillance staff.

Education and health promotion efforts that utilize IRCID data include lectures, press releases, articles, public service announcements, and disseminating prenatal educational materials. Annually, the IRCID attempts to publish an annual report to disseminate information regarding birth defects surveillance, research and prevention efforts ongoing in Iowa. Also, through collaboration with the Iowa Department of Public Health, the Registry has implemented a program to provide parents of children diagnosed with birth defects resource materials and referrals to appropriate clinical, educational and social services. Overall, the IRCID is a public health registry in vigorous pursuit to promote the health and welfare of infants and children in Iowa.

BENEFIT TO THE STATE OF IOWA:

- Provide accurate, timely data that directs program planning, health policies, prevention efforts, and welfare of Iowa's infants and children.
- Act as an innovative research partner to disseminate information about the impact of genetics and environment in the development of these disorders and to evaluate the efficacy of treatments for these disorders.
- Translate surveillance and research findings into efforts that families can understand and implement.
- Increase public awareness of prevention programs and maintain public education.
- Foster communication between agencies involved in surveillance and referral services.
- Answer public concerns regarding these disorders using data available from all 99 counties and disseminate findings locally, statewide and nationally.

STRATEGIC CHANGES:

Funds provided typically are used for partial salary support for IRCID staff and for partial support for design, printing and distribution costs for the IRCID annual report. To fund salaries for the current fiscal year, funds appropriated for partial support for publication costs of the IRCID annual report were already reduced. To meet the requested budget reversion for the current fiscal year, we have reduced professional and scientific salaries of IRCID staff. These reductions, along with our reduction in state funding through the cap on revenue generated from a fee applied to Iowa birth certificates, will impact continued surveillance data collection and outreach services in all 99 Iowa counties served by the IRCID. Reductions in these activities will impact the ability of the IRCID to remain competitive for external funding awards, such as the 'Center for Excellence in the Research and Prevention of Birth Defects' mentioned above.

**The University of Iowa
Center for Advanced Drug Development (CADD)
Budget Summary
FY 2011**

\$99,504

The FY2011 appropriation (\$99,504) is \$11,056 (10%) less than the FY2010 original appropriation.

The Center for Advanced Drug Development (CADD) is a division of the University of Iowa, College of Pharmacy. The Center offers contract services to the pharmaceutical and biotechnology industry, which complement those of the College's Division of Pharmaceutical Service. The Division of Pharmaceutical Service, the only comprehensive FDA registered facility in a College of Pharmacy in the U.S., offers the unique capability to produce under contract limited quantities of new medicines under FDA approval. The capacity is particularly valuable to firms wishing to bring new products through clinical trials. The present budget seeks funds to continue support for the companion CADD.

Initially, clients were drawn from the existing client base of the Division of Pharmaceutical Services. New clients are being drawn from biotechnology companies, manufacturers of pharmaceutical excipients, and a growing pool of U.S. and foreign pharmaceutical firms. This Center, which is an integral resource in the state's bio-economy economic development agenda, offers non-production services and contract services relevant to the clinical trials process, which complement those of the Division of Pharmaceutical Service, and explicitly include:

- Management of FDA relationships for clients, especially in the processing of new drug applications,
- Development and execution for new chemical assays for new dosage forms and chemical entities,
- Development and execution of stability studies of candidate medicine dosage forms and
- Testing of active pharmaceutical ingredients/excipients for compliance.

This 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. Because pharmaceuticals occupy such a potentially important part of the state's high technology portfolio as well as a critical role in the University's economic development efforts, continued investment in the Center will increase economic resources in a strongly competitive environment. In addition, as the state looks ahead to an investment to enhance its biotechnology infrastructure for both animal and human health, the Center will play a major role (along with the Center for Biocatalysis and Bioprocessing and the College of Pharmacy) in the University's ability to interact with the biotechnology industry to shorten the time to market for new therapies. This new initiative will also attract interest from a completely new industry base, composed of mainly start-up companies, who may be recruited to Iowa.

**The University of Iowa
UNIVERSITY OF IOWA RESEARCH PARK
(Formerly Oakdale Research Park)
Budget Summary
FY 2011**

\$83,427

The FY2011 appropriation (\$83,427) is \$9,270 (10%) less than the FY2010 original appropriation.

The University of Iowa Research Park (formerly Oakdale Research Park) represents a substantial commitment by the State and the University to further sustained interaction with business. In addition, the Research Park represents an investment of more than \$135 million by the federal government, the State, the City of Coralville, and a number of private building developers and owners. Four other projects valued at \$60 million are under construction or planned. The Park is part of the IOWA Centers for Enterprise which integrates UI economic development activities.

Established by the University in 1989, the Park is building a nucleus of businesses in Iowa that are drawn by the strengths of the University. The labor shed for nearly 2,000 employees of laboratories and companies affiliated with the Park and the Technology Innovation Center business incubator covers 107 cities and towns in 31 Iowa counties - approximately one-third of the State. This is in keeping with the UI's strategic plan for engagement with external constituencies and participation in Iowa's economic growth. Current corporate tenants on the park include LMS North America, The Stanley Group, Vangent, Inc., Pearson Educational Measurement, Integrated DNA Technologies, Inc. Bioinformatics Division, Innovative Software Engineering, Noel-Levitz, Cargill International and The Brighton Group. A total of 22 technology companies have established a presence on the Park since 1993.

The State-funded laboratory of the Center for Biocatalysis and Bioprocessing (CBB) is located on the Park as are human health and medicine laboratories and the National Advanced Driving Simulator, a major, fully operational co-venture with the U.S. Department of Transportation. UI infectious disease research programs, including the Emerging Pathogens Laboratory, are undergoing further expansion. The College of Public Health also maintains a research presence on the Park. The analytical method development and drug stability testing unit of the University of Iowa Pharmaceuticals facility, a unit of the College of Pharmacy, is also at the Research Park. The new University of Iowa Hygienic Laboratory opened at the Park in May 2010.

FY 2011 funding is needed to partially support the essential operating expenses for the 189-acre Research Park. UIRP will receive \$83,427 in State support in FY 2011. The balance of the Research Park's support comes from Park income and from the University. Expenses include a variety of professional services (e.g., engineering, landscape architecture and legal), marketing, and support for University staff engaged in the project, operation of the Park office, and preparation and maintenance of common areas within the park. For FY 2011, the current level of funding will not support fully the delivery of essential services and Park amenities. The cost of providing essential services has increased. A new marketing plan and ground lease policies will result in management efficiencies and greater revenue. Additional funding must be identified for the Park to maintain and enhance the services and amenities delivered to affiliates and enable future growth.

**The University of Iowa
TECHNOLOGY INNOVATION CENTER
Budget Summary
FY 2011**

\$39,441

The FY2011 appropriation (\$39,441) is \$4,382 (10%) less than the FY2010 original appropriation.

The Technology Innovation Center (including its companion facility, the UI BioVentures Center) is a business incubator for start-up companies, growing fledging new ventures into freestanding businesses. The Center is also an interim site for research units of major corporations and a point of contact for those off campus seeking access to the research resources of the University of Iowa. The Center is part of the IOWA Centers for Enterprise, which integrates UI economic development activities.

Established by the University in 1984, the University of Iowa Research Park (formerly Oakdale Research Park) benefits the Center and receives benefits in return. In a major advancement, the University invested Grow Iowa Values Funds and Battelle Infrastructure Funds toward the cost of constructing the BioVentures Center incubator facility (completed in FY 2009) for biotech spin-out and recruited startup companies.

Expenditures by the Center allow continued delivery of shared services and amenities to tenant companies. More than 100 technology start-ups have become Center tenants since 1984. Eighteen tenants are now in the Center and 40 tenants have met their business goals upon graduating from the Center. Two new tenant companies were accepted in FY 2010.

The Center's operating budget in FY 2011 includes \$39,441 in State support, with the balance of its support coming from other University sources. Along with the University of Iowa Research Park, the Center has become an important part of the UI's strategic plan for engagement, building ties with those off campus and participating in the economic vitality of the State. For FY 2011 the funding will not support fully the incubator facility and delivery of essential professional services and amenities to tenant companies. Additional funding must be identified for the Center to sustain and enhance the current level of core services and amenities and achieve its goal of expanded services and support for tenant companies.

The University of Iowa
LARNED A. WATERMAN IOWA NONPROFIT RESOURCE CENTER
Budget Summary
FY 2011

\$168,662

The FY2011 appropriation (\$168,662) is \$18,740 (10%) less than the FY2010 original appropriation.

The Larned A. Waterman Iowa Nonprofit Resource Center (INRC) is a University-wide interdisciplinary center which provides education and research about charitable nonprofit organizations on campus and throughout Iowa. It received a FY 2009 appropriation of \$207,548 which was reduced by \$5,247 during FY 2009, was reduced again to \$168,412 for FY 2010.

The funding will be applied to these basic infrastructure needs: a program assistant, a half-time secretary at the INRC, and partial payment of salary for the INRC Director. The funding will also help support the work of the University's 50-year-old Institute of Public Affairs, by paying salary for a half-time secretary. INRC outreach to the communities of Iowa will be adversely affected.

INRC may reduce the amount of time of the student programmer for the Iowa Register of Accountability, the website, the quarterly newsletter and special news notices to our listserv of 2,000 plus organizations and individuals across Iowa.

Funds once used to support travel across Iowa to provide training for nonprofit and local government agencies in the *Iowa Principles and Practices for Charitable Nonprofit Excellence* has been reduced. We need to weigh this outreach loss against reducing the University wide course that teaches 150 students on campus.

The request for this appropriation was initiated by Governor Culver in his 2007 Regent budget message with strong endorsement in the General Assembly. The Governor and Members of the General Assembly are helping to assure the future of this vital University of Iowa outreach service to Iowans in their home communities through their local charitable nonprofit organizations and local governments.

**The University of Iowa
RESTRICTED FUNDS
Budget Summary
FY 2011**

The FY 2011 Restricted Fund budget is based upon the most current information available to inform revenue and expenditure projections for each of the funds contained therein. The Restricted Fund includes the Organized Activities Fund, the Auxiliary Enterprise Fund, the Current Restricted Fund and the Plant Fund and involves virtually every department on campus in revenue and expenditure planning. 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, bond proceeds, transfers from current unrestricted funds, tuition replacement appropriations and capital appropriations. The expenditure plan provides for salary adjustments, meets certain non-discretionary cost increases, and reflects the University's best efforts at planning to meet its most critical needs and to provide essential services within the limits of available resources, guided by the strategic plan.

The Organized Activities Fund includes Continuing Education Programs, Medicine and Dentistry Practice Plan funds, Sports Camp activities, Conferences and Institutes, and various publications and workshops related to academic departments. The Auxiliary Enterprise Fund includes Intercollegiate Athletics, Residence Halls, the Iowa Memorial Union operations, Student Health, Recreational Services, Hancher Auditorium, Parking and Transportation, Cambus, and various smaller enterprises serving faculty, staff, students and the public. The Current Restricted Fund includes sponsored activities, predominately research and student financial aid funded from federal and non-federal sources.

Continuing Education

Continuing education courses are required to be self-supporting and therefore, the tuition receipts must be linked with expenses. To accomplish this, continuing education funds are accounted for, along with other self-supporting operations, in the restricted fund category.

Restricted Fund Student Aid

Based on information received from the University of Iowa, Office of Student Financial Aid, the Restricted Student Financial Aid budget is being increased over the FY 2010 budget by 10.2%. This is based, in part, on increases in tuition and room/board.

Breakdown of Other Income

Other income includes non-federal gifts, grants and contracts of \$102.8M, Medicine and Dentistry Practice Plans of \$28M, interest, dividends and capital gains and losses of \$24M, workshops and seminars of \$6.5M, royalties of \$10M, rental of equipment and facilities of \$5M, parking fines of \$0.9M, and Other Miscellaneous Revenue of \$10.8M.

FY 2011 Bond Sales/Debt Service

The Bonds and Loans line includes the following potential bond sales for FY 2011 subject to the refinement of schedules and final approval by the Board:

Athletics – Carver Hawkeye Arena	\$26 million
UIHC – Iowa River Landing	\$29 million
Utility System	\$25 million

In addition to FY 2011 projected debt service on existing issues (\$63.1 million), an estimate of \$3.6 million has been included for the issues listed above.

During the 2009 legislative session, the General Assembly and Governor also approved issuing \$100 million in academic building revenue bonds to finance campus flood recovery. The timing of these bond sales has not been determined but will be coordinated with the Board Office when there is a better understanding of overall cash flow. As a result, the bonds/loans revenue and debt service expense on these sales are not included in this budget.

In December 2009, the Board of Regents, on behalf of the University, issued an Academic Building Revenue Flood Anticipation Project Note for \$27.025 million (\$25 million in proceeds). The University expects to refinance the Note at or prior to maturity by the issuance of Academic Building Revenue Bonds as authorized by the Act.

Tuition Replacement

This budget contains \$10.3 million, which has been appropriated for Tuition Replacement to address FY 2011 debt service on academic building revenue bond issues.

Capital

A total of \$30 million in new capital was appropriated by the General Assembly during the 2007 legislative session for the Biomedical Discovery Institute. This included \$10 million for each of FY 2008, FY 2009, and FY 2010.

During the 2009 session, the FY 2008 appropriation was reduced by \$.55 million to \$9.45 million and the entire FY 2009 \$10 million RIIF appropriation was de-appropriated. The \$10.55 million was restored by a FY 2009 appropriation from the health restricted capital fund account, in essence changing the funding source from RIIF to HRCF bonds. Additionally the FY 2010 \$10 million appropriation from RIIF was de-appropriated and re-established as a FY 2011 appropriation for the same amount.

During the 2010 legislative session, the \$10 million RIIF appropriation was again de-appropriated but re-established as Capital II Bonds.

The chart below summarizes the changes:

Biomedical Discovery

	2007 Session	Funding	2009 Session	Funding	2010 Session	Funding
FY 2008	10,000,000	RIIF	9,450,000	RIIF	9,450,000	RIIF
FY 2009	10,000,000	RIIF	10,550,000	HRCF Bonds	10,550,000	HRCF Bonds
FY 2010	10,000,000	RIIF	-	n/a	-	n/a
FY 2011	-	n/a	10,000,000	RIIF	10,000,000	Capital II Bonds
Total	30,000,000		30,000,000		30,000,000	

There will therefore be no new capital from the State in FY 2011.

Economic Development

The University of Iowa has been allocated \$1,459,200 from the Grow Iowa Values Fund (GIVF) for the development of intellectual property, commercialization, new business development and job creation. The University will leverage these funds from the GIVF with matching funds dollar for dollar to:

1. Accelerate the commercialization of UI intellectual property through licensing and formation of spin-out companies.
2. Build effective partnerships for economic development between the private sector and The University of Iowa.
3. Partner with the private sector and existing state and regional economic development initiatives in Iowa, including individual companies and venture capitalists, to stimulate the development and/or relocation of successful ventures to Iowa.

Iowa Flood Center

The University of Iowa has been allocated \$1,300,000 to establish an Iowa Flood Center to advance critical research and applications in flood prediction and floodplain inundation mapping and to train a new generation of experts in flood-related science and engineering. The Center will also empower communities and agencies with the information they need to make informed decisions about flood-related issues.

The Center will develop hydrologic models to generate real time flood inundation maps that can be continuously adjusted to simulate the actual or forecasted discharge (or stage) in a river as needed. Also, a new comprehensive hydrologic model for flood frequency estimation (i.e. a 100-year flood) will be developed using a scientific approach that takes into account the evolving nature of the physical system due to changing patterns of climate and human activity.

The Center will share resources and expertise across the state and develop a work force with knowledge of current flood research, prediction, and mitigation and other aspects of floods to populate Iowa agencies and companies.

**The University of Iowa
RESIDENCE SYSTEM
Budget Summary
FY 2011**

The University of Iowa is proposing the attached annual budget for the residence system for fiscal 2010-11. Estimated revenues total \$51,401,360 and proposed expenses for operations total \$36,909,363, leaving \$14,491,997 net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. These projected net revenues are \$400,318 higher than the preliminary budget submitted to the Board in March.

The increased net revenue projection is due primarily to an increase in projected contract revenues for the 2010-11 fiscal year. The latest projections of enrollment and occupancy for fall 2010 continue to suggest a high demand for residence hall space. Based on the latest projections, residence hall occupancy at the start of the fall 2010 semester will be above capacity.

Projected revenues are based on rates approved by the Board at its meeting of April 28-29, 2010, fall residence hall occupancy of 5,607 (100%), residence hall board contracts numbering 6,005, and 563 apartments occupied (91.9%).

Voluntary reserve balances at June 30, 2011 are projected to be \$11,534,584. This amount is \$893,487 higher than projected in March, reflecting the projected increase in net revenues from operations, as well as savings on capital projects planned for fiscal years 2010 and 2011.

**The University of Iowa
RESIDENCE SYSTEM
Final Budget 2010-11**

	Actual 2008-09	Revised Estimate 2009-10	Preliminary Budget 2010-11	Final Budget 2010-11
OPERATIONS (Modified Cash Basis)				
Revenues	\$ 46,353,872	\$ 49,738,799	\$ 51,047,264	\$ 51,401,360
Expenditures for Operations	34,194,597	35,581,545	36,955,585	36,909,363
Net Revenues	12,159,275	14,157,254	14,091,679	14,491,997
% of Revenues	26.2%	28.5%	27.6%	28.2%
Debt Service (due July 1)	4,977,426	5,003,144	4,796,903	4,796,903
Mandatory Transfers	600,000	600,000	600,000	600,000
Net After Debt Service & Mandatory Transfers	\$ 6,581,849	\$ 8,554,110	\$ 8,694,776	\$ 9,095,094
% of Revenues	14.2%	17.2%	17.0%	17.7%
Debt Service Coverage Ratio	244%	283%	294%	302%
University Overhead Payment From Surplus	\$ 475,188	\$ 462,696	\$ 469,095	\$ 482,052
FUND BALANCES (June 30)				
Revenue Fund	\$ 0	\$ 0	\$ 0	\$ 0
Operation & Maintenance Fund	1,000,000	1,000,000	1,000,000	1,000,000
Improvement Fund	8,128,684	8,703,815	8,241,000	8,398,454
Surplus Fund	334,740	1,302,186	1,400,097	2,136,130
Subtotal--Voluntary Reserves	9,463,424	11,006,001	10,641,097	11,534,584
Sinking Fund	0	0	0	0
Bond Reserve Fund	5,392,445	4,754,560	4,754,560	4,754,560
Bond Construction Fund	0	0	0	0
Subtotal--Mandatory Reserves	5,392,445	4,754,560	4,754,560	4,754,560
Total Fund Balances (June 30)	\$ 14,855,869	\$ 15,760,561	\$ 15,395,657	\$ 16,289,144
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	\$ 42,282,914	\$ 44,645,313	\$ 46,330,415	\$ 46,668,457
Interest	174,828	1,067,206	635,582	703,540
Other Income	3,896,130	4,026,280	4,081,267	4,029,363
Total Revenues	\$ 46,353,872	\$ 49,738,799	\$ 51,047,264	\$ 51,401,360
Expenditures for Operations				
Salaries, Wages & Benefits	\$ 13,327,652	\$ 13,954,314	\$ 14,888,055	\$ 14,574,126
Cost of Food or Goods Sold	4,733,962	4,362,837	4,759,105	4,570,053
Other Operating Expense	6,386,142	6,714,293	6,985,134	6,958,897
Utilities	5,227,681	5,392,089	5,416,402	5,586,087
Repairs & Maintenance	4,519,160	5,158,012	4,906,889	5,220,200
Total Expenditures	\$ 34,194,597	\$ 35,581,545	\$ 36,955,585	\$ 36,909,363

**The University of Iowa
INTERCOLLEGIATE ATHLETICS
Budget Summary
FY 2011**

The Iowa Athletic Department is a self-sustaining auxiliary enterprise and receives no General Fund support. Student Fees reported in the Athletics budget are in place to fund the debt service payment on Student Recreation Services facilities financed through the Athletics Enterprise. The Hawkeye Tennis and Recreation facility is an example of this partnership where a single facility is jointly used by Athletics and Recreation Services. Overall the revenue and expense budget is increasing by approximately \$5 million in comparison to FY 2010 with nearly half of the increase in expense attributable to debt service payments and facilities/grounds maintenance. Highlights for additional line item details are noted below.

Revenues:

- Football Ticket Income is expected to increase by approximately \$519,000 primarily due to a ticket price increase.
- Men's Basketball Income is expected to remain flat. Season ticket prices will decrease slightly due to two fewer home games. Single game ticket prices will remain the same as 2009-10.
- Interest Income is expected to be similar to FY 2010 actual and over FY 2010 budget by \$500,000 due to higher rates of return on invested balances.
- Athletic Conference revenue is expected to increase by approximately \$2.4M. This increase is due to a new bowl contract with the BCS, new Big Ten bowl agreements and a one-time 1% equity stock sale of the Big Ten Network to FOX Sports.
- Student Financial Aid Set-Aside Reimbursement will decrease by approximately \$337,000. This amount is based on actual FY09 results calculated by netting the amount Athletics contributes toward the Student Financial Aid Set-aside program less the amount of aid awarded to student athletes directly from the Financial Aid Office.
- Foundation gifts are expected to equal the current year (FY 2010) which exceeds by \$1.7M the original FY 2010 budget.

Expenses:

- The Athletic Department's overall budgeted operating expenses have increased by approximately 7.7% or approximately \$5M.
- Department salaries have increased by 2%.
- Scholarship expenses are increasing by approximately 5% or \$420,000.
- Football budgeted expenses have increased because of higher game guarantees and contractual game settlements, additional charter air costs for team travel & game management costs.
- Men's basketball expenses have increased, reflecting the \$858,333 contractual buy-out for the previous head coach.

- Women's Basketball expenses are higher due to additional non-conference charter flights and a longevity bonus (per contract) payable to the head coach.
- Women's Other Sport expenses are increasing by approximately 5.4% primarily due to an on-going dept. initiative to achieve increased participation opportunities for women in support of gender equity initiatives.
- Facility Debt Service is increasing by a little over \$1.2 million to accommodate increased debt payments for Carver Hawkeye Arena and the Campus Recreation & Wellness Center (CRWC).
- Building & Grounds expenses are increasing by approximately \$824,000. The bulk of this increase is attributable to Athletics responsibility for the new Campus Recreation & Wellness Center & higher utility costs. Also, building insurance premiums are increasing by approximately \$100,000. This increase in insurance expense is directly attributable to the 2008 flood.