

The University of Iowa General Education Fund FY 2023 Budget

The University of Iowa's academic, administrative, and shared governance leaders continue to refine the institution's value-based budgeting process. The current General Education Fund (GEF) budget model empowers unit leaders to prioritize funding to support their respective missions and to improve financial transparency. The model also supports annual increases/decreases to units to incentivize new revenue generation and maximize net tuition revenue.

The model's principles and goals helped to guide decisions in forming the FY 2023 budget:

- **Budget Model – Principles**
 - Transparent
 - Predictable
 - Supports the Strategic Plan and rewards growth

- **Budget Model – Goals**
 - Support collective/shared initiatives
 - Encourage collaboration
 - Be consistent and comprehensible

This collaborative process and budget model allowed the University to develop a General Education Fund budget that will support the 2022-2027 Strategic Plan priorities of excellence in teaching and learning, innovative research and creative discovery, welcoming and inclusive environment, holistic well-being and success, and transformative societal impact.

While the University continues to recover from the financial impacts of COVID 19, recruiting and retaining faculty and staff and unprecedented inflationary cost increases will add new financial challenges to FY 2023. However, intentional and dedicated efforts in attracting talented students and faculty will benefit the institution with increased tuition and external research funding.

All other University of Iowa FY 2023 budgets were developed simultaneously with the General Education Fund budget and utilized similar policies and budget guidelines.

A. REVENUE PROJECTIONS

\$ 738.0 million	FY 2022 GEF Budget
\$ 2.4 million	State Appropriations
\$ 20.1 million	Tuition
\$ 8.5 million	Indirect Cost Recoveries
\$ (0.1 million)	Interest and Other Income
\$ 30.9 million	Total Revenue Increase
\$ 768.9 million	FY 2023 GEF Budget

1) State Appropriations

The University's General Education Fund (GEF) support from state appropriations in FY 2022 was \$215.6 million or 29.2% of the University's GEF budget.

For FY 2023, the Board of Regents requested a \$4.0 million increase for the University of Iowa. The 2022 Iowa General Assembly, instead, provided \$5.5 million to the Board for allocation to the universities. The University received \$2.4 million in new incremental funding for FY 2023.

2) Tuition

In June 2022, the Board of Regents considered a FY 2023 base rate increase of 4.25% for undergraduate resident students and an equal dollar amount of \$355, or 1.17%, for undergraduate non-resident students. In addition to the base rate increases, the Tippie College of Business and the College of Nursing requested differential tuition rates for specific higher cost programs.

Graduate and Professional tuition rate increases were proposed at 4.25% for resident students and an equal dollar amount of \$443, or 1.51%, for non-resident students with some variances for certain graduate programs.

For the fall of 2022, the University is anticipating a larger incoming freshman class with a larger percentage of non-resident students. Smaller freshman classes in the previous years will continue to impact the overall undergraduate enrollments, but anticipate an increase in transfer students that will partially offset this. The focus on enrollment management efforts continue to yield a more diverse and better prepared freshman class allowing for improved retention and time to graduation.

In total, with the expected tuition increases and enrollment changes, the University is projecting an increase of \$20.1 million (4.3%) in tuition revenue.

The FY 2023 estimated total gross tuition budget is as follows:

	<u>Resident</u>	<u>Non Resident</u>	<u>Total</u>
Undergraduate	\$125,599,000	\$227,608,000	\$353,207,000
Graduate	43,407,000	9,636,000	53,043,000
Professional	45,842,000	29,570,000	75,412,000
Other	<u>1,383,000</u>	<u>1,717,000</u>	<u>3,100,000</u>
Total	\$216,231,000	\$268,531,000	\$484,762,000

3) Other Income

The University is estimating an increase of \$8.5 million (15.1%) in indirect cost recoveries due to an anticipated increase in federal research activities.

Interest and other income within the General Education Fund are estimated to remain the same. All earnings of General Education Fund balances remain within the General Education Fund for budgeting and expenditure purposes.

4) Reallocations/Reprioritization and Cost Saving Measures

During FY 2023, academic and administrative units will use the budget allocation model to identify, evaluate and consider whether to reprioritize or modify activities in which state resources are no longer sufficient to support these functions. The University will continue to ensure that available resources align with the University's strategic plan and support financial viability. Scarce resources will be directed to student success, research, and economic development programs.

B. EXPENDITURE PROJECTIONS

1) Collegiate and Central Core Unit Allocations

The University's budgeting process provides a framework for accelerating advancement in strategically targeted areas while maintaining and contributing to the high quality in core missions and central programs.

Distribution of changes in revenues to collegiate and central units is calculated utilizing predetermined methodologies to improve transparency and predictability for units. For example, new revenue generated by a college that is subject to share, such as tuition and fees, allows for seventy two percent of new revenue to remain with the college. Twenty eight percent is distributed to university services units responsible for providing core administrative services to collegiate and/or auxiliary units.

Increases or decreases in state appropriations are also distributed by apportionment to collegiate and central services units.

Once revenue distributions are calculated, collegiate and non-collegiate units set priorities and create spending plans guided by the goals established in the 2022-2027 Strategic Plan.

a. Salary and Fringe Benefits (see attachment "SUI Salary Guidelines FY23" for details)

For FY 2023, the campus returned to a July 1st salary cycle for all organizations. The salary policy provided collegiate and other major units latitude in establishing unit-specific salary policies, regardless of the source of funds. It also enabled units to reward high-achieving faculty and staff contributing significantly and in a measurable way to the success of the University.

Salary increments for faculty and non-bargaining P&S staff will be distributed differentially to individual staff based to reward performance and address any competitive market conditions.

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

Units were advised to provide merit increases that, on average, will fall within a range of 2% to 4%.

ii. Collective Bargaining Units

The University will fully implement the terms and associated costs of all collective bargaining agreements.

For AFSCME covered staff, there is a contractual increase of 1.1% on July 1, 2022. Additional discretionary adjustments may be available up to 2%.

For COGS represented staff (graduate assistants), there is a 1.3% contractual increase on July 1, 2022. Additional discretionary adjustments may be available up to 0.7%.

iii. Fringe Benefits

In June 2022, the University completed negotiations with the federal government establishing the FY 2023 fringe benefit rates for each employee category. Annual changes in the approved rates are attributable to cumulative historic costs of covered benefits, salary changes, and employee utilization of benefits.

For FY 2023, fringe rate changes on the existing General Education Fund compensation base will increase costs a total of \$5.5 million. Costs related to AFSCME bargained merit staff will increase \$0.2 million and P&S and faculty costs will increase \$5.3 million.

b. Student Aid

For FY 2023, the University is estimating that the student aid budget will increase by \$6.3 million due to expected changes in enrollment.

The University of Iowa is committed to identifying new ways of meeting the needs of its students and will focus efforts on initiatives of helping students graduate on time and receive the highest value education it can provide.

c. Utility Inflation

In March 2020, the University of Iowa received approval from the Board of Regents to enter into a 50-year public-private partnership (P3) involving its utility system with ENGIE North America and Meridiam.

Under the agreement with ENGIE and Meridiam, the University maintains ownership of its utility system and ENGIE performs all operations with respect to steam, cooling, water, and electricity, including capital renewal of the system.

General Fund utility expenses are expected to increase by approximately 2% in FY 2023.

The University's General Fund support of utility expenses for the Oakdale Campus will remain unchanged in FY 2022. The campus houses the State Hygienic Laboratory, a major consumer of utility services on the Oakdale campus.

2) Strategic Investments/Operational Service Needs

The budget allocation model provides an opportunity for colleges and administrative units to request additional funding beyond incremental revenue changes. For FY 2023, proposals were forwarded and reviewed by the President and the Budget Review Board. Approved proposals included:

- IT initiatives to bolster the University's ability to withstand cyber-attacks
- Cyber liability insurance to cover financial losses that result from data breaches, ransomware and other cyber events
- HVAC filtration systems to increase filtration and capture higher levels of bacteria and virus carriers