

**THE UNIVERSITY OF IOWA  
Comprehensive Fiscal Report  
FY 2023**

The following comprehensive fiscal report compares FY 2023 actual revenues and expenditures to the Board-approved July 1, 2022, budgets and summarizes significant variances.

**A. GENERAL UNIVERSITY**

**Revenue**

Total General University revenues for FY 2023 were \$15.35M or 2.0% over budget.

General University tuition revenues were over budget by \$12.26M or 2.5% due to higher than projected enrollment and a higher percentage of non-resident students than expected.

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

	<u>Resident<sup>(1)</sup></u>	<u>Non-Resident<sup>(1)</sup></u>	<u>Total</u>
Undergraduate	\$ 123,649,000	\$ 243,398,000	\$367,047,000
Graduate	41,593,000	10,202,000	51,795,000
Professional	48,035,000	27,244,000	75,279,000
Other	<u>1,255,000</u>	<u>1,652,000</u>	<u>2,907,000</u>
Total	<u>\$ 214,532,000</u>	<u>\$ 282,496,000</u>	<u>\$497,028,000</u>

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

FY 2023 reimbursed indirect cost recoveries exceeded the budget by \$4.30M or 6.7% due to higher-than-expected research activity.

The university suspended internal interest distributions for most of FY 2023 due to the continued lower returns on university investments. As a result, interest revenue was lower than budget by \$1.21M or 81.7%.

**Expense**

Total General University expenses for FY 2023 were over budget by \$15.43M or 2.0%.

Salaries comprise 65.3% of all General University expenditures. Similar to other industries, higher ed has been challenged with recruiting and retaining talent. This has made it difficult to estimate these costs and is reflected in the variances between budget and actual expenditures for faculty and professional staff. Faculty salaries were under budget by \$9.08M or 3.14%, and professional staff salaries were over budget by \$17.30M or 10.1%. Overall FY 2023 salary expenditures exceeded the budget by \$6.60M or 1.3%.

Other General University expenditures were over budget by \$8.83M or 3.4%. The overage can be partially attributed to unanticipated increases in the costs of building repairs, reimbursement for the Auditor of the State, and rental expense:

- Building repairs were \$10.25M or 40.4% over budget
- Reimbursement for Auditor of the State was \$83K or 10.9% over budget
- Rentals were \$832K or 13.2% over budget

General University expenditures for student aid were also overbudget by \$4.21M or 3.9%. The university provided \$113.39M of financial aid which is 22.8% of actual tuition revenues.

**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	\$ 290,252,000	\$ 287,186,000
Research	36,642,000	47,667,000
Public Service	3,389,000	4,073,000
Academic Support	133,900,000	133,386,000
Student Services	25,280,000	26,239,000
Institutional Support	53,147,000	56,175,000
Operations & Maintenance of Plant	117,152,000	116,439,000
Scholarships & Fellowships	<u>109,169,000</u>	<u>113,386,000</u>
Total	\$ 768,931,000	\$ 784,552,000

**Cash Balance of Advanced Commitment Funds**

According to Iowa Code section 262.9, tuition revenues may be carried forward for use in subsequent years. The FY 2023 cash balance was -\$87,219. As of June 30, 2023, cumulative tuition revenues of \$6.43M will be carried forward to fund Student Success Initiatives.

## **HEALTH CARE UNITS**

### **Revenue**

#### **Sales and Services/Other Income**

Strong year over year growth in sales and service revenue was reflective of expanding volumes across UIHC. Throughout FY23, UIHC continued its focus on expanding access to ambulatory care, increasing operating room utilization rates, improving actual versus expected length of stay, and maintaining excellent quality and safe care for our patients. Volumes for surgical cases and outpatient clinic visits exceeded prior year by about 4%. The UIHC team worked extremely hard to get all operating rooms open by fourth quarter of FY23 when they had been closed for part of FY22 due to staffing constraints. Acute inpatient discharges also exceeded FY22 by 1.6% but were slightly below budget.

Contractual revenue related to UIHC's air care services drove the variance in other income. Air Care revenues were budgeted with other patient service revenue in sales and service. Due to the outside contract, actuals will continue to post separate from UIHC billed patient care service.

#### **Interest**

Interest income fluctuates with earning rates in UI investment pools and market return.

### **Expense**

#### **Salaries**

During FY23, like healthcare organizations and industries across the country, UIHC continued to experience challenges due to staffing shortages. To ensure UIHC had appropriate staffing levels to continue to provide high-quality, safe patient care, UIHC invested in labor by utilizing additional agency staff where needed, providing continued higher premium pay to staff for working additional shifts, and incentivizing staff to seek permanent employment with UIHC through sign-on incentives. Costs associated with full-time employee retention and recruitment are reflected within the salary and wage expense. The agency contract expense is reflected within the professional and scientific supply non-staffing expense.

All new position requests, as well as requests to re-fill vacant positions, continue to be reviewed by a multi-level team dedicated to reviewing the clinical need, classification and financial viability of the position. Staffing mix also continued to be 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 2023. 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. Drug costs associated with these specialty services, along with patient care medical supplies such as implants for cardiac, orthopedic 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 increasing need for outside agency staff costs, necessary due to the high patient census and nursing staff shortages, also contributed to this variance.

## **Rentals**

During FY22, the GASB 87 Lease Accounting standard change impacted how some operating lease expenses were accounted for within the University of Iowa. Prior operating expenses associated with leases that had been accounted for within operating fund expenses are now being amortized on a plant fund. This shift in accounting standards drove the year over year decline in rental expense.

## **Building Repairs**

The need for non-capital building repairs varies annually and is impacted by the availability of resources and types of projects.

## **B. OTHER APPROPRIATED UNITS**

### **Hygienic Laboratory**

Both revenue and expense for the Hygienic Laboratory were 95.5% of the budget mainly due to lower than projected sales and services revenue by 14.0%.

### **Oakdale Campus**

Both revenue and expense for the Oakdale Campus were 116.4% of the budget due to higher-than-expected indirect cost recoveries.

### **Family Practice Program**

Both revenue and expense for the Family Practice Program were 99.7% of the budget.

### **Special Purpose Appropriations**

FY 2023 Special Purpose final appropriations were as follows:

	<b><u>Budget</u></b>
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	874,494
Agricultural Health and Safety	128,154
Entrepreneurship and Economic Growth	<u>2,000,000</u>
<b>Total</b>	<b>\$ 6,540,917</b>

The revenue and expenses for each Special Purpose appropriation were 100% of their final budgets, except for Biosciences Innovation.

Biosciences Innovation expenses were over budget by 38.5%. As indicated in the Economic Development Appropriations Bill, unexpended FY 2022 funds appropriated to UI for support of the biosciences innovation ecosystem were used for expenditures in FY 2023.

## **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**

The Restricted Fund includes four appropriations from the General Assembly.

Tuition replacement funding in the amount of \$15.13M 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 \$268K 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 \$12.35M or 4.0% due to 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.

#### **Interest Income**

The Restricted Fund includes revenues related to current investment activity. In FY 2023, investment market trends showed improvement. Interest income was budgeted for \$37.79M but ended the fiscal year at \$53.82M.

#### **Bond & Loan Proceeds**

Parking bonds sold for more than originally anticipated resulting in bond proceeds exceeding the budget by \$6.55M or 13.1%.

## **Reimbursed Indirect Costs**

FY 2023 indirect cost recoveries exceeded the budget by \$1.51M or 5.3% due to higher-than-expected research activity.

## **Sales & Services**

FY 2023 revenue from sales and services exceeded the budget by \$22.35M or 2.2%. This is due to higher-than-expected income in revenue generating programs, workshops and other activities as auxiliary, healthcare and other units continue to move back to pre-COVID levels.

## **Other Income**

Other income was over budget by \$69.19M or 32.2%. This variance is primarily a result of a larger than expected transfer of gift funds from the UI Center for Advancement and an increase in Non-Federal grants and contracts.

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 2023 were over budget by \$103.54M or 5.3%.

Building repair expense was under budget by \$3.05M or 28.9% as a result of fewer than expected building repairs. Plant capital was over budget by \$52.57M or 42.5% as previous delays in capital projects schedule began to subside and inflation impacted the initial cost projections of capital projects.

Equipment was over budget by \$47.75M or 59.4% due to unexpected increases in equipment costs.

Salary and wage costs were over budget by \$55.7M or 6.1% primarily due to higher than projected salary costs for faculty and professional staff.

Supplies were lower than budget by \$37.1M or 6.18% and Student Aid by \$18.7M or 18.7% which helped offset some of the other overages.

**The University of Iowa  
Department of Athletics  
FY23  
Budget to Actual Variance Analysis**

**Revenue**

- (1) **Sports Revenue**  
Football, wrestling, men's and women's basketball ticket sales exceeded budget.
- (2) **Athletic Conference**  
Bowl and television revenues exceeded budget.
- (3) **UICA Support**  
Gift support was under budget due to donor cashflow constraints.
- (4) **Novelties – Bookstore**  
Royalties on merchandise sales exceeded budget, due to retail sales increases and team success.
- (5) **General Income**  
Concession income increased; reserve funding was used for unique, non-recurring expenses (e.g.: legal settlements).

**Expense**

- (6) **General Team Expenses**  
Travel expenses for most teams exceeded budgets, due to inflationary costs.
- (7) **Admin. & General Expenses**  
Post season travel and legal settlement expenses exceeded budgets.
- (8) **FY2021 Operating Loan Payment**  
Athletics paid the University \$1.5 million in principal and interest toward the COVID operating loan. The loan will be repaid in full by June 30, 2036.



**The University of Iowa  
University Housing & Dining  
FY 2023  
Budget to Actual Variance Analysis**

**Revenue**

(1) **Contract Revenues**

Contract revenues are off from budget by only \$70,306. Room revenues fell slightly lower due to a change in the mix of room types from FY2022 to FY2023. Board revenues were higher due to a change in the mix of meal plans selected by residents and non-resident meal plan purchasers.

(2) **Interest Income**

Interest income is higher than budget by \$307,843 due to higher balances available for investment during the fiscal year in the voluntary reserves and construction fund.

(3) **Other Income**

Other income is lower than budget by \$457,110. Non-contract dining revenues and catering revenues were budgeted to increase, but still remained below pre-pandemic levels.

**Expense**

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

Salaries, wages and benefits expense is lower than budget by \$1,170,810. Continued vacancies occurred in merit positions in custodial, maintenance and dining, The department, like most other employers, continues to struggle to fill vacancies in these areas and has been operating short-staffed for some time now. A portion of the salary savings is offset by recruitment and retention bonuses provided to staff, an increase in temporary employee staffing, and significant increases in base student bi-weekly wages.

(5) **Cost of Food or Goods Sold**

Cost of goods sold for the dining operations are higher than budget by \$322,606, consistent with the higher inflationary increases experienced across the country in the past year. The higher inflation is partially offset by the reduced volume at retail dining and catering operations.

(6) **Utilities**

Utility expenses are only slightly higher than budget by \$131,287. The largest increase was experienced in trash removal costs, due to the higher costs associated with the new waste removal providers.

(7) **Repairs & Maintenance**

Repairs are \$668,093 higher than budget. With maintenance being short-staffed, more contracted repair services are needed. In addition to the increased demand for contracted services, the hourly rates for those services also increased significantly.

- (8) **Other Operating Expense**  
Other expenses are above budget by \$923,725. The increased need to utilize contracted custodial and dining services, as well as the increased costs for those services, combined with other significant inflationary increases, led to the higher than budgeted amount.

**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, 2023 is higher than originally budgeted by \$349,870 due to a small increase in the projected amount of planned capital project expenditures in the upcoming fiscal year.
- (10) **Surplus Fund Balance**  
The Surplus Fund balance is higher than budget by \$4,651,447 due to the higher balance carried forward from FY2022 and a slight reduction in divisional overhead costs, offset by the lower than budgeted net revenues from operations.
- (11) **Bond Reserve Fund**  
The Bond Reserve Fund balance is \$466,437 lower than budgeted due to the changes in unrealized gains/losses on investments in the reserve funds.
- (12) **Bond Construction Fund**  
The Bond Construction Fund balance is \$1,268,857 lower than budgeted due to variances in the timing of spending the proceeds of the Residence System Series 2021 bond issue.