

**THE UNIVERSITY OF IOWA  
Comprehensive Fiscal Report  
FY 2016**

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 2016 are described below.

**A. GENERAL UNIVERSITY**

**Revenue**

Total General University revenues for FY 2016 exceeded the budget by \$4,053,000 or 0.6% over budget.

General University tuition revenues were over budget by \$1,061,000 or 0.3% due to higher than expected summer enrollments.

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

|                  | <u>Resident</u>  | <u>Non-Resident</u> |
|------------------|------------------|---------------------|
| Undergraduates   | \$ 85,084,000    | \$ 241,984,000      |
| Graduate (1)     | 32,682,000       | 8,526,000           |
| Professional (1) | 38,471,000       | 22,492,000          |
| Other            | <u>2,001,000</u> | <u>2,404,000</u>    |
| Total            | \$ 158,238,000   | \$ 275,406,000      |

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

FY 2016 reimbursed indirect cost recoveries exceeded the budget by \$4,025,000 or 10.2%. Projecting indirect cost recoveries has been challenging given the uncertainties of the federal budget and its impact on federal research funding.

Interest income was less than the budget by \$919,000 due to reduced interest earned on pooled investment funds and distributed to the General Education Fund based on its balances.

**Expense**

General University expenditures supported by FY 2016 revenues were \$709,200,000 and greater than the budget by \$4,053,000 or 0.6%.

Salaries comprise 66% of all General Education Fund expenditures. Salary expenditures for FY 2016 were under budget by 1.2%. Many University units reallocated funds from recurring expense to non-recurring expense such as building repairs.

General University expenditures for Student Aid were over budget by \$1,974,000 or 1.9%. Expenditures for Student Aid were \$104,884,000 which equates to 24.2% of actual tuition revenues. The variance was due to increased use of the Summer Hawk Tuition Grant, which is

in its third year. The University's Summer Hawk Tuition Grant awarded approximately 1,900 grants totaling \$6,300,000.

**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                       | \$ 290,590,000     | \$ 272,879,000     |
| Research                          | 21,923,000         | 30,411,000         |
| Public Service                    | 4,032,000          | 5,071,000          |
| Academic Support                  | 106,779,000        | 106,135,000        |
| Student Services                  | 23,893,000         | 25,598,000         |
| Institutional Support             | 57,752,000         | 58,255,000         |
| Operations & Maintenance of Plant | 97,268,000         | 105,967,000        |
| Scholarships & Fellowships        | <u>102,910,000</u> | <u>104,884,000</u> |
| Total                             | \$ 705,147,000     | \$ 709,200,000     |

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. The University also reallocated funds from instructional support to non-recurring building repairs expense during FY 2016.

**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, 2016, there were no funds to be carried forward.

**Reallocations**

As reported in the FY 2016 Final Budget, the University of Iowa planned to reallocate \$14,172,000 during FY 2016. These reallocations were created through temporarily reallocating \$13,200,000 of central funds supporting energy conservation, building renewal, capitalized equipment purchases, and building O&M expense to support the academic mission in other ways. Reallocations occurred as indicated below.

|                              |                   |
|------------------------------|-------------------|
| Collegiate Reallocations     | \$ 1,000,000      |
| Administrative Reallocations | <u>13,172,000</u> |
| Total Reallocations          | \$ 14,172,000     |

## **HEALTH CARE UNITS**

### **Revenue**

#### **Interest**

The \$5,300,000 variance in interest income under budget is due to markets underperforming relative to the budget.

#### **Sales and Services**

The UIHC experienced strong volumes throughout the fiscal year. Volumes exceeded budget levels for patient discharges (2.5% above), acute patient days (5.2% above), surgical procedures (0.4% above), outpatient clinic visits (0.5% above), and emergency department visits (1.3% above). Emphasis on improved coding and documentation increased reimbursement levels while the new centralized scheduling system increased outpatient access.

### **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. Due to the high patient volumes however, additional staffing efforts were required beyond the usual salaried staff. Labor effort was supplemented by various sources such as hourly wages, overtime and additional incentives as well as outside agency staffing. The outside agency expense of over \$8,500,000 is reported under supplies and services.

#### **Professional & Scientific Supplies and Services**

The effort to expand the specialty pharmacy drug program continued into FY 2016. 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, orthopaedic and neurosurgical procedures, surgical instruments, and other patient care supplies contributed to the variance. As noted above, the use of outside agency staff costs necessary due to the high patient census also contributed to this 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.

## **B. OTHER APPROPRIATED UNITS**

### **Oakdale Campus**

Both revenue and expense for the Oakdale unit were 100.1% of the budget.

### **Hygienic Laboratory**

Both revenue and expense for the Hygienic Laboratory unit were slightly under 100.0% of the budget.

### **Family Practice Program**

Both revenue and expense for the Family Practice Program unit were 99.8% of the budget.

### **Special Purpose Appropriations**

FY 2016 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           |
| UI 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.

## **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 2016.

Capital appropriations of \$6,005,000 were drawn during FY 2016 for the remainder of the Dental Science Building remodel (\$797,000) and the new Pharmacy Building (\$5,208,000).

Tuition replacement funding in the amount of \$13,378,000 was received to address debt service on outstanding Academic Building Revenue Bonds.

The University received and spent \$1,050,000 from the Skilled Worker and Job Creation 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.

The University also received an appropriation 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 1.9% over the budgeted amount due to higher than expected Federal Grants and Contracts revenues.

#### **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**

Interest and investment income rebounded significantly in FY 2016 due to market returns improving over the prior year.

## Bond & Loan Proceeds

The original bond sale projection was \$87,400,000. The actual amount of bonds and master financial leases sold in FY 2016 totaled \$51,935,000. The amounts below include Master Lease drawdowns as well as bond proceeds.

|                             | <u>Budget</u>          | <u>Actual</u>          |
|-----------------------------|------------------------|------------------------|
| Madison St Residence Hall   | 70.0 million           | 34.7 million           |
| ABRB (flood funding)        | 15.0 million           | 14.0 million           |
| Fleet Services Master Lease | 2.4 million            | 0.0 million            |
| Athletics Master Lease      | 0.0 million            | 3.2 million            |
|                             | <u>\$ 87.4 million</u> | <u>\$ 51.9 million</u> |

## Tuition and Fees

Actual Non-General Education Fund Tuition and Fees (e.g. Continuing Education off-campus offerings and mandatory fees) were 2.8% under the FY 2016 budget of \$63,546,000.

## Sales and Services

Actual income from Sales and Services exceeded the original budget by 8.0%. Much of this variance is due to higher than anticipated revenues for the University of Iowa Physicians Practice Plan.

## Other Income

Other Income was 7.1% higher than the amount budgeted. This variance is primarily due to higher than historical average for Royalties, Commissions & other misc. income, and higher than anticipated Gift 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 2016 were greater than the budget by \$18,966,000 or 1.1%.

Although expenditures were higher than anticipated in categories such as Salaries, Supplies, Rentals, and Student Aid, these increases were offset by lower than expected expenses in Plant Capital and Equipment, Utilities, Library Acquisitions, Debt Service and Building Repairs.

## **Plant Capital**

Plant Capital was under budget by \$24,088,000 or 6.0%. The variance in plant capital expenditures is the result of adjustments in earlier projections of construction schedules associated with the large number of capital projects occurring on campus, particularly UIHC and flood recovery.

**Department of Athletics  
FY 2016 Budget to Actual  
Variance Analysis**

**Revenue:**

- (1) **Wrestling**  
Wrestling income increased due to a special event in Kinnick Stadium.
- (2) **Novelties-Bookstore**  
Licensing income increased in FY 2016 due to additional sales from team successes.
- (3) **General Income**  
General income revenue was above budget due to an increase in concessions income at home events as well as a transfer from department reserves (\$434K) to cover operating expenses.

**Expense:**

- (4) **Football**  
Football expenses increased due to additional costs related to post-season.
- (5) **Men's Basketball**  
Team travel expenses increased due to limited availability of small charter planes.
- (6) **Men's Other Sports**  
Expenses increased due to additional travel costs for baseball (\$300K) and men's tennis equipment purchases (\$125K).
- (7) **Administration and General**  
Administrative and general expense increased generally due to post-season expenses (\$880K), student athlete meal costs (\$200K) and special promotions (\$200K).
- (8) **Facility Debt Services/Student Fees**  
Savings were realized due to refinancing of bonds during FY 2016.
- (9) **Transfer for New Facility Costs and Reserves**  
No additional operating surplus was available in FY 2016 to transfer to the reserve fund.



**The University of Iowa  
University Housing and Dining  
FY 2016 Budget to Actual  
Variance Analysis**

**Operations:**

(1) **Debt Service**

Debt service for FY 2016 is \$167,941 lower than budgeted due to differences between the estimated debt service for the 2015 bond issuance and the actual debt service schedule.

**Revenue:**

(2) **Contract Revenues**

Contract revenues are higher than budget by \$275,892. The majority of this is academic year contract room revenue, which exceeded budget by \$259,704. Occupancy of the residence halls exceeded capacity for much of the fall semester, leading to the higher contract income. Summer occupancy was also higher than previous years, driving summer room and board revenues to also exceed the budget amounts slightly.

(3) **Interest Income**

Interest income is lower than originally budgeted by \$192,829 due to reduced interest earned on pooled investment funds.

(4) **Other Income**

Other income is lower than budget by \$258,935 due to lower than budgeted non-contract dining revenues at several of the campus retail dining operations.

**Expenses:**

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

Salaries, wages and benefits expense is lower than budget by \$860,650 due primarily to numerous vacancies and turnover experienced throughout the year, particularly in the custodial, dining and residence life areas of the department.

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

Cost of goods sold for the dining operations are lower than budget by \$730,815. This is due to a combination of lower sales volume in several of the retail dining operations, as well as lower than expected cost increases.

(7) **Utilities**

Utility expenses are lower than budget by \$960,111, due primarily to lower consumption over the prior year, which was used as the basis for the original budget. The savings are primarily seen in the areas of steam, water and sewer.

(8) **Repairs & Maintenance**

Repairs & maintenance expenses are higher than budget by \$292,786, due to increased costs of purchased services for repair projects.

(9) **Other Operating Expense**

Other operating expenses are lower than budget by \$144,279. A variety of components all contributed to this difference, including bad debt expense, telecommunications services, and retail dining commissions.

**Balances:**

(10) **Improvement Fund Balance**

The improvement fund balance is lower than budget by \$2,467,281 due primarily to construction costs for the new Madison Street Residence Hall being paid from Improvement Fund reserves until the next issue of revenue bonds to fund the project are issued during FY 2017.

(11) **Surplus Fund Balance**

The surplus fund balance is lower than budget by \$2,054,738 due primarily to increased funding of capital projects in the improvement fund, offset only partially by the higher than budgeted net revenues from operations.

(12) **Debt Service**

The bond reserve fund balance is \$55,932 lower than budgeted due to differences between the estimated debt reserve requirement for the 2015 bond issue and the actual debt reserve requirement after issuance of the bonds.

(13) **Construction Fund Balance**

The balance in the construction fund is lower than budgeted by \$12,796,248 due to shifting the timing of the next bond issue of revenue bonds to fund the Madison Street Residence Hall project from late in FY 2016 to early FY 2017.