The University of Iowa
General Education Fund
Final Budget
FY 2016

The FY 2016 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 Board of Regent's strategic plan and the University's strategic plan - Renewing the Iowa Promise: "Great Opportunities - Bold Expectations".

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.

A. REVENUE PROJECTIONS

$ 699.6 million	FY 2015 GEF Budget
$ 0.0 million	State Appropriation
$ 7.3 million	Tuition
$ (1.8) million	Indirect Cost Recoveries
$ 5.5 million	Total Revenue Increase
$ 705.1 million	**FY 2016 GEF Budget**

Appropriations

The University's base General Education Fund support from appropriations in FY 2015 was $230.9 million or 33.0% of the University of Iowa's General Education Fund.

Based on appropriation legislation recently passed by the General Assembly, the University of Iowa's General Education Fund recurring appropriation for FY 2016 will remain the same as FY 2015.

The state's appropriation action did not include additional funding for the Oakdale Campus or State Hygienic Lab, both of which receive General Education Fund support to sustain operations.

Tuition

The University is anticipating its largest freshman class ever in FY 2016. Other expected enrollment changes include improved retention of undergraduate students and a higher number of Iowa resident students. Graduate student enrollment is anticipated to remain somewhat lower than previous years.

In December 2014, the Board of Regents approved the following base tuition increases for FY 2016:

- 0.00% Increase for resident undergraduate students
- 1.75% Increase for nonresident undergraduates and all graduate and professional students

In addition to base tuition increases, tuition supplement proceeds will yield an additional $0.4 million in FY 2016 for specific programmatic improvements. This includes the application of a Board-approved supplement for a third entering cohort of DDS students.

In total, the University is projecting an additional $7.3 million in tuition revenue above the FY 2015 tuition budget. This increase includes projected enrollment changes, tuition rate increases, and tuition supplement increases.

The interdependence of the University's tuition revenue from enrollment increases and proportional enrollment expenses for academic and student support services is fundamental to the budgeting process.

Indirect Cost Recoveries

Information through May 2015 indicates FY 2015 indirect cost recoveries in the General Education Fund may be slightly under budget. Indirect cost recoveries serve as a principal means of supporting the overhead costs of sponsored research absorbed by the University.

The University's current approved on-campus F&A rate is 51.0% and will be effective until June 30, 2016. This negotiated rate will increase to 52.5% starting in FY 2017. The rate is applied to "modified total direct costs", and thus as a percentage of the total grant is substantially less than 51.0%.

For FY 2016, the University is estimating a 4.3% decrease ($1.8 million) in indirect cost recoveries from the FY 2015 budget due to less federal funding available for research activities.

Interest Income

Information through May 2015 indicates FY 2015 interest income will be under budget by $0.3 million. This change is due to lower GEF balances during FY 2015.

The University is expecting FY 2016 interest income within the General Education Fund to remain at the same level as the FY 2015 budget of $1.9 million. All earnings of General Education Fund balances remain within the General Education Fund for budgeting and expenditure purposes.

B. REALLOCATION AND COST SAVING MEASURES

The University's FY 2016 reallocation decisions were guided by the overall operational plan generally described in this document coupled with the final determination of available resources and the need to fund mission critical strategic initiatives and other essential or unavoidable cost increases.

For FY 2016, the following select reallocations will occur:

The College of Law will have its operating budget reduced by $1.0 million in FY 2016. This follows a $2.0 million reduction in FY 2015. These decreases reflect recent enrollment declines in the College and declining interest in Law around the country. Several encouraging signs are present for the College of Law. First, the University's competitive ranking improved in 2015. The decision to maintain the quality of the incoming class was an important factor in the improved ranking. Second, the College of Law's incoming class numbers continue to improve. It is likely that the fall 2015 class will be 50% larger than the fall 2013 class with similar academic records as past classes. This rapid return to prior enrollment levels has been accomplished by the college's expanded recruiting effort and the Board of Regent's approval of a tuition rate reduction.

The University will also temporarily reallocate $13.2 million of central funds currently supporting energy conservation, building renewal, capitalized equipment purchases, and building operation and maintenance expense to support the academic mission in other ways. Although these funds will be reallocated during FY 2016 and potentially longer, the University's commitment to responsible and effective environmental stewardship, sustainability, campus safety and facility renewal remains a top priority. The University will continue to support these initiatives with other University resources and through the identification of other opportunities and efforts resulting from TIER efficiencies, savings from the Board approved early retirement incentive program and other resourcefulness.

C. EXPENDITURE PROJECTIONS

Salary Policies and Fringe Benefits

The salary policy for faculty and non-bargaining professional and scientific (P&S) staff is based on the revenue assumptions above and in accordance with the policies approved by the Board of Regents Executive Director.

In FY 2016, no new funds will be allocated to General Education Fund supported budgetary units for salary funding. Salary funding will come from internally reallocated sources within each college or vice presidential unit.

Salary increments for faculty and non-bargaining P&S staff will be distributed differentially to individuals based upon performance and market competiveness demands. The policy provides collegiate and other major units latitude in establishing salary policies within a defined range, regardless of source of funds. It also enables these units to reward high achieving faculty and staff accomplishing the strategic plan of the University in a measurable way.

The University estimates the average salary increase for all faculty and non-bargaining P&S staff will be approximately 2.0%. There is expected to be more variance in the average salary increase awarded by each college or vice presidential unit this year than in prior years.

All collective bargaining agreements will be honored and fringe benefit costs will be charged to University organizations based upon the pooled methodology authorized by the federal government.

The University also executed a BOR-approved early retirement program in the spring of 2015. The program offered pre-described incentives to interested and approved employee participants, while providing colleges and divisions an effective cost-saving tool to assist in funding FY 2016 salary increases.

Faculty

The overall average salary increase for all faculty within each college, vice presidential unit, or other major administrative unit will be between 1.0% and 3.0%, regardless of source of funds. Units will have latitude with individual faculty pay adjustments based upon individual circumstances and performance.

Salary increases for individual faculty will reward performance and address any equity issues. Any individual salary increases proposed to exceed 5.0% must be reviewed and approved by the Office of Provost.

Major units be allowed within their budget limitations and reallocations to provide on a case-by-case basis promotion increases, counter offers to retain highly valued faculty, and similar critical adjustments.

In addition, units which have plans allowing variable, non-recurring compensation to faculty and staff based on productivity will continue to be authorized to do so in FY 2016. Three colleges and UI Health Care currently have such compensation plans, and they include:

UI Health Care: The UI Health Care will apply the variable compensation plans approved by the Board of Regents. There are three types of variable compensation plans applicable to its faculty and staff:

- University of Iowa Physicians Practice Plan (UIP)
- College of Medicine Basic Science Incentive Plan
- UI Health Care Leadership Incentive Programs (1)

(1) This includes overall organization senior leadership, key nursing leadership, and select administrative leadership identified by the Vice President for Medical Affairs.

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 three types of variable compensation plans applicable to its faculty:

- Department of Oral & Maxillofacial Surgery Clinic
- College of Dentistry Basic Science Incentive Plan
- 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 9,247 (FTE) professional and scientific (P&S) staff of which 2,684 are covered under the SEIU bargaining agreement.

The overall average salary increase for all non-bargaining P&S staff within each college, vice presidential unit, or other major administrative unit will be between 1.0% and 3.0%, regardless of source of funds. Units will have latitude with individual P&S staff pay adjustments based upon individual circumstances and performance.

The University's Board-approved P&S compensation plan provides a framework for making salary decisions that include personal performance and competitive market place conditions. Any individual salary increases proposed to exceed 5.0% must be reviewed and approved by the Vice President for University Human Resources.

The P&S salary matrices for FY 2016 reflect the most recent calibration of market ranges and median zones using salary survey data. Based on this year's analysis of competitive market data, the proposed ranges will be increased 1.0% to 4.0% depending on relative market data for each structure and level.

Major units be allowed within their budget limitations and reallocations to provide on a case-by-case basis promotion increases, counter offers to retain highly valued staff, and similar critical adjustments.

In addition, the University will continue to utilize the Board-approved non-recurring exceptional performance pay policy 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. Costs include current year contract costs and previous year annualization of mid-year changes. General Education Fund salary costs of the agreements are estimated to increase by $2.2 million for AFSCME staff and $0.3 million for COGS represented staff (graduate assistants) in FY 2016.

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

	FTE	General Fund	FTE	Total UI
AFSCME/Merit	1,020	3.45%	4,473	4.13%
COGS (graduate assistants) (1)	1,612	1.00%	2,405	1.00%
SEIU (health care workers)	-	-	2,684	2.69%

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

Fringe Benefits and Rates

In February 2015, the University completed negotiations with the its cognizant agency the Federal Department of Health and Human Services establishing the FY 2016 fringe benefit rates for each employee category. This includes a specific, predetermined fringe benefit rate for each of the twelve classes of faculty and staff. FY 2016 approved fringe benefit rates are as follows:

Clinical Faculty	22.30%
Non-Clinical Faculty	28.50%
Professional & Scientific/Merit Exempt	35.70%
SEIU	36.90%
Merit	46.40%
House Staff	35.00%
Graduate Assistants	16.20%
Post Docs	16.20%

Fellowships	10.00%
Temporary	11.70%
Bi-Weekly Students	9.20%
Miscellaneous & Extra Compensation	4.20%

Benefit costs are fully loaded into these rates and include FICA, Medicare, Retirement, Healthcare and Dental coverages, workers compensation, disability insurance, etc. These rates are applied to salaries as they are paid and fund the employer's share of fringe benefit costs. 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 COGS 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.

Annual changes in approved fringe benefit rates are attributable to cumulative historic costs of covered benefits, changes in the average salary for employees in each fringe benefit pool, University-driven cost saving measures, employee utilization of benefits, and the fringe benefit rate projection model required by the federal government.

For FY 2016, with fringe benefit rates incurring only minor adjustments the impact to fringe benefit costs on the existing General Education Fund compensation base will be relatively small.

Strategic Investments

Renewing The Iowa Promise, the University's strategic plan for 2010-16, provides a framework for accelerating advancement in strategically targeted areas while maintaining and contributing to the high quality in core missions and central programs.

The plan identifies four complementary, mutually supporting areas of investment: Student Success, Knowledge and Practice, New Frontiers in the Arts, and Better Futures for Iowans.

The FY 2016 General Fund budget allocates incremental dollars to advance the following parts of the strategic plan.

1. Strategic Plan Pillar 1 – Student Success

- Student Financial Aid $10.5 million
- Enrollment Growth $4.5 million
- Library Acquisitions $0.9 million

In FY 2016, the University will increase its student financial aid budget by $10.5 million. This increase includes inflation adjustments for the cost of attendance, graduate assistants scholarships, enrollment growth, growth in eligibility for individual scholarship award programs, and support for summer scholarships. The increase in student financial aid will help students with the cost of attending the University and help more students graduate in four or fewer years.

The University recently adopted a new enrollment budget model that colleges use to determine the amount of incremental resources that will be provided to help cover the costs of educating more students in the classroom and on-line. In FY 2016, the University has allocated $4.5 million to cover the costs associated with budgeted enrollment growth. Incremental budget changes occur after the fall semester enrollment levels are known.

The University Libraries are a vital resource to students and faculty at the University. Despite funded annual budgetary increases, the Libraries have undergone a series of material cancellations due to the rising cost of acquiring information resources. The market price for academic journals, the cornerstone for the most recent faculty research and scholarship, is controlled by a handful of powerful publishing firms. The FY 2016 incremental allocation of $0.9 million (5%), will help to offset some off the increases passed along by the publishing houses however the Libraries will again have to determine which materials remain most relevant to student and faculty success.

2. Strategic Plan Pillar 2 – Knowledge and Practice

- New Faculty Cluster Hires $1.5 million

The University is committed to advancing knowledge and education through discovery, application, and creative work. Tenure track faculty with first-hand experience in the creation of knowledge and creative work also bring unique educational experiences to the classroom. To advance undergraduate teaching and learning, the University will hire additional tenure track faculty in areas of demand and within the cluster hiring program at the University of Iowa. Since many of today's most exciting and important research frontiers transcend traditional disciplinary boundaries, the University will hire faculty who facilitate multidisciplinary scholarship, instruction, and public service. This is precisely the aim of the cluster hire initiative. As a center piece of the University's strategic plan, the cluster initiative will bring new tenured and tenure-track faculty to campus to collaborate with existing faculty in multidisciplinary cluster areas focused on many of the "Grand Challenges" of the 21st century. In addition to address important societal and economic challenges, the new hires will advance teaching and learning, and enhance community engagement and service to benefit the people of Iowa.

In FY 2016, the University will provide a $1.5M increment to the cluster hiring initiative. This investment will enable the University to finalize the development of existing research clusters and complete the remodeling of space for the latest cluster initiative, Informatics. Through the use of new and reallocated collegiate funds the cluster hiring effort has committed 74 faculty positions dedicated to prescribed areas of opportunity (52 of those are currently filled).

3. Strategic Plan Pillar 3 – New Frontiers in the Arts

- Hancher Operations / Division of Performing Arts $0.4 million

As the University nears the opening of the new Hancher Auditorium, operating budgets for groups using the facility will have to be restored to pre-flood levels and enhanced to account for the programming opportunities that can be offered in the new facility.

Support for Strategic Priorities

Utility Inflation (non-salary)

General Fund non-salary utility expenses are expected to increase by $0.8 million for FY 2016. These expenses include the General Fund's share of renewal and improvement costs for expanded plant and distribution systems serving the campus, and general inflationary increases for supplies, services, fuel and purchased electricity. These expenses also include additional General Fund support covering utility expenses for the Oakdale Campus which houses the State Hygienic Laboratory, the major recipient of utility services on the Oakdale campus.

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 2016 is expected to be $0.6 million to support the Biomedical Research Support Facility.

Building Renewal

Overall, the University has 18.4 million square feet of space, of which 8.0 million is supported by the General Education Fund. The replacement cost of the University's General Education Fund-supported buildings is now $3.8 billion.

The University's strategic objective supported by the Board includes two components. The first continues to be attaining annual financial support for facilities renewal equal to 1% of the replacement cost of all General Education Fund-supported buildings. The second is setting aside funding for future capital renewal as each new major addition or building project is approved. These steps were a result of concerns by the Board of Regents and have been incorporated into the budgeting process to avoid growth in deferred maintenance.

Funding these goals are 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.

While progress towards these goals has been possible over the last several fiscal years, continued reduction in deferred maintenance funding (including cuts this year to the building renewal and energy conservation funding) will temporarily slow progress and increase future care costs as a portion of these funds are reallocated to meet other University needs.

Indirect Cost Recoveries Return to Colleges

Supporting and growing the University's involvement in research and economic development activities remains a vital part of the University's mission and strategic goals for the future.

The University of Iowa has two programs which allow for GEF indirect cost recoveries to be returned to those colleges engaged in research activities. Distributions are based upon historical increases/decreases in research activities. Given recent reductions in federal sponsored research funding, the University will reduce the support it provides to colleges for these efforts by $0.6 million in FY 2016.

Iowa Public Radio

The IPR has requested and been approved by Board of Regents leadership to keep funding levels constant for FY 2016 at $347,226.

Other Expenses

Other General Education Fund projected cost increases include the following:

Tuition Supplement Commitments	$0.4 million
Various Administrative/Collegiate Support Commitments	0.1 million