

**The University of Iowa
General Education Fund
FY 2020 Budget**

The University of Iowa's academic, administrative and shared governance leaders continue their efforts to develop and refine the new, value-based budgeting process. With the goal of establishing a process that empowers unit leaders to prioritize funding in order to support their respective missions and to improve financial transparency, the following principles guided decisions in forming the FY 2020 budget:

- **New Budget Model – Characteristics**

- Value-based, transparent, and shaped by guiding principles (Student Success, Quality Indicators, Our Values, Our Future)
- Flexible design to support and finance the 2016-21 University of Iowa Strategic Plan
- Based on annual increases/decreases to the GEF “Collegiate Economic Analysis” report

- **New Budget Model – Goals**

- Maximize annual net tuition revenue
- Improve predictability and stability in the face of a generational decline in state support
- Incentivize new revenue generation
- Provide recurring/non-recurring funding for strategic initiatives
- Ensure collegiate/non-collegiate unit financial accountability
- Improve salary competitiveness
- Reward collaboration within and among colleges
- Fund salary and benefit adjustment and/or other inflationary increments through new revenues, efficiencies or reprioritization
- Provide guidelines for equitably sharing centralized costs
- Develop multi-year revenue/expense projections

This collaborative process and budget model allows the University to develop a General Education Fund budget reinforcing its principles and mission of education, research and discovery.

All other University of Iowa FY 2020 budgets were developed simultaneously with the General Education Fund budget and under similar and, in most instances, identical policies and budget guidelines.

A. REVENUE PROJECTIONS

\$ 745.0 million	FY 2019 GEF Budget
\$ 4.0 million	State Appropriations
\$ (5.1) million	Tuition
\$ 1.8 million	Indirect Cost Recoveries
<u>\$ 0.3 million</u>	Interest and Other Income
\$ 1.0 million	Total Revenue Increase
\$ 746.0 million	FY 2020 GEF Budget

1) State Appropriations

The University's General Education Fund (GEF) support from state appropriations in FY 2019 was \$214.7 million or 28.8% of the University's GEF budget.

For FY 2020, the Board of Regents requested a \$7.0 million increase for the University of Iowa. The 2019 Iowa General Assembly, instead, appropriated incremental funding of \$12.0 million for FY 2020 to be allocated by the Board of Regents to the three Regent institutions. The Regents approved a \$4.0 million (2.0%) to the University of Iowa. This reduced increment prompted the Board and the University to propose a higher tuition rate increase.

2) Tuition

In June 2019, the Board of Regents approved the following base tuition increases for FY 2020:

- 3.9% Increase for resident undergraduate students
- ~1.0% Increase for nonresident undergraduates and most graduate and professional students

In addition to base tuition increases, the Board approved tuition supplement increases for 8 out of the 11 colleges in FY 2020 for specific programmatic improvements.

For the fall of 2019, the University is anticipating a larger incoming freshman class. Focused enrollment management efforts plan to yield a diverse yet more prepared freshman class allowing for improved retention and time to graduation. Graduate and professional student enrollments are anticipated to increase slightly.

In total, the University is projecting a decrease of \$5.1 million (1.0%) in tuition revenue. This includes tuition rate and tuition supplement increases, but also decreases due to the elimination of the Summer Hawk Tuition Grant program and other projected enrollment changes.

The FY 2020 estimated total gross tuition budget is as follows:

	<u>Resident</u>	<u>Non Resident</u>	<u>Total</u>
Undergraduate	\$121,859,000	\$236,055,000	\$357,914,000
Graduate	37,144,000	10,121,000	47,265,000
Professional	46,096,000	23,610,000	69,706,000
Other	<u>1,209,000</u>	<u>1,591,000</u>	<u>2,800,000</u>
Total	\$206,308,000	\$271,377,000	\$477,685,000

3) Other Income

The University is estimating an increase of \$1.8 million (3.8%) in indirect cost recoveries due to the on-campus F&A rate increase to 54.5% that occurred July 1, 2019 and an anticipated increase in federal research activities.

Interest and other income within the General Education Fund are estimated to increase slightly in FY 2020. 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 2020, the University will continue to use the new budget model to identify, evaluate and possibly discontinue or close activities 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.

B. EXPENDITURE PROJECTIONS

1) Collegiate and Central Core Unit Allocations

The University's new 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 new 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 percent of new revenue to remain with the college. Thirty percent is distributed to central service 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 four budgeting principles (Student Success, Quality Indicators, UI Values, and UI Future).

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

The University of Iowa operates on two distinct salary increase cycles and each college/division has made a determination regarding the cycle in which they may provide adjustments. The first cycle occurs on July 1 and the second cycle occurs on January 1.

The University does not set a campus-wide salary policy and instead empowers Deans, Vice Presidents and other unit leaders to make decisions based on their unique needs, priorities, and market conditions.

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

For FY 2020, the majority of GEF units will consider potential performance and/or cost-of-living increases for Faculty and Non-Bargaining P&S staff in January. Making these salary increase decisions in January allows the University to have a clearer picture of tuition revenue following September enrollment counts and of any potential state budget changes following the State of Iowa's December meeting of the Revenue Estimating Conference.

ii. Collective Bargaining Units

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

General Education Fund salary costs of the agreements are estimated to increase by \$1.3 million (2.1%) for AFSCME staff and \$0.7 million (2.1%) for COGS represented staff (graduate assistants) in FY 2020.

iii. Fringe Benefits

In April 2019, the University completed negotiations with the federal government establishing the FY 2020 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 2020, changes in fringe benefit rates on the existing General Education Fund compensation base will increase total benefit costs. Costs related to AFSCME bargained merit staff will remain essentially flat while P&S and faculty costs will increase by approximately \$4.3 million.

b. Student Aid

For FY 2020, the University is estimating to decrease its overall student aid budget by \$6.1 million. This reduction is directly related to the elimination of the Summer Hawk Tuition Grant program upon the completion of the 2018 academic summer session.

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

c. Opening New Buildings: Costs to occupy new or improved space

The estimated change in utilities, custodial services, information technology, and general maintenance and renewal costs for new or improved General Education Fund-supported buildings in FY 2020 is \$4.8 million.

This increase includes new costs associated with the opening of two new facilities, the College of Pharmacy Bldg. and the Psychological and Brain Sciences Bldg.

d. Utility Inflation (non-salary)

The University continues to explore opportunities for reducing purchased fuel costs, decreasing its reliance on coal and reducing the University's carbon footprint by burning renewable fuels. Because of these efforts and building energy conservation improvements, the General Fund non-salary utility expenses are expected to remain the same for FY 2020.

The University's General Fund support of utility expenses for the Oakdale Campus will continue in FY 2020 as other revenue sources, including state appropriations, for the

campus remain flat. The campus houses the State Hygienic Laboratory, a major consumer of utility services on the Oakdale campus.

e. Iowa Public Radio

In FY 2019, the University provided \$347,226 of support to the Iowa Public Radio. The Board of Regents and Iowa Public Radio agreed to reduce university support in FY 2020 to 92.5% (\$321,184) of FY 2019's support.

2) Strategic Investments/Operational Service Needs

Throughout the year, central service advisory committees provided ongoing review and advice to business units. In the spring of 2019, committees forwarded proposals for either operational cost savings or increases for consideration to the University's administrative Budget Review Board.

For FY 2020, the Budget Review Board approved \$1.6 million to ensure the University's highest operational priorities receive adequate funding. The proposed initiatives support the University's mission and will provide innovative opportunities for students, faculty, and staff.

The University will continue to use the six advisory committees to evaluate and implement additional initiatives throughout the fiscal year.