

**THE UNIVERSITY OF IOWA
Comprehensive Fiscal Report
FY 2020**

The following comprehensive fiscal report compares FY 2020 actual revenues and expenditures to the Board-approved July 1, 2019 budgets and summarizes significant variances.

A. GENERAL UNIVERSITY

Revenue

Total General University revenues for FY 2020 were \$2.51M or 0.3% over budget.

General University tuition revenues were under budget by \$1.00M or 0.2% due to enrollment changes.

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

	<u>Resident</u> ⁽¹⁾	<u>Non-Resident</u> ⁽¹⁾	<u>Total</u>
Undergraduates	\$ 124,494,000	\$ 232,743,000	\$357,237,000
Graduate	37,249,000	9,172,000	46,421,000
Professional	46,157,000	24,490,000	70,647,000
Other	<u>1,042,000</u>	<u>1,336,000</u>	<u>2,378,000</u>
Total	<u>\$ 208,942,000</u>	<u>\$ 267,741,000</u>	<u>\$476,683,000</u>

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

FY 2020 reimbursed indirect cost recoveries exceeded the budget by \$3.43M or 7.1% due to higher than expected research activity.

Expense

Total General University expenses for FY 2020 were over budget by \$2.34M or 0.3%.

Salaries comprise 67.8% of all General University expenditures. Salary expenditures for FY 2020 were over budget by \$8.74M or 1.8%.

General University expenditures for student aid were \$103.50M, which represents 21.7% of actual tuition revenues. FY 2020 student aid expenditures were under budget by \$1.30M or 1.2%.

FY 2020 building repair expenses exceeded the budget by \$14.20M. This variance was offset by favorable variances of \$14.52M in professional and scientific supplies. Spending patterns shifted to focus funds on critical, time sensitive repairs and maintenance.

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	\$ 295,587,000	\$ 292,322,000
Research	30,222,000	32,002,000
Public Service	2,821,000	3,427,000
Academic Support	133,939,000	133,270,000
Student Services	25,698,000	25,443,000
Institutional Support	46,322,000	49,223,000
Operations & Maintenance of Plant	106,593,000	109,130,000
Scholarships & Fellowships	<u>104,793,000</u>	<u>103,493,000</u>
Total	\$ 745,975,000	\$ 748,310,000

As stated above, spending patterns shifted in order to fund non-recurring building renewal needs in FY 2020, similar to FY 2019. The University remains committed to providing the facilities necessary for supporting student education and success.

Cash Balance of Advanced Commitment Funds

Actual revenues exceeded expenditures in FY 2020, 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, 2020, tuition revenues of \$175K will be carried forward to fund Student Success Initiatives.

Reallocations

As reported in the FY 2020 budget, the University continued to utilize its new budget model to identify, evaluate and possibly discontinue or close activities, including University centers and institutes, 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 an increase in both surgical and clinic visit volumes compared to the prior year and budget through February 2020. Patient days through February were slightly below budget but exceeded prior year February YTD levels by 3.0%. Starting in March 2020, COVID-19 had a significant impact on UIHC operations and volumes. Reflective of those impacts, UIHC ended FY 2020 under budget on surgeries and clinic visits by 8.0%. Patient days were under budget by 4.9% for the year. By June 2020, UIHC volumes had started to recover, and clinic visits and surgeries for the month surpassed budgeted and prior year volumes.

Throughout FY 2020, UIHC continued to expand primary care in offsite locations, improve OR utilization rates and focus on improving productivity while maintaining excellent quality and safety care for our patients. A portion of the sales and service favorable variance offsets the unfavorable Other Income variance as rental income is included in the Sales and Service actuals and Other Income budget.

Interest

Interest income fluctuates with earning rates in UI investment pools.

Expense

Salaries

UIHC continued efforts to monitor and manage labor costs 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 were 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. As financial uncertainty increased towards the end of the fiscal year, recruitment of positions was slowed as the institution monitored return of volumes from the pandemic.

Due to the high patient volumes experienced prior to COVID-19 and timing for recruitment of those staff, some additional staffing efforts were required beyond the usual salaried staff. Labor effort was supplemented by various sources such as hourly wages and overtime as well as outside agency staffing. The outside agency expense of over \$16.30M is reported under supplies and services.

Professional & Scientific Supplies and Services

Expansion of the specialty pharmacy drug program continued into FY 2020. 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, 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 use of outside agency staff costs necessary due to the high patient census and nursing staff shortages also contributed to this variance.

Building Repairs

The need for non-capital building repairs varies annually and is impacted by the availability of resources and types of projects. \$700K of the variance is related to building updates needed to improve safety during COVID-19 operations.

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 97.3% of the budget mainly due to lower than expected sales and services by 9.4%

Oakdale Campus

Both revenue and expense for the Oakdale unit were 99.3% of the budget due to lower 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 2020 Special Purpose final appropriations were as follows:

	<u>Budget</u>
Primary Health Care	\$ 633,367
Iowa Online AP Academy	470,293
State of Iowa Cancer Registry	145,476
Substance Abuse	54,197
Non-Profit Resource Center	158,641
Biocatalysis	706,371
Advance Drug Development	93,645
UI Research Park	115,634
Iowa Registry for Congenital and Inherited Disorders	37,370
Iowa Flood Center	1,171,222
Biosciences Innovation	275,000
Agricultural Health and Safety	130,000
Entrepreneurship and Economic Growth	<u>2,000,000</u>
Total	\$ 5,991,216

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 2020.

Tuition replacement funding in the amount of \$15.69M 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 \$272K 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 \$56.93M or 23.9% primarily due to CARES Act funding for COVID-19.

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 and loan sale projection was \$25.00M for bonds and \$3.40M for master lease financing. However, there were no bonds or master financial leases sold in FY 2020.

Tuition and Fees

Actual non-General Education Fund tuition and fees (e.g. Continuing Education off-campus offerings, mandatory fees, etc.) were \$600K or 0.8% under budget.

Other Income

Other Income was higher than the budget by \$9.53M or 4.6%. This variance is primarily a result of higher than expected gift transfers 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 2020 were \$15.16M or 0.9% less than the original budget.

Plant capital was under budget by \$51.17M or 28.6%. 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.

The positive variance in plant capital expenditures was offset by higher than anticipated expenditures in Professional/Scientific Salaries, Equipment, Student Aid, and Debt Service.

**Department of Athletics
FY 2020
Budget to Actual Variance Analysis**

Revenue:

- (1) **Wrestling**
Ticket sales increased based on our home schedule.
- (2) **All Other Men's Sports**
Cancellation of our spring sports due to COVID-19 resulted in lower ticket revenue.
- (3) **Athletic Conference**
Conference income decreased due to reduced NCAA funding related to COVID-19.
- (4) **Foundation Support**
Foundation support decreased due to the effects of COVID-19 on annual donations.

Expense:

- (5) **Administration and General**
Transfer to the University was eliminated due to the effects of COVID-19.
- (6) **Transfer for New Facility Costs & Reserves**
Transfer to reserves did not occur in FY 2020 due to the effects of COVID-19.

**The University of Iowa
University Housing & Dining
FY 2020
Budget to Actual Variance Analysis**

Revenue:

- (1) Contract Revenues: Contract revenues are higher than budget by \$1.15M. This is due to higher than anticipated occupancy in the residence hall system. The original FY 2020 budget was developed assuming residence hall occupancy of 6,200. Actual residence hall occupancy as of the official fall reporting date was 6,333. Both residence hall room contracts and meal plan contracts exceed budget proportionately due to the larger number of contract holders.

FY 2020 contract revenues do not include \$15.83M of spring semester room and board refunds issued as a result of the residence halls closing early due to COVID-19. Those refunds were funded by a combination of CARES Act funds of \$4.71M and residence system Surplus Fund balances of \$11.12M.

- (2) Other Income: Other income is lower than budget by \$3.74M due to the closing of the majority of campus operations following spring break because of the outbreak of COVID-19. Retail dining operations, catering, laundry and application fee income all dropped off significantly for the remainder of the fiscal year after March.

Expense:

- (3) Salaries, Wages & Benefits: Salaries, wages and benefits expense is lower than budget by \$1.49M due to numerous vacancies and turnover experienced throughout the year, as well as a reduction in staffing once several of the operations closed after the onset of COVID-19 reduced activity on campus.
- (4) Cost of Food or Goods Sold: Cost of goods sold for the dining operations are lower than budget by \$2.30M, due primarily to the closing of the majority of campus operations following spring break because of the outbreak of COVID-19.
- (5) Utilities: Utility expenses are lower than budget by \$498K, due primarily to lower electricity, water, and sewer as a result of the residence halls closing early due to COVID-19, as well as lower steam consumption during the heating season.

Balances:

- (6) Improvement Fund Balance: The Improvement Fund balance is lower than budget by \$1.09M due to a reduction in the amount of planned capital project expenditures in the upcoming fiscal year, in response to the lower projected net income due to COVID-19.
- (7) Surplus Fund Balance: The Surplus Fund balance is lower than budget by \$6.97M due to the funding of the \$11.12M of spring semester room and board refunds issued as a result of the residence halls closing early due to COVID-19, offset partially by the higher than budgeted net revenues from operations and reduced capital spending from reserves.

- (8) Bond Reserve Fund: The Bond Reserve Fund balance is \$213K lower than budgeted due to the maturation of the Series 2011 bond issue, combined with changes in unrealized gains/losses on investments in the reserve funds.