

**THE UNIVERSITY OF IOWA
Comprehensive Fiscal Report
FY 2021**

The following comprehensive fiscal report compares FY 2021 actual revenues and expenditures to the Board-approved July 1, 2020 budgets and summarizes significant variances.

A. GENERAL UNIVERSITY

Revenue

Total General University revenues for FY 2021 were \$12.71M or 1.8% over budget.

General University tuition revenues were over budget by \$5.56M or 1.2% due to higher than projected undergraduate enrollment.

A breakdown of actual tuition revenue by category is as follows:

	<u>Resident</u> ⁽¹⁾	<u>Non-Resident</u> ⁽¹⁾	<u>Total</u>
Undergraduates	\$ 120,313,000	\$ 225,471,000	\$345,784,000
Graduate	38,713,000	9,727,000	48,440,000
Professional	46,678,000	25,061,000	71,739,000
Other	<u>1,103,000</u>	<u>1,398,000</u>	<u>2,501,000</u>
Total	<u>\$ 206,807,000</u>	<u>\$ 261,657,000</u>	<u>\$468,464,000</u>

(1) Tuition residency reflects the rate paying residency (i.e. RA/TA's paying Resident tuition are included in Resident totals).

FY 2021 reimbursed indirect cost recoveries exceeded the budget by \$6.73M or 14.1% due to higher than expected research activity.

Interest revenue in FY 2021 exceeded the budget by \$452K or 31.3% due to higher than expected distributions from UI Investment Pools.

Expense

Total General University expenses for FY 2021 were over budget by \$12.26M or 1.7%.

Salaries comprise 67.0% of all General University expenditures. Salary expenditures for FY 2021 were over budget by \$16.13M or 3.4%.

For the third year in a row, utility expenses were under budget as a result of ongoing cost saving measures. Utility expenses for FY 2021 were under budget by \$1.64M or 3.8%.

General University expenditures for student aid were \$103.61M, which represents 22.1% of actual tuition revenues. FY 2021 student aid expenditures were under budget by \$1.16M or 1.1%.

Expense by Functional Category

In addition to reporting expenses by expenditure type (i.e. salaries, supplies, utilities) the University tracks its expenses by purpose through coding of individual transactions. The table below identifies those categories and compares actual expenditures to budget for each.

	<u>Budget</u>	<u>Actual</u>
Instruction	\$ 287,894,000	\$ 287,250,000
Research	29,002,000	34,758,000
Public Service	3,156,000	3,280,000
Academic Support	126,352,000	130,107,000
Student Services	24,926,000	24,385,000
Institutional Support	40,026,000	45,613,000
Operations & Maintenance of Plant	111,809,000	111,113,000
Scholarships & Fellowships	<u>104,695,000</u>	<u>103,615,000</u>
Total	\$ 727,860,000	\$ 740,121,000

Cash Balance of Advanced Commitment Funds

Actual revenues exceeded expenditures in FY 2021, resulting in advance commitment funds. According to Iowa Code section 262.9, tuition revenues may be carried forward for use in subsequent years. As of June 30, 2021, tuition revenues of \$448K will be carried forward to fund Student Success Initiatives.

Reallocations

As reported in the FY 2021 budget, the University continued to utilize its new budget model to identify, evaluate and possibly discontinue or close activities in which state resources are no longer sufficient to support these functions. The University must ensure available resources align with the University's strategic plan and sustain financial viability. Scarce resources will continue to be directed to student success, research, and economic development programs.

HEALTH CARE UNITS

Revenue

Sales and Services

UIHC experienced growth in volumes throughout the fiscal year compared to the prior year. Volumes for acute patient days exceeded prior year by more than 4% while surgical procedures and outpatient clinic visits exceeded the prior year by 8%. Both inpatient and outpatient volumes were impacted by the COVID-19 pandemic. By the end of the fiscal year, there was a strong return to in-person clinic visits from telehealth visits that some clinics had seen a movement to in the early months of the pandemic. UIHC continued to expand primary care in offsite locations, improve OR utilization rates and focus on improving productivity while maintaining excellent quality and safe care for our patients.

Interest

Interest income fluctuates with earning rates in UI investment pools.

Expense

Salaries

During FY 2021, UIHC made a concerted effort to maintain its talented workforce while also taking measures to manage costs in the wake of the financial strains placed on the organization by COVID. The increase in costs was primarily due to increased staffing levels needed to support volume growth and the COVID-19 testing and vaccination response, agency costs incurred to maintain staffing levels amidst rising volumes, and expenses for success sharing payments for staff in recognition of the successful year of the organization.

All new position requests as well as requests to re-fill vacant positions continued to be reviewed by a multi-level team dedicated to reviewing the clinical need, classification and financial viability of the position. Staffing mix was also reviewed to assure staff are functioning at the top of their licenses.

Professional & Scientific Supplies and Services

Expansion of the specialty pharmacy drug program continued into FY 2021. This program captures high cost, low volume specialty drugs. Due to its success, pharmacy continues to expand specialty pharmacy services to more service lines, allowing more patients access to the service. These drug costs along with patient care medical supplies such as implants for cardiac, orthopaedic and neurosurgical procedures, surgical instruments, and other patient care supplies contributed to the variance. These expenses typically flex up with volumes and are expected to exceed budgets consistent with the favorable sales and service revenue variance. As noted above, the use of outside agency staff costs necessary due to the high patient census and nursing staff shortages also contributed to this variance.

Rentals

Rental expense exceeded budget in FY 2021 primarily due to inflation with equipment leases for scopes and pumps.

Building Repairs

The need for non-capital building repairs varies annually and is impacted by the availability of resources and types of projects. \$1.8M of the FY 2021 variance from budget is related to building updates needed to improve safety and prepare for surges of volume as part of UIHC's COVID-19 response.

Student Aid

A separate budget for student aid is not developed in the health care units. The funding for this expense is instead included within the professional services line.

B. OTHER APPROPRIATED UNITS

Hygienic Laboratory

Both revenue and expense for the Hygienic Laboratory were 96.1% of the budget mainly due to lower than expected sales and services by 15.1%.

Oakdale Campus

Both revenue and expense for the Oakdale Campus were 101.2% of the budget due to higher than expected indirect cost recoveries.

Family Practice Program

Both revenue and expense for the Family Practice Program were 99.9% of the budget.

Special Purpose Appropriations

FY 2021 Special Purpose final appropriations were as follows:

	<u>Budget</u>
Primary Health Care	\$ 624,374
Iowa Online AP Academy	463,616
State of Iowa Cancer Registry	143,410
Substance Abuse	53,427
Non-Profit Resource Center	156,389
Biocatalysis	696,342
Advance Drug Development	93,645
UI Research Park	115,634
Iowa Registry for Congenital and Inherited Disorders	36,839
Iowa Flood Center	1,154,593
Biosciences Innovation	271,095
Agricultural Health and Safety	128,154
Entrepreneurship and Economic Growth	<u>2,000,000</u>
Total	\$ 5,937,518

Both revenue and expense for each of the Special Purpose units were 100% of their final budgets.

C. RESTRICTED FUNDS

The Restricted Fund includes the Organized Activities Fund, the Auxiliary Enterprise Fund, the Current Restricted Fund and the Plant Fund. Activity highlights and significant actual to budget variances are described below.

Revenue

State Appropriations

Included in the Restricted Fund were four appropriations from the General Assembly for FY 2021.

Tuition replacement funding in the amount of \$15.34M was received to address debt service on outstanding Academic Building Revenue Bonds.

The University received \$1.05M from the Skilled Worker and Job Creation Fund for the development of technology commercialization, advanced prototyping and machining, marketing and business development efforts in areas related to technology commercialization, entrepreneurship, and business growth. An equal amount of matching funds was provided from University sources.

The University also received an appropriation for the Iowa Regents Resource Centers for \$254K and for the Iowa Geological Survey in the amount of \$695K.

Federal Support

The Restricted Fund includes sponsored activities, predominantly research and student financial aid funded from federal and other external sources. Federal support was over the budgeted amount by approximately \$102.15M or 41.1% due to CARES Act Provider Relief Funding for COVID-19 and higher than expected research activity.

Intra State Receipts

It has been a longstanding requirement of the Board Office that the revenue and expenditure beginning budgets for the Restricted Fund be in balance even though this is never the case at the end of the year given the “going concern” nature of the Restricted Fund’s major components. In order to accomplish this required balancing in the original budget, the University uses the Intra State Receipts line in the Department of Management Report. At the end of each year this creates a significant variance between budget and actual numbers for Intra State Receipts. Intra State Receipts are intended to reflect only net transfers for the year.

Bond & Loan Proceeds

The original bond sale projection was \$150M for the sale of Hospital bonds. However, the sale of Hospital bonds was delayed due to a delay in construction, and Residence System bond sale originally planned for FY 2022 was moved up.

	<u>Budget</u>	<u>Actual</u>
UI Hospital & Clinics	\$150M	---
Residence System	---	\$19.16M

Tuition and Fees

Actual non-General Education Fund tuition and fees (e.g. Continuing Education off-campus offerings, mandatory fees, etc.) were \$3.65M or 5.1% under budget.

Reimbursed Indirect Costs

FY 2021 indirect cost recoveries exceeded the budget by \$6.67M or 25.8% due to higher than expected research activity.

Other Income

Other income was lower than the budget by \$7.85M or 3.9%. This variance is primarily a result of a smaller than expected transfer of gift funds from the UI Center for Advancement.

The Other income revenue category consists of the following components:

- Non-Federal Gifts, Grants and Contracts
- Commissions and Royalties
- Fines
- Other Miscellaneous Revenue

Expense

Total expenses for FY 2021 were \$13.41M or 0.8% less than the original budget.

Building repair expense was under budget by \$4.43M or 43.5% as a result of fewer than expected non-capital building repairs. Plant capital was under budget by \$25.66M or 21.2% as result of timeline delays of capital project schedules.

Supply expense was under budget by \$39.40M or 8.4% as the result of significant decreases in travel costs, non-capitalized equipment purchases, and miscellaneous services and supplies.

The positive variance of building repairs, plant capital, and supplies was offset by higher than anticipated expenditures in Faculty salaries, Professional/Scientific salaries, and debt service.

**The University of Iowa
Department of Athletics
FY 2021
Budget to Actual Variance Analysis**

Revenue:

- (1) **Sports Revenue**
All sports revenue decreased due to the inability to have fans in the stadiums.
- (2) **Learfield Multi-Media**
Learfield Multi-Media income increased due to the ability to play a limited football schedule.
- (3) **Athletic Conference**
Conference income increased due to the ability to play a limited football schedule.
- (4) **Foundation Support**
Foundation support increased due to additional pledge payments throughout the year.
- (5) **Novelties - Bookstore**
Novelties revenue was budgeted conservatively due to unknown effects of the pandemic on consumer spending.

Expense:

- (6) **Football**
Football expense increased due to the ability to play a limited football schedule.
- (7) **Admin & General Expense**
Administrative and general expense increased due to conducting of initially unanticipated sport seasons. Items such as post-season and student-athlete food expenses increased as a result.
- (8) **Buildings & Grounds**
Buildings and grounds initial budgets anticipated a reduction in building expenses for adjusted usage due to the pandemic and reduced sports seasons. Expenses related to hosting events/additional use of facilities, as well as some one-time building maintenance costs, resulted in an increase.

**The University of Iowa
University Housing & Dining
FY 2021
Budget to Actual Variance Analysis**

Revenue:

(1) **Contract Revenues**

Contract revenues are lower than budget by \$11,827,375. This is due to the continued effect of COVID-19 on enrollment and occupancy in the residence hall system. The original FY 2021 budget was developed assuming residence hall occupancy of 5,700. Actual residence hall occupancy as of the official fall reporting date was 5,218. Both residence hall room contracts and meal plan contracts fell well under budget proportionately due to the smaller number of contract holders.

University Housing & Dining was allocated \$8,961,021 of HEERF proceeds to help offset the lost revenues. This is classified in the Other Income category on the report, as it is intended to offset a portion of all operating revenue reductions in the system.

(2) **Interest Income**

Interest income is lower than budget by \$419,624 due to significantly lower balances available for investment, and the timing of revenue allocations throughout the fiscal year. Reserve balances were significantly reduced by the effects of COVID-19 and the associated lost income.

(3) **Other Income**

Other income reports as higher than budget by \$3,242,237. However, the Other Income amount includes \$8,961,021 of HEERF proceeds allocated to University Housing & Dining to help offset some of the overall revenue losses due to COVID-19.

Most of the operating categories of Other Income fell well under budget due to the continued effect of COVID-19 on campus operations. Non-contract dining revenues (including catering) fell \$5,158,750 below budget as many retail dining operations were closed for the 2020-21 academic year, and those that were open were significantly limited in hours of operation and customer volume. Catering revenues were essentially non-existent as no catered events were held during the year. Summer conference revenues were under budget by \$554,955, as nearly all camps and conferences were cancelled (other than a small number of adult conferences in summer 2021). Laundry, application fees, and other miscellaneous revenues were also reduced significantly due to the smaller enrollment and occupancy, and the associated reduction in activity on campus.

Expense:

(4) **Salaries, Wages & Benefits**

Salaries, wages and benefits expense is lower than budget by \$3,534,543 due to numerous vacancies and turnover experienced throughout the year, as well as a reduction in staffing once several of the operations closed as COVID-19 reduced activity on campus. The majority of the vacancies occurred in merit positions in custodial, maintenance and dining and student positions across the entire department. The department, like many other employers, has struggled to fill numerous merit positions in

custodial, maintenance, and dining and has been operating short-staffed for some time now.

- (5) **Cost of Food or Goods Sold**
Cost of goods sold for the dining operations are lower than budget by \$3,230,669, due to the closings and reduced volumes at many of the campus retail dining operations and the lower volume of contract dining in the three residence hall marketplaces due to COVID-19.
- (6) **Utilities**
Utility expenses are lower than budget by \$343,472, due primarily to lower utility consumption as a result of the lower residence hall occupancies both during the academic year and the summer seasons due to COVID-19.
- (7) **Repairs & Maintenance**
Repairs are \$572,065 lower than budget due to a reduced need for routine maintenance requests because of the lower occupancy numbers and a reduction in the number of maintenance projects conducted during COVID-19.
- (8) **Other Operating Expense**
Other expenses are below budget by \$901,967, consistent with the lower activity in the residence system due to COVID-19. Significant reductions were seen in contracted services, travel, dining commissions, office supplies, and overall general supplies.

Balances:

- (9) **Improvement Fund Balance**
The balance in the Improvement Fund represents the amount of planned capital project expenditures in the upcoming fiscal year. This balance at June 30, 2021 is higher than originally budgeted by \$564,049 due to a slight increase in the projected amount of planned capital project expenditures in the upcoming fiscal year. This is primarily a result of shifting capital project schedules.
- (10) **Surplus Fund Balance**
The Surplus Fund balance is higher than budget by \$407,222 due to a combination of the lower than budgeted net revenues from operations, offset by reduced capital spending from reserves.
- (11) **Bond Reserve Fund**
The Bond Reserve Fund balance is \$1,075,213 higher than budgeted due to the issuance of the Residence System Series 2021 bond issue, which closed prior to the fiscal 2021 year-end, combined with small changes in unrealized gains/losses on investments in the reserve funds.
- (12) **Bond Construction Fund**
The Bond Construction Fund balance of \$19,736,318 represents the proceeds of the issuance of the Residence System Series 2021 bond issue, which was not budgeted to occur before the June 30, 2021 fiscal year-end.