

**THE UNIVERSITY OF IOWA
Comprehensive Fiscal Report
FY 2015**

Each year, the University of Iowa is required to submit to the Board of Regents, a comprehensive fiscal report which compares actual revenues and expenditures with approved budgets, to identify variances and summarize actual uses of funding increases. Details for FY 2015 are described below.

A. GENERAL UNIVERSITY

Revenue

Total General University revenues for FY 2015 were less than the budget by \$1,082,000 or 0.2% under budget.

General University tuition revenues were under budget by \$1,190,000. This represents a variance of 0.3%.

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

	<u>Resident</u>	<u>Non-Resident</u>
Undergraduates	\$ 81,205,000	\$ 236,314,000
Graduate (1)	33,525,000	8,583,000
Professional (1)	37,679,000	22,328,000
Other	<u>2,031,000</u>	<u>2,377,000</u>
Total	\$ 154,440,000	\$ 269,602,000

(1) Non-Resident RA/TA's paying Resident tuition are included in Resident totals.

FY 2015 reimbursed indirect cost recoveries were higher than the budget by \$450,000 or 1.1% over budget. Projecting indirect cost recoveries has been challenging given the uncertainties of federal research funding.

Interest income was less than the budget by \$265,000. This variance was due to the timing of expenditures during the year. General Fund balances were reduced, thus reducing interest earnings.

Expense

General University expenditures supported by FY 2015 revenues were \$698,513,000 and under budget by \$1,082,000.

Salaries comprise 67% of all General Education Fund expenditures. Salary expenditures for FY 2015 were under budget by 0.7%.

General University expenditures for Student Aid were over budget by \$3,308,000 or 3.6%. Most of the variance was due to an increased use of the Summer Hawk Tuition Grant (approximately 1,100 awards totaling \$3,500,000) in summer 2015. Expenditures for Student Aid were \$95,680,000 which equates to 22.6% of actual tuition revenues.

Supplies and Services were under budget by \$5,490,000. Many University units reallocated these resources toward other non-recurring expenses such as building repairs and equipment.

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	\$ 298,762,000	\$ 288,268,000
Research	17,142,000	24,414,000
Public Service	2,814,000	4,097,000
Academic Support	103,325,000	97,933,000
Student Services	24,404,000	26,179,000
Institutional Support	55,706,000	60,819,000
Operations & Maintenance of Plant	105,070,000	101,123,000
Scholarships & Fellowships	<u>92,372,000</u>	<u>95,680,000</u>
Total	\$ 699,595,000	\$ 698,513,000

Research expenditures were higher than anticipated as collegiate units reallocated funding toward non-recurring grants and contracts cost share and start-up related to faculty hires. Many units/colleges also reallocated funding to increase Public Service activities.

Cash Balance of Advanced Commitment Funds

According to Iowa Code section 262.9, tuition revenues may be carried forward for use in subsequent years. As of June 30, 2015, there were no funds to be carried forward.

Reallocations

As reported in the FY 2015 Final Budget, the University of Iowa planned to reallocate approximately 1.0% of the FY 2014 General Education Fund base. In addition to the above minimum 1% reallocation, other select reallocations occurred in order to fund mission-critical strategic initiatives and other unavoidable costs. Reallocations occurred as indicated below.

Collegiate Reallocations	\$ 5,259,000
Administrative Reallocations	<u>8,135,000</u>
Total Reallocations	\$ 13,394,000

B. HEALTH CARE UNITS

Revenue

Interest

The \$6,818,000 variance in interest income over budget is due to the timing of recognizing the cash impact from realized gains on the sale of investments. A decline in both investments and interest rates also caused reduced interest income compared to budget.

Sales and Services

Continuation of a favorable payor mix due to the shift in patients from Iowa Care and Medicaid to commercial insurance payers is a major contributor to the revenue above budget levels. Emphasis on improved coding and documentation also increased reimbursement levels. The UIHC experienced strong volumes primarily during the final half of the year. The FY15 budget was developed using December 2013 data as the baseline and followed a conservative estimate due to the uncertainty that the volume levels experienced would be sustained. Volumes exceeded budget levels for acute patient days (3.9% above), inpatient surgical procedures (1.6% above) and emergency department visits (4.2% above).

Other Income

The budget for Electronic Health Record payments was overstated due to the declining payments received in each subsequent year.

Expense

Salaries

A concerted effort to monitor and manage labor costs is utilized to minimize the need for additional staffing costs while still providing safe and high quality patient care services. All new position requests as well as requests to re-fill vacant positions are reviewed by a multi-disciplinary Hiring Board.

Professional & Scientific Supplies and Services

A concerted effort was made in FY15 to expand the specialty pharmacy drug program. This program captures high cost, low volume specialty drugs for treatment of conditions such as rheumatology, oncology and digestive diseases. These drug costs 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.

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.

C. OTHER APPROPRIATED UNITS

Oakdale Campus

Both revenue and expense for the Oakdale unit were 84.5% of the budget. Reimbursed indirect cost recoveries were down by 48% or \$475,000. As a result, the General Fund supported a larger portion of utility costs for the Oakdale campus than originally anticipated. The State Hygienic Laboratory is the largest consumer of overall Oakdale Campus utilities.

Hygienic Laboratory

Both revenue and expense for the Hygienic Laboratory unit were 99.5% of the budget.

Family Practice Program

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

Special Purpose Appropriations

FY 2015 Special Purpose appropriations were as follows:

Primary Health Care	\$ 648,930
Iowa Online AP Academy	481,849
State of Iowa Cancer Registry	149,051
Substance Abuse	55,529
Non-Profit Resource Center	162,539
Biocatalysis	723,727
Advance Drug Development	93,645
Technology Innovation Center	37,119
Oakdale Research Park	78,515
Iowa Registry for Congenital and Inherited Disorders	38,288
Iowa Flood Center	1,500,000
Entrepreneurship and Economic Growth	<u>2,000,000</u>
Total	\$ 5,969,192

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

D. 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 2015.

Capital appropriations of \$7,203,000 were drawn during FY 2015 for the Dental Science Building remodel.

Tuition replacement funding in the amount of \$11,079,000 was received to address debt service on outstanding Academic Building Revenue Bonds.

The University received and spent \$1,050,000 from the Innovation Fund for the development of technology commercialization, marketing and business development efforts in areas related to technology commercialization, entrepreneurship, and business growth. An equal amount of matching funds was provided from other sources.

Starting in FY15, the Board of Regents reallocated funds from UNI to the University of Iowa for the Iowa Regents Resource Centers for \$279,000.

Federal Support

The Restricted Fund includes sponsored activities, predominantly research and student financial aid funded from federal and other external sources. Federal Support was approximately 15.0% over the budgeted amount due to higher than expected FEMA reimbursements for the flood of 2008. FEMA reimbursements fluctuate due to building construction schedules and timing of FEMA obligations and reimbursement approvals.

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.

Tuition and Fees

Actual Non-General Education Fund Tuition and Fees (e.g. Continuing Education off-campus offerings and mandatory fees) were 4.5% over the FY 2015 budget of \$60,170,000.

Bond & Loan Proceeds

The original bond sale projection was \$51,500,000. The actual amount of bonds and master financial leases sold in FY 2015 totaled \$51,910,000. The amounts below include Master Lease drawdowns as well as bond proceeds.

	<u>Budget</u>	<u>Actual</u>
ABRB (flood funding)	25.00 million	24.56 million
Utility System	25.00 million	25.00 million
Fleet Services (vehicle purchases)	<u>1.50 million</u>	<u>2.35 million</u>
	\$ 51.50 million	\$ 51.91 million

Sales and Services

Actual income from Sales and Services exceeded the original budget by 7.3%. Much of this variance is due to higher than anticipated revenues for the University of Iowa Physicians Practice Plan.

Other Income

Other Income was 3.5% lower than the amount budgeted. This variance is primarily due to lower than historical average for Org Activities Royalties, Commissions & other misc income, and lower than anticipated Non-Federal Gifts, Grants and Contracts revenues.

The Other Income revenue category consists of the following components:

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

Expense

Actual total expenses for FY 2015 were greater than the budget by \$16,446,000 or 1.0%.

Although expenditures were higher than anticipated in categories such as Rentals, Plant Capital and Equipment, these increases were offset by lower than expected expenses in Supplies, Salaries, Utilities, Debt Service and Building Repairs. Actual Restricted Fund Student Aid for FY 2015 was on budget.

Plant Capital

Plant Capital was over budget by \$56,517,000 or 16.2%. The variance in plant capital expenditures is the result of adjustments in earlier projections of construction schedules and the large number of capital projects occurring on campus, particularly UIHC and flood recovery.

**The University of Iowa
Department of Athletics
FY15 Budget to Actual
Variance Analysis**

Revenue:

- a) **Athletic Conference**
Athletic Conference revenue was above budget due to additional conference football bowl game and television distributions and supplemental NCAA distributions.
- b) **Foundation Support**
Football Facility pledge revenue was above budget due to pledges being paid ahead of schedule.
- c) **Foundation Premium Seat Revenue**
Foundation premium seat revenue was above budget due to additional Kinnick Stadium suite income collections.
- d) **General Income**
General income revenue was above budget due to concessions income exceeding expectations.

Expense:

- a) **Football**
Football team meal expense and general expense were above budget.
- b) **Admin. & General Expenses**
Administrative expenses were above budget because of higher postseason travel and higher supplemental/postseason compensation.

**The University of Iowa
Residence System
FY15 Budget to Actual
Variance Analysis**

Revenue:

- 1) **Contract Revenues:** Contract revenues are higher than budget by \$1,161,471. The majority of this is meal plan revenue, which exceeded budget by \$991,972. Meal plan offerings were changed significantly for the 2014-15 academic year to block-style plans, rather than weekly plans. The new meal plans proved to be more popular with the students. More students purchased meal plans, and those purchasing meal plans also chose higher valued plans than in the prior year. Academic year room contracts were also slightly higher than budget due to early move-in charges and excess demand for rooms during the fall semester. Summer occupancy was higher than previous years, driving summer room and board revenues to also exceed the budget amounts slightly.

Expense:

- 2) **Salaries, Wages & Benefits:** Salaries, wages and benefits expense is lower than budget by \$876,460 due primarily to numerous vacancies and turnover experienced throughout the year, particularly in the custodial and maintenance areas of the department.
- 3) **Cost of Food or Goods Sold:** Cost of goods sold for the dining operations are higher than budget by \$647,775. This is consistent with the increased volume of additional meal plans purchased.
- 4) **Utilities:** Utility expenses are lower than budget by \$675,819, due primarily to lower consumption over the prior year, which was used as the basis for the original budget. Some actual utility rates were lower than the budgeted rates during the fiscal year.
- 5) **Repairs & Maintenance:** Repairs & maintenance expenses are higher than budget by \$456,402, due to increased costs of purchased services for repair projects.
- 6) **Other Operating Expense:** Other operating expenses exceeded the original budget by \$477,634. A variety of components all contributed to this overage, including bad debt expense, telecommunications services, and retail dining commissions.

Balances:

- 7) **Improvement Fund Balance:** The improvement fund balance is lower than budget by \$3,848,604 due primarily to construction costs for the new Madison Street Residence Hall being paid from Improvement Fund reserves until the revenue bonds which will fund the project are issued during FY2016.
- 8) **Surplus Fund Balance:** The surplus fund balance is higher than budget by \$1,140,612 due primarily to the higher than budgeted net revenues from operations (+\$1,131,333). The beginning balance coming forward from fiscal year 2014 was higher than budget by \$325,973, while the funding for capital projects in the improvement fund was higher than budget by \$316,695.
- 9) **Construction Fund Balance:** The balance in the construction fund as of June 30, 2015 is lower than budgeted by \$3,339,054 due to variances in the timing of construction invoices and payments for the Petersen Residence Hall project.