

The University of Iowa General Education Fund FY 2022 Budget

The University of Iowa's academic, administrative, and shared governance leaders continue their efforts to develop and refine the value-based budgeting process. With the goal of establishing a process that empowers unit leaders to prioritize funding to support their respective missions and to improve financial transparency, the following principles guided decisions in forming the FY 2022 budget:

- **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

- **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.

The University is anticipating a return to full operations in the fall of 2021, therefore all revenue and expenses are expected to return to normal levels.

All other University of Iowa FY 2022 budgets were developed simultaneously with the General Education Fund budget and utilized similar policies and budget guidelines.

A. REVENUE PROJECTIONS

\$ 728.0 million	FY 2021 GEF Budget
\$ 0.0 million	State Appropriations
\$ 1.7 million	Tuition
\$ 8.3 million	Indirect Cost Recoveries
<u>\$ 0.0 million</u>	Interest and Other Income
\$ 10.0 million	Total Revenue Increase
\$ 738.0 million	FY 2022 GEF Budget

1) State Appropriations

The University's General Education Fund (GEF) support from state appropriations in FY 2021 was \$215.6 million or 29.6% of the University's GEF budget.

For FY 2022, the Board of Regents requested a \$7.0 million increase for the University of Iowa. The 2021 Iowa General Assembly, instead, provided no new incremental funding for FY 2022.

2) Tuition

In June 2021, the Board of Regents considered the following base tuition increases for FY 2022:

- 3.5% increase for Resident students
- ~1.0% increase for Non Resident students

In addition to the expected base tuition increases, the Board also considered tuition supplement increases the College of Liberal Arts and Sciences for the Computer Science and Informatics programs and for the College of Nursing for FY 2022.

For the fall of 2021, the University is anticipating a smaller incoming freshman class with a smaller percentage of non resident students. The smaller freshman class in the previous year will also have an impact on overall undergraduate enrollments. It is anticipated that graduate student enrollments will increase slightly and professional student enrollments will decrease slightly. 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 \$1.7 million (0.4%) in tuition revenue.

The FY 2022 estimated total gross tuition budget is as follows:

	<u>Resident</u>	<u>Non Resident</u>	<u>Total</u>
Undergraduate	\$121,951,000	\$218,871,000	\$340,822,000
Graduate	39,061,000	11,132,000	50,193,000
Professional	46,242,000	24,870,000	71,112,000
Other	<u>1,121,000</u>	<u>1,379,000</u>	<u>2,500,000</u>
Total	\$208,375,000	\$256,252,000	\$464,627,000

3) Other Income

The University is estimating an increase of \$8.3 million (17.3%) 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 as FY 2021. 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 2022, the University will use the budget allocation model to identify, evaluate and consider whether to discontinue or close 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 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 2022, 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 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 \$1.0 million (2.1%) for AFSCME staff and \$0.4 million (1.3%) for COGS represented staff (graduate assistants) in FY 2022.

iii. Fringe Benefits

In February 2021, the University completed negotiations with the federal government establishing the FY 2022 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 2022, changes in fringe benefit rates on the existing General Education Fund compensation base will decrease total benefit costs. Costs related to AFSCME bargained merit staff will decrease slightly while P&S and faculty costs will decrease by approximately \$5.2 million.

b. Student Aid

For FY 2022, the University is estimating that the student aid budget will decrease by \$1.9 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 sustainable means of helping students graduate on time and receive the highest value education it can provide.

c. Opening New Buildings: Net costs to occupy new/improved space or to remove facilities

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 2022 will increase by \$1.8 million.

This net increase includes new costs associated with opening the Stanley Museum of Art offset by the final demolition of Seashore Hall.

d. 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 Meridium.

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

In FY 2020, most utility system employees transitioned to become ENGIE employees which resulted in lower University direct salary and fringe costs but increases utility general expenses at a comparable amount. In FY 2022, direct salary and fringe costs are expected to decline further, and there will be additional increases in utility costs. Overall, total General Fund utility non-salary expenses are expected to increase by approximately 1%.

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

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

For FY 2022, new proposals were forwarded and reviewed by the President and the Budget Review Board. Several proposals were approved including increases to specific operational units and to also support the University's Electronic Research Administration system.

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