

REGENT INSTITUTION
FY 2004 General Fund Budget Summary
STRATEGIC PLANNING GOALS

Goal #1	Create an undergraduate experience that enables students to fulfill their intellectual, social, and career objectives.	148,848,111
Goal #2	Achieve premier graduate and professional programs in a significant number of areas.	172,699,984
Goal #3	Foster distinguished research, scholarship, and artistic creation.	70,322,857
Goal #4	Facilitate interdisciplinary interaction in teaching, research, and service.	14,048,488
Goal #5	Develop a highly productive organization that supports the mission and values of the University.	61,700,560
TOTAL		\$467,620,000

	Goal	FY 2004 New Revenues and Reallocations				
		Approp.	Tuition	Reallocation	Other	Total
<u>Strategic Initiatives</u>						
Student Aid Increases	1,2		5,767,400			\$5,767,400
Ear-Marked Surcharges	1,2,3		1,936,600			1,936,600
Liberal Arts & Sciences Initiative/Faculty and Start-up Costs	1,3		173,800		201,200	375,000
Classroom Support and Enrollment Growth	1		1,211,800			1,211,800
Graduate College Initiative	2		190,000			190,000
Internal Medicine Faculty and Faculty Start-Up	2,3				375,000	375,000
Research Incentive Program	3,4			1,300,000	157,200	1,457,200
Arts and Humanities				340,000		340,000
Biosciences				700,000		700,000
Grant Match				1,100,000		1,100,000
Collegiate Strategic Initiatives				4,220,000		4,220,000
						0
<u>Mandatory Cost Changes</u>						
Compensation Increases	1-5		11,823,072	5,271,979	1,458,400	18,553,451
Library Acquisitions	1-4		495,700		22,300	518,000
Opening New Buildings	5		312,000		300,000	612,000
Utility Inflation	5		685,500		64,500	750,000
Property Insurance Premium Increase	5		224,800		21,200	246,000
State Cancer Registry	3				60,300	60,300
Research Infrastructure and Regulatory Compliance	3				839,900	839,900
Research Space Leases	3,5				300,000	300,000
State Agency and Regent Assessments	1-5		100,000			100,000
Undetermined Expenditure Savings or Revenue over Budget	1-5		-2,143,047			-2,143,047
Base Appropriation Reduction		(6,846,340)	6,846,340			
TOTAL		(6,846,340)	\$27,623,965	\$12,931,979	\$3,800,000	\$37,509,604

cross check

\$37,509,604

**The University of Iowa
General Education Fund
FY 2004 Final Budget**

The FY 2004 General Education Fund (GEF) has been developed based upon the most current information available to inform revenue projections and an expenditure plan which will continue to be guided by the University's Strategic Plan. It is premised on revenue projections for tuition and indirect cost recoveries, and a state appropriations reduction of \$6.8 million. Also the University will get no appropriations in support of salary and benefit increases, including those determined through collective bargaining. The GEF projected cost for salary and benefit increases in FY 2004 is \$18.2 million. This projected cost assumes an average increase of 2% for faculty and professional and scientific staff and full funding of merit contractual obligations, annualization of FY 2003 merit increases and the impact of increases in fringe benefit rates.

REVENUE PLAN

FY 2004 Final Revenue Budget Summary

Appropriation	\$225,576,763
Tuition and Fees	\$199,091,993
Indirect Cost Recoveries	\$ 41,926,244
Investment Income	\$ 900,000
Other Income	<u>\$ 125,000</u>
Total	\$467,620,000

Appropriation

Based on assumptions to be used for this Final Budget, the University's total GEF appropriation for FY 2004 is estimated to be \$225,576,763. This is \$6,846,340 lower than the final FY 2003 GEF appropriation of \$232,423,103.

FY 2003 Appropriation	\$232,423,103
July 1, 2003 Appropriation Reduction	<u>(\$ 6,846,340)</u>
FY 2004 Appropriation	<u>\$225,576,763</u>

Salary and benefits support remains the highest priority for the University (as discussed in greater detail in the expenditure plan). Maintaining competitive salaries is critical to the ability of the University to sustain its high quality educational programs, by enabling continued faculty and staff recruitment and retention. Therefore, the University's overall expectation, from all sources of funds, is an average faculty and professional and scientific staff salary increase in the range of 2%, while meeting the non-discretionary costs of collective bargaining agreements and all related fringe benefit costs. The guidelines provided to each organizational unit are discussed in the expenditure section under salaries and benefits.

However, given the lack of additional state appropriations for salary increases, projected incremental revenues from tuition and indirect cost recoveries will be insufficient to fully address

this aspiration and to provide allocations to support other essential costs such as student financial aid, commitments linked to collegiate tuition surcharges, and utilities. As a consequence all GEF units will be required to accomplish reallocation of existing base budgets in order to meet salary and benefit policy goals. Even with projections for non-appropriated revenues, and required reallocations, expenses in the current FY 2004 GEF budget exceed revenue by \$2.1 million.

In summary, the July 1, 2003 appropriations reduction will be addressed through a combination of the use of new incremental revenue and the absorption of unfunded costs by academic and administrative units. As has been the case in the past, administrative units will absorb a significantly higher percentage reduction--50% greater in FY 2004--than academic units. Student Financial Aid, Library Acquisitions, and Utilities will be shielded from the impact of these shortfalls in appropriations.

Tuition and Fees

General Education Fund revenue from Tuition and Fees is estimated to be \$199,091,993. Increases in this revenue for FY 2004 are derived from rate increases (17.6 % resident and 9.75 % non-resident), a projected increase in enrollment of approximately 500 students, and surcharges for the Colleges of Law, Nursing, Pharmacy, Dentistry, Public Health, Medicine and Business.

The following is a reconciliation of the FY 2004 Tuition and Fee Budget:

Final FY 2003 Tuition and Fee Budget	\$171,468,028
Tuition Rate Increase	21,895,000
Enrollment Increase	3,071,045
Surcharges	<u>2,657,920</u>
Estimated FY 2004 Tuition and Fee Budget	\$199,091,993

At a minimum, financial aid will be established at 20% of marginal tuition revenue that results from the Board's overall tuition rate increase policy for undergraduates. This will result in a FY 2004 student aid set-aside budget which is equal to 17% of budgeted tuition and fees revenue. This represents an upward departure from the traditional 16% level.

Of the 500 projected additional new undergraduates, 150 will be new freshmen, 100 will be new transfer students, and 250 will be continuing students. The additional 150 freshmen and 100 transfer students are projected to be resident, generating an incremental ~ \$650,000 and ~ \$430,000 in tuition revenue, respectively. The additional 250 continuing students will be a mix of resident (65%) and non-resident (35%), generating ~ \$2,000,000 in tuition revenue. The projected cost associated with this enrollment growth is discussed in the expenditure section of this document.

Indirect Cost Recoveries

General Education Fund Indirect Cost recoveries derived from sponsored activities (principally research) are budgeted at \$41.9 million for FY 2004. These funds are necessary to support the overhead costs attributable to grants and contracts awarded to the University of Iowa. The amount budgeted for FY 2004 is \$3.8 million or 10% above the revised FY 2003 budget. This revenue source as well as the concomitant expense is volatile because it is so dependent upon new awards and renewals and the subsequent timing of grant and contract expenditures. Also, continued initiatives in the Federal Government to reduce legitimate recoveries of overhead costs are a constant concern.

Investment Income and Other Income

Based on experience in FY 2003, the amount budgeted for Investment Income (\$900,000) and the small amount budgeted for Other Income (\$125,000) will remain the same in FY 2004. Generally, investment income is declining due to lower interest yields as reinvestment occurs.

EXPENDITURE PLAN

Salary and Fringe Benefit Funding

\$13,281,472

For employees covered by a contract, salary increases and the employer's share of fringe benefit increases will be provided as specified in each contract. For non-contract employees the employer's share of fringe benefit increases must likewise be fully funded. In addition, the University's overall objective is to achieve, from all sources of funds, an average professional and scientific staff and faculty salary increase policy in the range of 1.5% - 2.25% with deans and vice presidents given discretion within that range. However, organizational units will receive only partial funding (70%) of the cost to achieve these commitments and objectives. Therefore, most divisions and colleges will need to reallocate substantially to achieve the desired salary policy.

Professional and scientific staff and faculty salary increments will be based on performance. However, units must also compensate for promotion and reclassification, or resolve issues relating to gender or ethnicity concerns, compression problems, market adjustments or other special needs within the overall salary policy.

Pay matrices for professional and scientific staff are proposed to increase 4% at the minimum and 2% at the maximum. This represents a partial step toward correcting the amount of overlap that exists between the merit (collective bargaining) and professional and scientific staff pay schedules. The overlap has increased significantly in recent years due to increases in the maximum merit salaries.

Faculty and professional and scientific staff pay increase averages will be as close as possible to equal within the range noted above. While maintaining overall equity between faculty and professional and scientific staff, and basing the distribution of funds on performance, organizational units are being encouraged to direct a greater proportion of available funds to faculty and staff with lower annual salary levels to help offset the disproportionate impact of health care cost increases.

The continuing rise of fringe rates will have in FY 2004 a significant impact on compensation costs. These rates are an estimation of actual cost to be incurred, but are set well in advance of the relevant fiscal year and must be approved by the University's cognizant federal agency so the rates can be applied to sponsored projects. However, given the unexpected and large increase to the Merit system health rates on July 1, 2000 (16.7%) and again on July 1, 2001 (25.2%), it has become extremely challenging to project future fringe rates accurately. Overall, the rise of fringe rates for all faculty and staff is being driven by health care cost and utilization increases.

For FY 2004, the College of Medicine will apply the salary policy previously approved by the Board for salaries supported by the College of Medicine Faculty Practice Plan (FPP). In September 1994, the Board of Regents approved the change in the compensation plan for clinical faculty in the College of Medicine, which allows flexible salary allocations based on productivity in patient care services. Effective Fiscal Year 1996, this plan identified an academic and clinical service component for each faculty clinician. Under this plan, based on retrospective analysis of clinical services productivity, a salary level is established, depending on productivity. A salary level can be adjusted up or down.

As a further refinement, last year the Faculty Practice Plan instituted a program in the Department of Anesthesia under which approximately half of the Anesthesia faculty budgeted salary increase

was paid on a quarterly basis in the form of lump sum payments rather than annualized as of July 1. The lump sum feature was consistent with the methodology used under the UIHC/Faculty Practice Plan Contingent Payment Program. The sum was paid out based on volume of clinical anesthesia care provided by individual faculty members at UIHC. Through the first three quarters of the current fiscal year anesthesia service availability, supportive of the workload needs of the surgical clinical departments, has increased. The College of Medicine intends to expand the proportion of departmental salary money directed to this lump sum payment program during FY04 to provide further incentive for patient care volume and bring Anesthesia faculty salaries closer to the targeted 50th percentile of the AAMC national salary survey.

The College proposes also to expand the use of lump sum payments to other clinical departments.

The College plans to introduce a pilot program in the basic science departments (Anatomy, Biochemistry, Microbiology, Pharmacology, and Physiology & Biophysics) to further encourage acquisition of additional extramural funding. In recent years the CCOM has sought to encourage tenure track faculty to fund at least 40% of their salary from extramural sources. With this new plan the College proposes making lump sum incentive payments mid year for faculty within departments meeting their financial goals and who bring in extraordinary extramural funding to offset their salary cost by greater than 50%. The plan also has provisions for rewarding faculty based upon sizeable extramural grants from funding organizations that might limit salary support (e.g. shared instrument or training grants) and for faculty having significant teaching/administrative assignments. This lump sum payment will be separate from the annual merit increases. It is the college's intent to evaluate this program over the next two years to determine if the program is successful.

The College of Dentistry will apply the policy previously approved by the Board of Regents for salary supported through the College of Dentistry Contingency Compensation Plan. In March 2003, the Board of Regents approved the change in the compensation plan for faculty in the College of Dentistry, which allows compensation awards to the faculty based on their contributions to the clinic enterprise during the previous year. No award will exceed 20% of the faculty member's base salary and will be based on an objective scoring system that recognizes teaching, scholarship, service, and patient care.

Student Aid Set-aside

\$5,767,400

Financial aid will be increased by 20% of marginal tuition revenue that results from basic rate increases and 16% of marginal tuition revenue that results from surcharges.

Ear-marked Surcharges

\$1,936,600

Tuition surcharges represent earmarked amounts for specific colleges and purposes. Students enrolled in specific colleges pay the surcharge in addition to the University's base tuition and receive the benefits of additional resources. Budgeted tuition revenue for FY 2004 includes surcharges for Business (MBA), Dentistry, Law, Nursing (selected programs), Public Health, Medicine and Pharmacy. Plans for the use of this surcharge revenue remain as reported previously when each was approved by the Board.

Utility Inflation**\$750,000**

This budget increase includes amounts necessary to accommodate the rising costs of purchased fuels (coal and gas) used in the production of steam and chilled water for heating and cooling academic facilities as well as the cost of purchased electricity. General inflationary increases on materials, supplies and services needed for the production and distribution of all utilities services to academic facilities is also included. The increase is 4% of non-salary utility costs, and with sharply rising fuel costs, may be insufficient.

Property Insurance Premium Increases**\$246,000**

Due to investment market conditions and the effects of September 11, 2001 on the insurance industry, widespread premium increases are being experienced. Property insurance premiums will increase by approximately 30% in FY 2003 and are expected to increase by an additional 25-30% in FY 2004. The University insures its property with a \$2,000 deductible.

Opening New Buildings**\$612,000**

The FY 2004 General Education Fund Budget is being incremented to cover the cost of opening the 58,700 gross square foot Blank Honors Center for 10 months (\$312,000) and for a portion of the cost of expansion of the Multi-tenant facility at Oakdale to support research of the COM (\$300,000). These amounts include utilities, maintenance and custodial, as well as information technology costs.

Library Acquisitions**\$518,000**

The Library acquisitions budget will be protected from General Education Fund Budget reductions and will be allocated a 5% increase to partially offset inflation.

The University Libraries is a coordinated network of 12 individual libraries offering a wealth of informational and scholarly resources pertinent to the academic departments, institutes, programs, and services of the University. Libraries are essential to the creation of a quality educational experience for undergraduate and graduate students and in the support of the quality research in all fields.

The University's libraries acquisitions budget will be used to provide access to books, journals, electronic resources and other forms of information to support the teaching, research, and service missions of the University. Since the mid-1980's, the acquisitions budget has been battered by inflation rates averaging between 9-11% annually, particularly for scientific information resources, which account for over half the budget. In a recent ten-year period, inflation for journals acquired by research libraries increased 148%, compared with 44% for the Consumer Price Index. Library vendors have projected price increases averaging over 11% for scientific and medical journals and 8% for non-science journals.

In the last several years, the availability of digital information resources has been transforming research in many academic fields, both in science and medicine, and in disciplines as diverse as business and the classics. But the high cost of much digital information adds to the inflationary pressures already having an impact on the budget. Also, recent dollar devaluations against foreign currencies are having a serious impact on the purchasing power of the library acquisition budget.

Liberal Arts and Sciences Initiative/Faculty Start-up

\$375,000

This represents the second of a multi-year effort to address the serious challenge of rebuilding the University's science departments in the face of substantial and increasing faculty losses. These losses are being felt most crucially in the College of Liberal Arts and Sciences, in its departments of Biological Sciences, Chemistry, Computer Science, and Psychology.

These departments are at a critical juncture due to the convergence of four factors:

- Substantial faculty turnover or loss, particularly due to retirement, budget reductions, and recruitment by other universities;
- Dramatic increases in the numbers of students seeking these majors;
- Very strong demand for service courses from engineering and pre-health science students as well as students in the Liberal Arts and Sciences; and
- Growing costs for instrumentation and for essential renovation of laboratory space.

Departments have been unable to replace faculty fast enough to meet student demand for coursework. In the next four years, the College needs to fill a minimum of eight to ten faculty positions per year in a number of science departments (in addition to normal replacement hiring).

Classroom Support and Enrollment Growth

\$1,211,800

The University's FY2004 budget is based on an expected enrollment growth of approximately 500 students. The major sources of enrollment growth are expected to be new first year undergraduate students (estimated growth of 150 students from the fall 2002 level of 4183), new undergraduate transfer students (estimated growth of 100 students), and continuing undergraduate students (estimated growth of 250 students). These estimates have been updated by the Provost Office from the Fall 2002 report to the Board of Regents, State of Iowa.

This enrollment growth comes at a time when the loss of state support has had a major impact on collegiate instructional resources. Faculty in the undergraduate colleges are developing strategies to manage the growth by teaching on an overload basis, expanding the size of their classes, adhering to strict minimum enrollment levels in undergraduate and graduate course sections, and finding ways to use existing resources more effectively.

Enrollment growth must also lead to more student support services such as academic advising.

Graduate College Initiative

\$190,000

One of the University's strategic planning goals is to strengthen graduate and professional education programs. Tuition surcharges have been approved to help many of the professional schools and colleges advance their programs (e.g. Business, Dentistry, Law, Medicine, Pharmacy, and Physical Therapy). Additional funding will help advance this strategic goal. Specifically, funds allocated to the initiative will be used to:

1. Support the Electronic Thesis and Dissertation project (original position lost to budget reductions).

2. Administer the new professional and interdisciplinary degree programs
3. Develop enhanced graduate student recruiting initiatives and professional development programs with departments and programs.
4. Increase support for the Block Allocation (departmental support for graduate assistants). Special emphases will be placed on creating programs of distinction.
5. Expand the Merit Fellowship to enable the Graduate College to reach its goal of obtaining a more diverse student cohort.

Internal Medicine Support

\$375,000

The Department of Internal Medicine is the largest department at the University. Recently, the department chair stepped down after serving over 25 distinguished years in the position. Internal Medicine is a leader in education, clinical service, and research effort. Recruitment of a new department chair is a major nation-wide effort and as a part of that effort to support the educational mission of the department, an increase in General Education Fund support as well as other central support from the College has been judged to be essential.

State of Iowa Cancer Registry

\$60,300

The State of Iowa Cancer Registry has recently submitted a \$26.4 million proposal for a seven-year renewal of its contract with the National Cancer Institute (NCI). The first year of the new contract will begin in FY 2004. In the course of negotiations, NCI has mandated a higher level of cost sharing than has been provided in the past. As a state wide service, State appropriations have been sought to help meet the match requirements. State support has not been forthcoming. This budget allocation is proposed to maintain the State services provided through the \$26 M grant.

Research Infrastructure and Regulatory Compliance

\$839,900

With the faculty's growing success in securing external research support, as well as with fallout from the events of September 11, 2001, comes increased responsibility to manage select biological agents, enhance management of hazardous wastes (both chemical and radiological), and requirements for compliance with the new Health Insurance Portability and Accountability Act (HIPAA) and other Federal regulations, including those designed to protect human subjects of clinical research. These are responsibilities that require employment of an array of trained specialists and professionals equipped with the necessary tools and resources to do their jobs. In addition, the legal complexities in meeting oversight requirements of clinical trials contracts and other regulatory compliance issues have grown significantly, requiring the addition of legal and technical staff.

Research infrastructure support costs have grown as well. One component of this budget item will be used to cover salaries for individuals in the Department of Physics and Astronomy who provide computing support, instrumentation construction and support, and business functions for space physics and other projects in that department. Similar expenses are needed to support Radiology in its operation of Positron Emission Tomography (PET) Scanning. Other research support in Physiology and in the Iowa Advanced Technology Laboratory is also included. Indirect cost recoveries from sponsored research are used to support these expenses.

Research Space Leases**\$300,000**

When the Steindler Building was razed, it became necessary to temporarily relocate portions of the College of Public Health, including a portion of the Iowa Cancer Registry. Space is being leased in the US Bank Building to handle overflow from College of Public Health space within UIHC and to provide a location for the Iowa Cancer Registry so that its research activity along with other College of Public Health research activities space can proceed.

Research Incentive**\$157,200**

The additional allocation of these funds to colleges through this program will assist in the promotion and support of the research enterprise. The University Research Council, a charter faculty/staff/student committee, urged and endorsed this program. These funds are used for a variety of expenditures related to fostering research in the colleges including the purchase of equipment, grant proposal preparation, seed funding and other research-related expenses at the discretion of collegiate deans and departmental executive officers. The amount of the research incentive has increased as sponsored research has expanded and now is \$1,463,000.

State Agency and Board Assessments**\$100,000**

This budget item is intended to cover estimated increases in charges assessed by the Attorney Generals Office, the Iowa Department of Personnel, the State Auditor and the Board Office.

REALLOCATIONS

In FY04, reallocation will be required all General Education Fund units in order to meet salary and fringe benefit guidelines. This reallocation requirement amounts to \$5.2 million and is detailed in the reallocation forms provided by the Board Office. In addition, the General Education Fund units will reallocate at least \$7.6 million for other strategic purposes as outlined below.

The reallocations by academic units are necessary in order to continue projects and activities that had begun or were committed to in earlier years. The University had originally planned to use incremental tuition revenue to support these initiatives. However, recent budgets have not been able to support as many initiatives as previously had been planned. Below are several categories of reallocations that the academic units will undertake in FY04.

Several colleges will move forward in FY04 with faculty hiring plans in hope that the budget situation has stabilized. These colleges have purposely held back on the hiring of tenure-track faculty in the past two years. Instead, part-time and temporary faculty were hired to pick up the slack left behind by faculty retirements and resignations and to deal with recent enrollment increases. These reallocations include ~\$1,130,000 in the College of Liberal Arts and Sciences and ~\$500,000 in the College of Education.

Colleges are struggling to find funds to support the equipment needs of the new faculty hires. Attracting new faculty is impossible without the commitment of the equipment needed to perform the latest research. The University's administration has made significant cuts in central budget pools forcing colleges to reallocate to meet their faculty start-up needs. These reallocations include ~\$250,000 in the College of Liberal Arts and Sciences, ~\$250,000 in the College of Engineering, and \$120,000 in the College of Public Health.

Each college has committed to improving the quality of their programs and services. These improvements take many forms including the development of better communication programs, the creation or adaptation of advanced computer systems for student and faculty use, the deployment of new staff to support teaching, research and service efforts. These reallocations include: \$165,000 in the College of Liberal Arts and Sciences; ~\$600,000 in the Tippie College of Business; ~\$250,000 in the College of Pharmacy; ~\$110,000 in the Division of Continuing Education; and, \$215,000 in the Graduate College.

Diversity continues to be an important goal at the University. Two units will reallocate funds to support additional diversity efforts in FY04. The Office of the Provost will reallocate ~\$150,000 and the Graduate College will reallocate ~\$230,000 to expand diversity hiring/recruiting efforts.

The University will continue efforts to expand course offerings and enrollments in the winter and summer session. The Division of Continuing Education will reallocate ~\$250,000 to support expanded activities in these two areas.

In FY 2003 reallocation strategies allowed the Office of the Vice President for Research to continue critical investments in research. The office provided nearly \$250,000 in FY2003 funds to faculty and research scientists to provide bridging support to keep professional scientific teams intact between grants or helped to support research travel or events (colloquia, speakers).

In support of the Biosciences Initiative at the University, the office reallocated \$700,000 to the health and biological sciences in support of start-up funding for new faculty, postdoctoral fellowships and support for several interdisciplinary programs.

The UI Arts and Humanities Initiative (AHI), through a University-wide competitive grants process, allocated approximately \$340,000 for a series of new individual and collaborative projects in the humanities and in the creative, visual and performing arts.

Several external agencies require or strongly recommend direct University contribution to funded research, usually termed cost sharing or a “grant match.” The office reallocated approximately \$850,000 this year for cost sharing for equipment and non-equipment items to a variety of external agencies for grants funded by those agencies.

An allocation of \$1.3 million of general funds, proportional to accrual of Indirect Cost Recoveries was reallocated to the colleges to support scholarly endeavors. The University Research Council, a charter faculty/staff/student committee, has endorsed this program. The funds are used for a variety of expenditures related to fostering research in the colleges including the purchase of equipment, seed funding and other research-related expenses at the discretion of collegiate deans and departmental executive officers.

Similar reallocation will be accomplished by the Office of the Vice President for Research in FY 2004.

THE UNIVERSITY OF IOWA
FY 04 FINAL BUDGET
General Fund
Source and Application of New Revenue

NEW REVENUE:

Appropriation:		
Additional Appropriation Reductions Anticipated	<u>(6,846,340)</u>	(6,846,340)
Tuition and Fees:		
Tuition Increase	21,895,000	
Surcharges	2,657,920	
Enrollment Increase	<u>3,071,045</u>	27,623,965
Indirect Cost Income		<u>3,800,000</u>
Total New Revenue		<u>24,577,625</u>

NEW USES

<u>Description</u>	<u>Appropriation</u>	<u>Tuition</u>	<u>Other</u>	<u>Total</u>
Salary and Fringe Benefit Cost		11,823,072	1,458,400	13,281,472
Student Aid Set Aside		5,767,400		5,767,400
Ear-Marked Surcharges (Net)		1,936,600		1,936,600
Utility Inflation		685,500	64,500	750,000
Property Insurance Premium Increases (FY 03 & FY 04)		224,800	21,200	246,000
Opening New Buildings-Oakdale COM Facility, Blank Honor Center		312,000	300,000	612,000
Library Acquisitions		495,700	22,300	518,000
Liberal Arts and Sciences Initiative/Faculty and Start-up		173,800	201,200	375,000
Classroom Support and Enrollment Growth		1,211,800		1,211,800
Graduate College		190,000		190,000
Internal Medicine Faculty and Start-up			375,000	375,000
State Cancer Registry			60,300	60,300
Research Infrastructure and Regulatory Compliance			839,900	839,900
Research Incentive Program			157,200	157,200
Research Space Leases			300,000	300,000
State Agency and Regent Assessments		100,000		100,000
Base Appropriation Reduction	(6,846,340)	6,846,340		-
Undetermined Expenditure Savings or Revenue over Budget		<u>(2,143,047)</u>		<u>(2,143,047)</u>
TOTAL NEW USES	<u>(6,846,340)</u>	<u>27,623,965</u>	<u>3,800,000</u>	<u>24,577,625</u>

Regent Institution
FY 2004 Planned Reallocations

Central Unit Approval:		ACADEMIC UNITS		
Major Subunit	Reallocated from:	Reallocated to:	Strategic	
	Amount	Subunit / Category	Amount	Plan Goal
College of Liberal Arts and Sciences		Salary Increases	3,223,506	1-5
Faculty salaries	1,009,269			
P&S salaries	116,027			
	<u>1,125,296</u>			
College of Business Administration				
Faculty salaries	182,635			
P&S salaries	28,654			
	<u>211,289</u>			
College of Dentistry				
Faculty salaries	171,331			
P&S salaries	40,470			
	<u>211,801</u>			
College of Education				
Faculty salaries	128,306			
P&S salaries	28,109			
	<u>156,415</u>			
College of Engineering				
Faculty salaries	154,100			
P&S salaries	19,717			
	<u>173,817</u>			
College of Law				
Faculty salaries	95,732			
P&S salaries	43,126			
	<u>138,858</u>			
College of Medicine				
Faculty salaries	533,443			
P&S salaries	88,096			
	<u>621,539</u>			
College of Nursing				
Faculty salaries	65,956			
P&S salaries	12,849			
	<u>78,805</u>			
College of Pharmacy				
Faculty salaries	68,721			
P&S salaries	8,034			
	<u>76,755</u>			

Central Unit Approval:	Reallocated from:	ACADEMIC UNITS		Reallocated to:	Strategic
	Major Subunit	Amount	Subunit / Category	Amount	Plan Goal
College of Public Health					
Faculty salaries		77,523			
P&S salaries		15,788			
		Total			
		93,311			
Graduate College					
Faculty salaries		6,379			
Student Assistants		56,250			
P&S salaries		11,166			
Merit salaries		15,134			
		Total			
		88,929			
Summer Session					
Faculty salaries		61,544			
P&S salaries		1,994			
		Total			
		63,538			
Library					
Faculty salaries		3,861			
P&S salaries		116,976			
Merit salaries		29,217			
		Total			
		150,054			
Continuing Education					
Faculty salaries		6,332			
P&S salaries		26,767			
		Total			
		33,099			
ACADEMIC UNITS TOTAL		3,223,506	TOTAL	3,223,506	

Explanation of how these reallocations support the university's strategic plan:
 To cover a portion of the cost of salary increases, the reallocation for the administrative units was a higher percentage of their budgets than the academic units.

Central Unit Approval:	ADMINISTRATIVE		Reallocated to:		Strategic
Reallocated from:	UNITS		Subunit / Category	Amount	Plan Goal
Major Subunit	Amount				
President:			Salary Increases	2,048,473	1-5
President's Office					
Faculty salaries	18,589				
P&S salaries	7,430				
Merit salaries	1,194				
	Total	27,213			
General Counsel					
Faculty salaries	4,469				
P&S salaries	10,168				
	Total	14,637			
Governmental Relations					
Faculty salaries	5,993				
P&S salaries	3,254				
	Total	9,247			
Internal Audit					
P&S salaries	9,172				
Affirmative Action					
P&S salaries	8,471				
Merit salaries	1,836				
	Total	10,307			
Iowa Trainers					
P&S salaries	3,627				
Intercollegiate Athletics					
Professional and Scientific Supplies	44,002				
Provost:					
Provost's Office					
Faculty salaries	80,254				
P&S salaries	19,161				
Merit salaries	13,868				
	Total	113,283			
International Programs					
Faculty salaries	2,431				
P&S salaries	18,675				
Merit salaries	4,876				
	Total	25,982			

Central Unit Approval:		ACADEMIC UNITS		
Major Subunit	Reallocated from:	Amount	Reallocated to:	Strategic Plan Goal
			Subunit / Category	Amount
Iowa Lakeside Laboratory				
		1,479		
		72		
	Total	1,551		
Art Museum				
		13,036		
		1,662		
	Total	14,698		
Ombudsperson				
		255		
		1,431		
		900		
	Total	2,586		
Opportunity at Iowa				
		6,697		
		1,532		
	Total	8,229		
Registrar				
		17,484		
		19,787		
	Total	37,271		
Admissions				
		38,912		
		29,769		
	Total	68,681		
University Evaluation and Examination Services				
		8,188		
		4,862		
	Total	13,050		
Student Financial Aid				
		16,637		
		9,061		
	Total	25,698		
Undergraduate Advising Center				
		650		
		30,165		
		4,274		
	Total	35,089		

Central Unit Approval:	ACADEMIC UNITS		Reallocated to:	Strategic
	Reallocated from:		Subunit / Category	Plan Goal
	Major Subunit	Amount	Amount	
Information Technology Services				
P&S salaries		124,928		
Merit salaries		224,214		
		Total		
		349,142		
V.P. Research:				
V.P. Research Office				
Faculty salaries		183,270		
Biosciences				
Faculty salaries		35,030		
V.P. Finance and University Services:				
V.P. Finance Office				
Faculty salaries		377,456		
P&S salaries		3,090		
		Total		
		380,546		
Business Office				
Faculty salaries		5,819		
P&S salaries		(78,307)		
		Total		
		(72,488)		
Risk Management				
P&S salaries		2,930		
Purchasing				
P&S salaries		3,009		
Accounts Payable/Travel				
P&S salaries		3,707		
Human Resources				
P&S salaries		36,676		
Receiving Room				
P&S salaries		456		
Mail Service				
P&S salaries		1,057		

Central Unit Approval:	ACADEMIC UNITS		Reallocated to:		Strategic
	Reallocated from:		Subunit / Category	Amount	Plan Goal
	Major Subunit	Amount			
Public Safety					
P&S salaries		6,087			
Merit salaries		<u>3,542</u>			
	Total	9,629			
Facilities Service Group					
Faculty salaries		157,005			
P&S salaries		45,901			
Merit salaries		<u>29,227</u>			
	Total	232,133			
V.P. University Relations:					
V.P. University Relations Office					
P&S salaries		11,581			
Merit salaries		<u>2,735</u>			
	Total	14,316			
University Relations-HCIC					
P&S salaries		8,192			
University Relations-Publications					
P&S salaries		14,514			
Merit salaries		<u>1,804</u>			
	Total	16,318			
University Relations-News Service					
P&S salaries		7,359			
Merit salaries		<u>3,607</u>			
	Total	10,966			
Broadcasting Services					
P&S salaries		12,419			
Merit salaries		<u>2,760</u>			
	Total	15,179			
V.P. Student Services:					
V.P. Student Services Office					
Faculty salaries		4,035			
P&S salaries		8,525			
Merit salaries		<u>5,103</u>			
	Total	17,663			

Central Unit Approval:	ACADEMIC UNITS		Reallocated to:		Strategic
	Reallocated from:		Subunit / Category	Amount	Plan Goal
	Major Subunit	Amount			
Museum of Natural History					
P&S salaries		1,823			
Merit salaries		158			
		Total		1,981	
Campus Programs-Student Activity					
P&S salaries		6,060			
Merit salaries		1,966			
		Total		8,026	
Special Support Services					
P&S salaries		7,448			
Merit salaries		2,304			
		Total		9,752	
Women Resource Action Center					
P&S salaries		3,393			
Merit salaries		433			
		Total		3,826	
Student Disability Service					
P&S salaries		5,106			
Merit salaries		838			
		Total		5,944	
Hancher Auditorium					
P&S salaries		17,883			
Merit salaries		2,080			
		Total		19,963	
University Counseling					
P&S salaries		18,366			
Merit salaries		217			
		Total		18,583	

Central Unit Approval:	ACADEMIC UNITS			
Reallocated from: Major Subunit	Amount	Reallocated to: Strategic Subunit / Category	Amount	Plan Goal
Old Capital Museum P&S salaries	2,071			
Alumni Services P&S salaries	3,451			
Merit salaries	5,193			
Total	8,644			
Recreational Services/McBride Field Campus P&S salaries	11,020			
Merit salaries	1,793			
Total	12,813			
Student Health Services P&S salaries	5,516			
Merit salaries	516			
Total	6,032			
Building Renewal	115,125			
Equipment	123,659			
ADMINISTRATIVE UNITS TOTAL	2,048,473	TOTAL	2,048,473	

Explanation of how these reallocations support the university's strategic plan:
 To cover a portion of the cost of salary increases, the reallocation for the administrative units was a higher percentage of their budgets than the academic units.

Central Unit Approval:		ACADEMIC UNITS		
	Reallocated from:		Reallocated to:	Strategic
	Major Subunit	Amount	Subunit / Category	Plan Goal
College of Liberal Arts and Sciences			College of Liberal Arts and Sciences	
Non-tenure Track Faculty		1,130,000	Tenure Track Faculty	1,2,3,4
Faculty salaries		415,000	Faculty Start-up	1,2,3,4
			Improving Program Quality	1,2,5
		<u>Total</u> 1,545,000		
College of Education			College of Education	
Non-tenure Track Faculty		500,000	Tenure Track Faculty	1,2,3,4
College of Engineering			College of Engineering	
Faculty salaries		250,000	Faculty Start-up	1,2,3,4
College of Public Health			College of Public Health	
Faculty salaries		120,000	Faculty Start-up	1,2,3,4
College of Business Administration			College of Business Administration	
Faculty salaries		600,000	Improving Program Quality	1,2,5
College of Pharmacy			College of Pharmacy	
Faculty salaries		250,000	Improving Program Quality	1,2,5
Graduate College			Graduate College	
Faculty salaries		445,000	Improving Program Quality	1,2,5
Continuing Education			Continuing Education	
P&S salaries		110,000	Improving Program Quality	1,2,5
Summer Session			All Colleges	
Faculty salaries		250,000	Expand Diversity Hiring/Recruiting Efforts	1,2,3,4
			Summer Session	
			Expand Winter Session Offerings	1,5
			Enhance Summer Session Incentive Program	1,5
			<u>Total</u> 250,000	
ACADEMIC UNITS TOTAL		<u><u>4,070,000</u></u>	TOTAL	<u><u>4,070,000</u></u>

Explanation of how these reallocations support the university's strategic plan:

Central Unit Approval: Reallocated from:		ADMINISTRATIVE UNITS	Reallocated to:	Strategic
Major Subunit	Amount	Subunit / Category	Amount	Plan Goal
Research Incentive Program General Expense	1,300,000	All Colleges Scholarly Research Endeavors	1,300,000	3
Biosciences Faculty salaries P&S salaries	400,000 300,000	All Colleges Faculty Start-up, Postdoctoral Fellowships, and Interdisciplinary Programs	700,000	1,2,3,4
Total	700,000			
Arts and Humanities Faculty salaries P&S salaries General Expense	50,000 36,000 254,000	College of Liberal Arts and Sciences Grants for Projects in Humanities and Creative, Visual, and Performing Arts	340,000	1,2,3,4
Total	340,000			
Division of Sponsored Programs Equipment	1,100,000	All Colleges Grant Bridging Support Grant Matches	250,000 850,000	3 3
			Total 1,100,000	
Provost's Office Faculty salaries	150,000	All Colleges Expand Diversity Hiring/Recruiting Efforts	150,000	1,2,3,4
ADMINISTRATIVE UNITS TOTAL	<u>3,590,000</u>	TOTAL	<u>3,590,000</u>	

UNIVERSITY OF IOWA HOSPITALS AND CLINICS
FINAL FY 2004 OPERATING BUDGETS OF THE
UNIVERSITY OF IOWA'S STATEWIDE HEALTH SERVICE UNITS

STRATEGIC PLAN

The University of Iowa Hospitals and Clinics' focus in FY 2004 is consistent with prior years: preserving high quality patient care, supporting the companion missions of teaching and research, and protecting the ability to recruit and retain highly skilled health care staff members. Funding from the State of Iowa for health care services for the poor and disadvantaged was reduced again in FY 2003 and in FY 2004 through cuts to the Indigent Patient Care state appropriation and cuts in the appropriations to Psychiatric Hospital, Center for Disabilities and Development and Specialized Child Health Services. However, growth in demand for patient services is anticipated for FY 2004 at the University of Iowa Hospitals and Clinics, resulting in increased total expenditures and revenues from patient receipts.

UIHC will be developing a new strategic plan after the Board of Regents and University of Iowa correlate their new plan. There were three goals identified in the FY 2003 strategic plan that continue to be key drivers in developing the FY 2004 operating budgets. These goals will be referred to throughout this document.

- 1) Assure the availability of a sufficient patient base and resources to sustain the University of Iowa Hospitals and Clinics' educational mission as the prime clinical training base for the University of Iowa's health science education programs by achieving incremental growth in service volume.
- 2) Preserve the University of Iowa Hospitals and Clinics' role as the only comprehensive referral teaching hospital in Iowa by staying at the frontiers of medicine and health care delivery through clinical differentiation.
- 3) Establish the University of Iowa Hospitals and Clinics as the workplace of choice to attract and retain excellent people in a rewarding environment.

CONSTRAINTS ON REVENUE SOURCES

The University of Iowa Hospitals and Clinics derives almost all of its revenue from paying patients whose charges are paid for primarily through third party reimbursement mechanisms. In FY 2003 only 5.6 percent of the University of Iowa Hospitals and Clinics' net patient revenues were derived from a state appropriation dedicated for indigent patient care service provided by the hospital. This percentage drops to 4.8 percent in FY 2004.

The specific budget assumptions for reimbursement that will limit the University of Iowa Hospitals and Clinics revenues in FY 2004 include:

- The Balanced Budget Act of 1997 (BBA) continues to have a devastating impact on Medicare funding. In FY 2004, Medicare reimbursements to the University of Iowa Hospitals and Clinics will be \$22.5 million less than before the BBA and related legislation was implemented.

- The Centers for Medicare and Medicaid (CMS), formerly the Health Care Financing Administration, converted payment for Medicare outpatient services to the Ambulatory Payment Classifications (APC) system, a prospective payment basis, effective August 1, 2000. The FY 2004 loss in revenues will be approximately \$4.8 million in comparison to the previous payment methodology and is included in the \$22.5 million cited above.
- Iowa Medicaid payments were cut 3.0 percent in FY 2002 resulting in a loss of approximately \$2.0 million in FY 2002 and FY 2003, respectively. The FY 2004 payment rates are expected to remain at the FY 2003 level.
- The University of Iowa Hospitals and Clinics' Indigent Patient Care Program will continue to provide patient care at a cost that is significantly greater than the appropriation received. Funding for this program is at the lowest level it has been since FY 1992. State-mandated services such as free transportation and housing when needed to facilitate timely treatment, as well as treating inmates of the state's correctional facilities, will increase in cost while the state appropriation declines.

The combined effect of these payment restrictions in FY 2004 will be to reduce the amount the University of Iowa Hospitals and Clinics is actually paid for its patient care services, including state appropriations, to 55.0 percent of gross charges. By way of comparison, the University of Iowa Hospitals and Clinics is receiving approximately 57.4 percent of charges in FY 2003 and received 60.1 percent in FY 2002.

At the same time that revenues from the Federal and State governments have been reduced, the rate of hospital inflation has increased dramatically. Medical care costs, as measured by historical experience in sector specific Producer Price Index (PPI) measures indicate that costs to hospitals have increased at a faster pace than most other goods and services for the past five years. The PPI for hospitals increased 6.2 percent for the twelve months ended April 2003. This is significantly higher than the general rate of producer inflation that was reported at 1.9 percent for the same twelve months. (PPI-“General Medical and Surgical Hospitals” and “Total Manufacturing Industries” Federal Bureau of Labor Statistics, U.S. Department of Labor, April 2003.)

The reasons commonly cited nationally for the rapid inflation rates of the hospital services area of the healthcare sector also apply to the University of Iowa Hospitals and Clinics. These are higher wages and salaries required to retain and recruit trained health care professionals as the supply of such individuals is outpaced by demand and the continued price increases for prescription drugs and medical supplies.

Additional net revenues are required in FY 2004 to support appropriate staffing levels, high quality of care and higher patient volumes at the University of Iowa Hospitals and Clinics. These additional net revenues will come from three sources: cost reductions, new volume and a rate increase to be effective July 1, 2003. The combination of the new volume and the rate increase will yield an increase in net revenues combined with non-patient revenue sources of 11.3 percent.

A rate increase of 9.5 percent will yield increased collections of approximately 2.5 percent because the payers for approximately 75.0 percent of the volume pay on a basis other than UIHC's listed price. These payers include Federal Medicare, State Medicaid, and Iowa Blue Cross. It is the actual collections that generate the funds to carry cost increases in wages, benefits, supplies and other operating costs, not the rate increase. While a rate increase of 9.5 percent in FY 2004 will be higher than the 8.0 increase approved by the Board of Regents for fiscal

year 2003, it is absolutely necessary to support hospital operations and meet salary and wage commitments negotiated by the State of Iowa and through the Board of Regents.

DEMANDS FOR VOLUME

The University of Iowa Hospitals and Clinics predicts increasing demand for its services as shown in the following chart. Inpatient acute admissions are expected to increase 5.6 percent and clinic visits are expected to increase 2.6 percent in FY 2004. The net effect of these volume changes, before factoring any increase in Board-approved rates on July 1, 2003, is a 5.7 percent increase in gross billings. The case mix in FY 2004 is expected to increase 2.0 percent, consistent with the increase in prior years due to the continued demand for sub-specialty services at the University of Iowa Hospitals and Clinics. Higher case mix generates higher patient charges.

To meet this increase in demand, the University of Iowa Hospitals and Clinics is expanding adult, neonatal and pediatric intensive care services, developing an emergency treatment center for chest pain and expanding initiatives to lower length of stay to allow more admissions.

<u>Combined Health Service Units</u>	<u>Actual 2000</u>	<u>Actual 2001</u>	<u>Actual 2002</u>	<u>Projected 2003</u>	<u>Budget 2004</u>
Acute Admissions (excl. newborns)	23,179	23,286	23,095	23,869	25,200
Surgical Cases	18,217	18,986	19,689	20,213	21,224
Clinic Visits	570,065	592,752	609,300	633,100	649,800
Average Length of Stay for Acute	7.48	7.51	7.61	7.25	6.75
Case Mix- all patients	1.5569	1.5712	1.5795	1.6293	1.6618

INDIGENT PATIENT CARE PROGRAM

The University of Iowa Hospitals and Clinics continues to be proud of its long-standing collaboration with the State of Iowa to care for indigent Iowans under the University of Iowa Hospitals and Clinics Indigent Patient Care Program that is partially funded by an appropriation under Chapter 255 of the Code of Iowa. The FY 2004 appropriation is 3.0 percent less than the FY 2003 appropriation and 15.3 percent less than the FY 2001 appropriation.

The University of Iowa Hospitals and Clinics assumes the full financial risk of caring for this population of Iowans who are identified by their home counties as having no other means to pay for medically necessary care. For a fixed amount of appropriation, the University of Iowa Hospitals and Clinics provides transportation, temporary lodging and meals, medical and surgical care, social and psychiatric services, and pharmaceuticals. By law, there is no limit on the amount of expense that the University of Iowa Hospitals and Clinics may need to incur to meet the medical needs of this population. As a result, the University of Iowa Hospitals and Clinics has historically rendered more care than the appropriation has funded. The same will be true for FY 2004 when the value of the services rendered is expected to be approximately \$70.9 million for hospital and other services and approximately \$27.7 million for physician services from the Carver College of Medicine for a total amount of \$98.6 million, against an appropriation of \$28.0 million. In FY 2004, the appropriation will only cover about 28.4 percent of the value of care rendered to indigent patients.

Another aspect of this collaboration between the University of Iowa Hospitals and Clinics and the State of Iowa is the transfer agreement for the Department of Human Services and the Medicaid

program. Under this agreement, the University of Iowa Hospitals and Clinics will receive approximately \$22.0 million in Federal matching funds in FY 2003 that will be passed through to the State of Iowa. A similar transfer will occur in FY 2004. This means the State of Iowa receives \$98.6 million in health care services for its poor and disadvantaged citizens at a net cost to taxpayers of \$6.0 million, that is, the difference between the \$28.0 million appropriation paid out and the \$22.0 million received from the Federal matching funds.

Continued collaboration to serve indigent Iowans will help support the University of Iowa Hospitals and Clinics' strategic goal to assure the availability of a sufficient patient base and resources to sustain the University of Iowa Hospitals and Clinics' educational mission as the prime clinical training base for the University of Iowa's health science education programs by achieving incremental growth in service volume.

FINAL BUDGET DETAILS

A detailed explanation of the Form 2 FY 2004 Operating Budget Proposal for each of the University of Iowa Hospitals and Clinics' appropriation units follows. Each aspect of these operating budgets is linked with the strategic plan for Fiscal Years 2002-2006.

EXPLANATION OF FORM 2 FY 2004 OPERATING BUDGET PROPOSAL

University Hospitals

Column (1) FY 2002 Actual

Actual performance for FY 2001-2002.

Column (2) FY 2003 Final Revised Budget

Budget as approved by the Board of Regents, State of Iowa.

Column (3) FY 2004 Base Budget Reductions

The University of Iowa Hospitals and Clinics' Indigent Patient Care Program is partially funded by an appropriation under Chapter 255 of the Code of Iowa. That appropriation has been reduced by 3.0 percent in the FY 2004 budget in the amount of \$849,330.

Column (4) FY 2004 Non-Salary Increments

These increases are anticipated inflation adjustments for professional and scientific supplies and utilities.

Revenues

Reimbursement of indirect costs	\$ 51,100
Sales and services	<u>10,306,700</u>
Total revenues	<u>\$ 10,357,800</u>

Expenditures

Professional and scientific supplies	\$ 9,243,400
Utilities- Labor- per University assessment	118,200
Utilities-Non-Labor- per University assessment	<u>996,200</u>
Total expenditures	<u>\$ 10,357,800</u>

The University of Iowa Hospitals and Clinics must generate funds to support its strategic goals. These include assuring the availability of a sufficient patient base and resources to sustain the University of Iowa Hospitals and Clinics' educational mission as the prime clinical training base for the University of Iowa's health science education programs, as well as preserving the University of Iowa Hospitals and Clinics' role as the only comprehensive referral teaching hospital in Iowa.

Column (5) FY 2004 Salary/Fringe Increments

These salary increases and related fringe benefit costs represent amounts to be paid to staff for a combination of performance and experience and are in accord with applicable collective bargaining agreements. In general, the FY 2004 salary program increase is an average of 2.25 percent with additional increases for the cost of fringe benefits and promotions. However, certain provisions of collective bargaining agreements that include Professional and Scientific Salaries and the General Services salaries will result in increases beyond the 2.25 percent average, depending on the percentage of staff represented by collective bargaining.

Revenues	
Sales and services	\$ 18,246,200
Other income	<u>22,000</u>
Total revenues	<u>\$ 18,268,200</u>
Expenditures	
Faculty salaries	\$ 466,900
Professional and scientific salaries	10,771,600
General service salaries	6,933,200
Hourly wages	<u>96,500</u>
Total expenditures	<u>\$ 18,268,200</u>

These salary program enhancements will help the University of Iowa Hospitals and Clinics in attaining its strategic goal to establish the University of Iowa Hospitals and Clinics as the workplace of choice thereby attracting and retaining excellent people in a rewarding environment.

Column (6) FY 2004 Sum of Columns (3), (4) and (5)

This is the summation of the details in the three previous columns.

Column (7) FY 2004 Adjustment Reallocations

These reallocations realign the budget consistent with FY 2003 and projected FY 2004 spending. The overall increase in adjustment reallocations is related to the increased costs associated with the expanded services budgeted in FY 2004.

Revenues	
Sales and services	\$ 34,067,730
Total revenues	<u>\$ 34,067,730</u>
Expenditures	
Faculty salaries	\$ 2,662,900
Professional and scientific salaries	18,804,600
General service salaries	2,490,500
Hourly wages	1,155,900
Professional and scientific supplies	8,054,530
Rentals	<u>899,300</u>
Total expenditures	<u>\$ 34,067,730</u>

Column (8) FY 2004 Proposed Budget

This is the sum of FY 2003 budget and the increments and adjustments for FY 2004 discussed above.

Psychiatric Hospital

Column (1) FY 2002 Actual

Actual performance for FY 2001-2002.

Column (2) FY 2003 Final Revised Budget

Budget as approved by the Board of Regents, State of Iowa.

Column (3) FY 2004 Base Budget Reductions

The appropriation has been reduced by 3.0 percent in the FY 2004 budget in the amount of \$219,240.

Column (4) FY 2004 Non-Salary Increments

These increases are anticipated inflation adjustments for professional and scientific supplies and utilities.

Revenues

Sales and services	<u>\$ 291,600</u>
Total revenues	<u>\$ 291,600</u>

Expenditures

Professional and scientific supplies	\$ 126,200
Utilities- Labor- per University assessment	11,200
Utilities-Non-Labor- per University assessment	<u>154,200</u>
Total expenditures	<u>\$ 291,600</u>

The University of Iowa Hospitals and Clinics must generate funds to support its strategic goals. These include assuring the availability of a sufficient patient base and resources to sustain the University of Iowa Hospitals and Clinics' educational mission as the prime clinical training base for the University of Iowa's health science education programs, as well as preserving the University of Iowa Hospitals and Clinics' role as the only comprehensive referral teaching hospital in Iowa.

Column (5) FY 2004 Salary/Fringe Increments

These salary increases and related fringe benefit costs represent amounts to be paid to staff for a combination of performance and experience and are in accord with applicable collective bargaining agreements. In general, the FY 2004 salary program increase is an average of 2.25 percent with additional increases for the cost of fringe benefits and promotions. However, certain provisions of collective bargaining agreements that include Professional and Scientific Salaries and the General Services salaries will result in increases beyond the 2.25 percent average, depending on the percentage of staff represented by collective bargaining.

Revenues	
Reimbursement of indirect costs	\$ (101,600)
Sales and services	<u>908,800</u>
Total revenues	<u>\$ 807,200</u>

Expenditures	
Faculty salaries	\$ 71,400
Professional and scientific salaries	432,600
General service salaries	300,700
Hourly wages	<u>2,500</u>
Total expenditures	<u>\$ 807,200</u>

These salary program enhancements will help the University of Iowa Hospitals and Clinics in attaining its strategic goal to establish the University of Iowa Hospitals and Clinics as the workplace of choice to attract and retain excellent people in a rewarding environment.

Column (6) FY 2004 Sum of Columns (3), (4) and (5)

This is the summation of the details in the three previous columns.

Column (7) FY 2004 Adjustment Reallocations

These amounts reflect reallocations that will be necessary to accommodate the reduction in sales and services funding.

Revenues	
Sales and services	\$ (724,360)
Total revenues	<u>\$ (724,360)</u>

Expenditures	
Faculty salaries	\$ 17,700
Professional and scientific salaries	(422,060)
General service salaries	(215,000)
Hourly wages	2,300
Professional and scientific supplies	(105,000)
Rentals	<u>(2,300)</u>
Total expenditures	<u>\$ (724,360)</u>

Column (8) FY 2004 Proposed Budget

This is the sum of FY 2003 budget and the increments and adjustments for FY 2004 discussed above.

Center for Disabilities and Development

Column (1) FY 2002 Actual

Actual performance for FY 2001-2002.

Column (2) FY 2003 Final Revised Budget

Budget as approved by the Board of Regents, State of Iowa.

Column (3) FY 2004 Base Budget Reductions

The appropriation has been reduced by 3.0 percent in the FY 2004 budget in the amount of \$198,079.

Column (4) FY 2004 Non-Salary Increments

These increases are anticipated inflation adjustments for professional and scientific supplies, rentals, and utilities.

Revenues

Sales and services	<u>\$ 72,055</u>
Total revenues	<u>\$ 72,055</u>

Expenditures

Professional and scientific supplies	\$ 52,155
Rentals	1,400
Utilities- Labor- per University assessment	600
Utilities-Non-Labor- per University assessment	<u>17,900</u>
Total expenditures	<u>\$ 72,055</u>

The University of Iowa Hospitals and Clinics must generate funds to support its strategic goals. These include assuring the availability of a sufficient patient base and resources to sustain the University of Iowa Hospitals and Clinics' educational mission as the prime clinical training base for the University of Iowa's health science education programs, as well as preserving the University of Iowa Hospitals and Clinics' role as the only comprehensive referral teaching hospital in Iowa.

Column (5) FY 2004 Salary/Fringe Increments

These salary increases and related fringe benefit costs represent amounts to be paid to staff for a combination of performance and experience and are in accord with applicable collective bargaining agreements. In general, the FY 2004 salary program increase is an average of 2.25 percent with additional increases for the cost of fringe benefits and promotions. However, certain provisions of collective bargaining agreements that include Professional and Scientific Salaries and the General Services salaries will result in increases beyond the 2.25 percent average, depending on the percentage of staff represented by collective bargaining.

Revenues

Reimbursement of indirect costs	\$ 54,900
Sales and Services	<u>364,500</u>
Total revenues	<u>\$ 419,400</u>

Expenditures

Faculty salaries	\$ 22,200
Professional and scientific salaries	230,500
General service salaries	162,900
Hourly wages	<u>3,800</u>
Total expenditures	<u>\$ 419,400</u>

These salary program enhancements will help the University of Iowa Hospitals and Clinics in attaining its strategic goal to establish the University of Iowa Hospitals and Clinics as the workplace of choice to attract and retain excellent people in a rewarding environment.

Column (6) FY 2004 Sum of Columns (3), (4) and (5)

This is the summation of the details in the three previous columns.

Column (7) FY 2004 Adjustment Reallocations

These amounts reflect reallocations that will be necessary to accommodate the reduction in sales and services funding.

Revenues	
Sales and services	<u>\$ (56,576)</u>
Total revenues	<u>\$ (56,576)</u>
Expenditures	
Professional and scientific salaries	\$ 141,800
Professional and scientific supplies	(164,576)
Rentals	(8,800)
Building repairs	<u>(25,000)</u>
Total expenditures	<u>\$ (56,576)</u>

Column (8) FY 2004 Proposed Budget

This is the sum of FY 2003 budget and the increments and adjustments for FY 2004 discussed above.

Specialized Child Health Services-Cancer, Hemophilia, High Risk Infant, Mobile and Regional Clinics and Muscular Dystrophy

Column (1) FY 2002 Actual

Actual performance for FY 2001-2002.

Column (2) FY 2003 Final Revised Budget

Budget as approved by the Board of Regents, State of Iowa.

Column (3) FY 2004 Base Budget Reductions

The appropriation has been reduced by 3.0 percent in the FY 2004 budget in the amount of \$20,205.

Column (4) FY 2004 Non-Salary Increments

These increases are anticipated inflation adjustments for professional and scientific supplies and equipment.

Revenues	
Federal support	<u>\$ 33,100</u>
Total revenues	<u>\$ 33,100</u>
Expenditures	
Professional and scientific supplies	\$ 32,900
Equipment	<u>200</u>
Total expenditures	<u>\$ 33,100</u>

The University of Iowa Hospitals and Clinics must generate funds to support its strategic goals. These include assuring the availability of a sufficient patient base and resources to sustain the University of Iowa Hospitals and Clinics' educational mission as the prime clinical training base

for the University of Iowa's health science education programs, as well as preserving the University of Iowa Hospitals and Clinics' role as the only comprehensive referral teaching hospital in Iowa.

Column (5) FY 2004 Salary/Fringe Increments

These salary increases and related fringe benefit costs represent amounts to be paid to staff for a combination of performance and experience and are in accord with applicable collective bargaining agreements. In general, the FY 2004 salary program increase is an average of 2.25 percent with additional increases for the cost of fringe benefits and promotions. However, certain provisions of collective bargaining agreements that include Professional and Scientific Salaries and the General Services salaries will result in increases beyond the 2.25 percent average, depending on the percentage of staff represented by collective bargaining.

Revenues	
Federal support	\$ (45,507)
Sales and Services	118,397
Other income	<u>127,310</u>
Total revenues	<u>\$ 200,200</u>
Expenditures	
Faculty salaries	\$ 12,600
Professional and scientific salaries	126,700
General service salaries	58,100
Hourly wages	<u>2,800</u>
Total expenditures	<u>\$ 200,200</u>

These salary program enhancements will help the University of Iowa Hospitals and Clinics in attaining its strategic goal to establish the University of Iowa Hospitals and Clinics as the workplace of choice to attract and retain excellent people in a rewarding environment.

Column (6) FY 2004 Sum of Columns (3), (4) and (5)

This is the summation of the details in the three previous columns.

Column (7) FY 2004 Adjustment Reallocations

These amounts reflect reallocations that will be necessary to accommodate the reduction in sales and services funding.

Revenues	
Federal support	\$ 13,162
Other Income	<u>(28,757)</u>
Total revenues	<u>\$ (15,595)</u>
Expenditures	
Faculty salaries	\$ 28,200
Professional and scientific salaries	96,700
General services salaries	20,200
Hourly wages	(47,500)
Professional and scientific supplies	(121,995)
Equipment	<u>8,800</u>
Total expenditures	<u>\$ (15,595)</u>

Column (8) FY 2004 Proposed Budget

This is the sum of FY 2003 budget and the increments and adjustments for FY 2004 discussed above.

Attachments: Form 2

THE UNIVERSITY OF IOWA
Final Budget Summaries
Fiscal Year 2004
Oakdale Campus

The Oakdale Campus Final budget outlines the distribution of appropriations and other income components to the University of Iowa for the operation of the Oakdale Campus. Budget decisions were made in accordance with goals and objectives set forth in the University Strategic Plan. The Oakdale Campus budget is designed to provide a working environment to stimulate research and outreach activities on the Oakdale Campus. The activities on this campus include the University Hygienic Lab, the Obermann Center for Advanced Studies, the Technology Innovation Center and a number of academic and health care-related activities.

INCOME

Appropriations for FY 2004 are projected to be \$2,725,472 with "Other Income" of \$406,000. The appropriation base budget was reduced by \$82,719. The "Other Income" remains unchanged. The total Oakdale Campus budgeted revenue is \$3,131,472.

EXPENDITURES

SALARIES: Salary increases for professional and scientific staff reflect an average 2.0 percent, which includes increments for promotions, equity increases and marketplace adjustments. The salary increases for merit staff include negotiated increases as per the labor contract for FY 2004 and annualization of merit step increases given in FY 2003. Fringe benefit increases are also included for both professional and scientific staff and merit staff. Approximately 2 FTE were reduced from the budget to accommodate salary increases.

UTILITIES: The FY 2004 utility budget of \$1,177,514 reflects an 11 percent increase over the FY 2003 budget primarily due to projected increases in fuel costs. Oakdale Campus utilities are not provided to the adjacent Oakdale Research Park. The centralized steam, chilled water and other major utilities provided on the main campus are not available at Oakdale.

SUPPLIES: The supplies budget includes services and material that are required to maintain an environment to conduct research. Supplies were reduced by 30 percent to accommodate the decrease in appropriations and the anticipated increase in utility expenses.

EQUIPMENT: The equipment budget is unchanged.

BUILDING REPAIRS: The building repairs budget was reduced from \$125,305 to zero to accommodate salary and utility expense increases. This is not sustainable and will need to be resolved in FY 2005.

THE UNIVERSITY OF IOWA
Final Budget Summaries
Fiscal Year 2004
State Hygienic Laboratory

FY 2004 REVENUE

Appropriations for FY 2004 are projected to be \$3,900,021 with "Other Revenues" of \$2,909,622. The FY 2004 base is \$118,387 lower than the FY 2003 revised budget base, due to State appropriation reductions. The net increase in "Other Revenues" of \$475,999 is a result of an increase in projected Sales and Service revenue. The change in budgeted revenue is based on revenue received for 10 months of operation in FY 2003. Accordingly, the total budgeted revenue is \$6,809,643.

FY 2004 EXPENDITURES

SALARIES: Salary increases for professional and scientific staff reflect an average 2.0 percent, which includes increments for promotions, equity increases, marketplace adjustments and similar imperatives. The salary increases for merit staff include negotiated increases as per the labor contract for FY 2004 and annualization of merit step increases given in FY 2003. Fringe benefit increases are also included for both professional and scientific staff and merit staff. The budget proposes professional and scientific staff salaries of \$3,985,048, merit staff salaries of \$2,110,182 and hourly wages of \$16,752.

SUPPLIES: The supplies budget includes laboratory supplies and rentals required to conduct laboratory testing.

THE UNIVERSITY OF IOWA
Statewide Family Practice Program
Final Budget
Fiscal Year 2004

FY 2004 BASE

\$2,129,177

The FY 2004 base appropriation (\$2,129,177) is \$64,621 less than the final budget for FY 2003 (\$2,193,798). The decrease from the final appropriation in FY 2003 is due to a reduction in base appropriations for FY 2004.

FY 2004 INCOME

The statewide program's appropriation for FY 2004 is \$2,129,177. Nonappropriated income is estimated at \$28,000. Total revenues will be \$2,157,177. Eighty percent of the appropriated funds are scheduled to be spent in the UI-affiliated family physician training programs consistent with statutory requirements, and 20% of the appropriation will be spent on University-sponsored activities in support of the community-based training programs. The College of Medicine provides educational, administrative and research support.

FY 2004 EXPENDITURES

The salary budget proposed for faculty decreased by 2.9% and salary allocations proposed for professional and scientific staff will stay level from FY 03 to FY 04. Salary increases for Faculty and P & S will average 2% and will be accomplished through reallocation. Salary budgets proposed for the merit staff are consistent with contractual obligations negotiated by the State.

The budget proposes faculty salary expenditures of \$1,703,342, professional salaries of \$303,797, and general service salaries of \$90,274. The faculty salaries are community-based teaching positions. The professional and general service salary lines are University-based positions that provide administrative and technical support to the Statewide Family Practice Training Program.

The amount budgeted for hourly wage employees is \$20,000. Those funds will pay for the wages of student research assistants and provide extra compensation to faculty who temporarily leave their regular duties at the University of Iowa to participate as visiting instructors at the community-based training sites.

Expenditures for supplies are proposed at \$39,764. The supply budget supports the central office operations, including travel, data processing, disposable supplies and other administrative support expenditures associated with the statewide program.

THE UNIVERSITY OF IOWA
Primary Health Care
Final Budget Summary
Fiscal Year 2004

FY2004 BASE

The FY2004 base budget of \$779,359 is \$23,654 less than the FY 2003 base.

FY 2004 INCOME

The appropriation for the Primary Care Initiative (PCI) in FY 2004 is \$779,359. The University of Iowa Health Sciences Center operates five continuing programs with this appropriation. These initiatives fill important gaps in the state's efforts to educate, retain and track health professionals. Program allocations are: integrated Health professions Education Project, \$86,362; Department of Family Medicine Faculty Expansion, \$335,142; Regional Medical Education Centers Grant Program, \$182,893; Iowa Health Professions Inventory, \$103,392 and the Rural Physician Support Program, \$71,570

FY 2004 Expenditures

The salary budget for faculty is \$435,142, and salary allocations for professional and scientific staff are \$221,324. Average increases for these employee groups will approximate 2%. Salaries budgeted for merit staff are consistent with contractual obligations negotiated by the State.

Expenditures for supplies and wages are budgeted at \$80,000. The supply budget supports travel, data processing, conferences, telecommunications, and educational resources.

SPECIAL PURPOSE

Special Purpose: State of Iowa Cancer Registry

\$183,322

This Registry is part of the National Cancer Institute's (NCI) Surveillance, Epidemiology, and End Results (SEER) Program. There are only 14 state and regional cancer registries throughout the United States that participate in this prestigious program. The objectives of the Registry are: 1) assembling and editing cancer incidence, mortality, and follow-up data among Iowans and reporting these data to the NCI; 2) monitoring annual trends in cancer incidence and mortality among Iowans; 3) providing information on changes over time in extent of disease at diagnosis, trends in therapy, and associated changes in patient survival; and 4) promoting and conducting studies designed to identify factors amenable to cancer prevention and control. The Registry has 60 employees (about 50 FTEs), two-fifths of whom comprise a field staff that resides and works in communities throughout Iowa.

Cancer became a reportable disease in Iowa in April of 1982, by amendment to the Iowa Code, Subrules 641-1.2(1) - "Reportable Diseases." The Iowa Department of Public Health has designated responsibility for cancer data collection to the Registry.

The Iowa Registry is funded primarily through a contract with the NCI. Currently, a seven-year contract renewal is being negotiated that requires cost-sharing. A cost-sharing level of 14% will be required in FY04, with a 1% per year increase in each of the seven remaining years until a cost-sharing level of 20% has been reached in FY10. Since 1991, the state of Iowa has contributed cost-sharing that amounts to between 4% and 10% of the total annual budget. In recent years, this percent has been closer to 4%. The state of Iowa and the University of Iowa have been our two sources of cost-sharing during this period. If the Registry continues to receive about \$183,322 per year from the state, cost-sharing will be at 5.2%, which is well below the 14% needed in FY04, and the level of 20% which will be required by the year 2010. Indications are that the present level of cost-sharing from the state is inadequate. Thus, we will continue to request an increase in state funding to enable the University and the State of Iowa to remain competitive for funding provided by the NCI. In FY 2004 an allocation of \$60,300 has been made from the General Education Fund budget to help attain the 14% cost sharing requirements.

FY 2004: The state of Iowa appropriation will be used primarily to supplement core support for the Registry including salaries, computer services and equipment, and general expenses. A significant portion of these funds is also used to provide, at the least possible cost, cancer services and educational activities directed toward Iowans. These activities include: 1) the preparation and dissemination of an annual report on the status of cancer in Iowa; 2) development and dissemination of information regarding the Registry via the internet, SEER*Stat, and other reporting mechanisms; 3) assistance to the Iowa Department of Public Health in the investigation of suspected cancer clusters reported by Iowans, planning and implementation of a comprehensive cancer control plan for Iowa, and development and assessment of cancer goals for Healthy Iowans 2010; and 4) responding to several hundred cancer data requests per year, with most of these coming from Iowa residents.

	<u>FY 2004</u>
Faculty Salaries & Fringe	\$8,932
Professional and Scientific Salaries & Fringe	\$30,896
Merit Salaries & Fringe	\$75,224
(2.16 FTE total for all personnel)	
Equipment	\$23,592
General Expenses	\$44,678

Iowa Consortium for Substance Abuse Research and Evaluation

\$66,534

The Iowa Consortium for Substance Abuse Research and Evaluation (Consortium) is an alliance committed to strengthening substance abuse prevention and intervention activities through collaborative research. The Consortium coordinates research and knowledge transfer among researchers, assists professionals in the field, and informs public policy makers in the area of substance abuse. The Consortium's Coordinating Board is made up of representatives from the University of Iowa, the University of Northern Iowa, Iowa State University; state departments of Public Health, Corrections, and Drug Control Policy; and representatives from local substance abuse service agencies.

The Consortium facilitates multidisciplinary research to evaluate substance abuse prevention and treatment efforts in the State of Iowa. Research and evaluation activities involve practitioners, treatment providers, state agency representatives, government policymakers, and researchers from institutions of higher education. The Consortium addresses its mission through the following activities:

- Supporting and conducting substance abuse research and evaluation within the State of Iowa;
- Strengthening substance abuse prevention and intervention strategies operating within the State of Iowa;
- Supporting the education of new researchers in substance abuse;
- Contributing to the education of students and professionals in fields such as health care, education, corrections, human services and counseling; and
- Contributing to the development of public policy related to substance abuse.

In the coming year, the Consortium will continue its unique capacity for interdisciplinary alcohol and drug research and evaluation in Iowa. Specific projects include:

- Evaluating substance abuse treatment programs in the state.
- Implementing and evaluating evidence-based practices in substance abuse treatment settings at the community level.
- Developing efficiency procedures and minimizing bias when following clients after they are discharged from treatment.
- Evaluating youth substance abuse prevention programming at the local and state level.
- Participating in the selection of instruments for statewide screening of substance abuse.
- Participating in the development of guidelines for reducing suicides associated with substance abuse.
- Participating in the prioritizing of service and treatment delivery in Iowa's prisons in light of rapidly diminishing resources.
- Assessing substance abuse treatment needs and service delivery to older Iowans.
- Enhancing and evaluating therapeutic communities as a treatment for women in prison.

Appropriations have been reduced by \$2,019. Funds for FY04 will help provide for the continuation of the Consortium's unique capacity for interdisciplinary alcohol and drug research in Iowa. The current and past budget cuts jeopardize the Consortium by minimizing resources necessary to sustain infrastructure and to build capacity. The cuts suffered by the Consortium diminish the ability to conduct resource development activities, which is critical to the Consortium's survival.

FY 2004

Professional Salaries & Fringe	63,675
Merit Salaries & Frg	0
General Expense	<u>2,859</u>
Total	66,534
FTEs	1.0

The Center for Biocatalysis and Bioprocessing (CBB) Laboratory serves as the primary contract research facility for biocatalysis and bioprocessing in the State of Iowa. Biocatalysis harnesses enzyme-catalyzed reactions occurring in living cells to produce valuable chemical and biochemical products. Bioprocessing, or downstream processing steps are required for the recovery and purification of biological (industrial) products for wide ranging health, nutritional and chemical uses. These technologies are necessary to implement modern “biotechnology” based approaches to solve problems in agricultural, chemical, nutritional and pharmaceutical industries.

The University of Iowa has assembled its Biocatalysis Research Group -- an experienced and multidisciplinary cluster of more than fifty-five faculty with broad expertise in biocatalysis/bioprocessing. Housed administratively within the CBB, the group is recognized for its individual and collective scientific talent that has secured in excess of \$18 million annually in extramural research support. Collectively, the Center represents one of the strongest clusters of scientists, laboratory personnel, graduate and postdoctoral students in the area of biocatalysis and bioprocessing in the United States and in the world.

Laboratories in the CBB are an essential link in the technology transfer mission of The University of Iowa. These laboratories provide unsurpassed fermentation, biocatalysis and bioprocessing facilities and equipment for the conduct of multidisciplinary industry/academic research. The Good Laboratories Practice (GLP) pilot plant-scale bioprocessing laboratory brings research findings from the bench through the first stages of scale-up necessary for industrialization. These unsurpassed facilities attract significant funding and interactions from industries, universities, and foundations throughout the world. They enable the CBB to function competitively in fulfilling its goals and obligations to bring industrial interactions to the State of Iowa.

A variety of mechanisms help establish relationships between academic scientists and their industrial counterparts. The CBB works within the University of Iowa and assists the Iowa Department of Economic Development in developing industrial relationships. The CBB encourages ongoing contracts with corporations within Iowa, the United States and internationally. Last year more than 50 companies utilized the CBB's vast technical resources and funded a high percentage of the CBB's research and contract activities.

Funding for the Technology Transfer Industrial Research and Development Program enables the CBB to pursue an aggressive industrial outreach effort, to significantly leverage industrial interactions within our state, to broaden the scope of the work done, and to help Iowa industry reduce the time to introduce new products and processes into the marketplace. Industries are also attracted to major biotechnology centers in other states such as Pennsylvania, Michigan, Wisconsin, Maryland, Minnesota and California through matching-fund incentives. To encourage continued industrial interaction with CBB and to fully utilize the bioprocessing large-scale fermentation laboratory, the CBB must maintain a competitive and viable matching-fund base.

Cost sharing assistance dedicated to industrial research and development projects will partially match industrial support. These funds support initial contacts with industry (to identify the scope of a specific project), entice companies to Iowa for their research and contract needs, and foster projects that are of mutual interest and which promote long-term contractual relationships and industrial partnerships. Further aggressive efforts to foster industrial interactions involve the

pursuit of a National Science Foundation-Engineering Research Center grant to leverage state of Iowa funding together with the other federal and industrial funding of the CBB.

Technology transfer funds provide for industrial matches (R&D), which, where necessary, would enable a project to go forward. This incentive was recommended by the Center's advisory board which had noted the success of other centers nationwide when matching funds were available. Specifically, these funds would be considered for industrial projects when: (1) joint projects have already been identified; (2) the industry indicates ability to fund the project at least 50%; and (3) the Center's advisory committee makes a favorable recommendation. In FY04, these funds have been greatly reduced because of budget reductions in the preceding two years.

Explanation FY04

The FY04 budget represents the fourth reduction since the beginning of FY02, and a reduction from our present budget of \$931,420 to \$903,984 a reduction of \$27,436. Major changes this year are increased education and training by \$10,982, increased salaries by an average of 3% (including merit staff) for an increase of \$8,065, and reduced Technology Transfer Industry R&D to \$20,457. With these changes, the FY04 CBB budget reflects a total reduction of \$180,833 since the end of FY01 – a total of 16.7%.

Center for Advanced Drug Development (CADD) FY 2004

\$113,172

The Division of Pharmaceutical Service of the UI College of Pharmacy, the only comprehensive FDA registered facility in a College of Pharmacy in the U.S., offers the unique capacity to produce under contract limited quantities of new medicines under FSA approval. The capacity is particularly valuable to firms wishing to bring new products through clinical trials. The present budget seeks funds to continue support for the companion CADD.

The Center offers non-production services contract services relevant to the clinical trials process which complement those of the Division of Pharmaceutical Service. Services include, but are not limited to:

- management of FDA relationships for clients, especially in the processing of new drug applications,
- development and execution of new chemical assays for new dosage forms and chemical entities,
- development and execution of stability studies of candidate medicine dosage forms and
- testing of active pharmaceutical ingredient/excipient for compliance.

Initially, clients were drawn from the existing client base of the Division of Pharmaceutical Services. New clients are being drawn from biotechnology companies, manufacturers of pharmaceutical excipients, and a growing pool of U.S. and foreign pharmaceutical firms.

The Center has made substantial progress since its inception in November 1992. To stay compliant with good manufacturing/laboratory practices as outlined in FDA regulations an engineer II was hired to be responsible for instrumentation installation, operational and performance qualification and maintenance.

FDA requirements regarding electronic records, enforced since March 2002, require all computers and scientific instruments which are computer interfaced to be validated. An engineer II was hired to be responsible for computer hardware and software, computers interfaced with instrumentation and the local area network. Software revisions, compliant with regulations, are expected to amount to \$33,000.

This Center addresses a crucial economic need to shorten the lead time between new pharmaceutical discoveries in the laboratory and their commercialization in the market place. Because pharmaceuticals occupy such a potentially important part of the state's high technology portfolio as well as a critical role in the University's economic development efforts, continued investment in the Center will increase economic resources in a strongly competitive environment.

Impact of 2004 Budget

The allocation from the economic development appropriations for the Center for Advanced Drug Development for FY04 will be the same as the appropriation FY03, requiring internal reallocation to address salary increases for the staff. This will severely limit CADD's ability to complete current contractual requirements and to stimulate continued interest on the part of pharmaceutical and biopharmaceutical companies that seek CADD's services as clients.

Technology Innovation Center

Sustaining Current Core Operations: Technology Innovation Center FY 2004 **\$44,821**

The Technology Innovation Center (TIC) is a business incubator for start-up companies that grows fledging businesses into freestanding businesses. TIC is also an interim site for research units of major corporations, and a point of contact for those off campus seeking access to the research resources of the University of Iowa. Established by the University in 1984 at the urging of the State, the University's Oakdale Research Park benefits TIC and, in turn, receives benefits from TIC. A \$500,000 award from the State's Advanced Research Commercialization (ARC) program supported construction of much-needed flexible laboratory "incubator" space that was assigned to two TIC start-up companies in FY 2003. Expenditures by TIC allow continued delivery of shared services to tenants of the Center. Fifteen tenants are now in the TIC and in its short existence 22 tenants have graduated successfully to become freestanding, expanding businesses. Two companies successfully graduated from the TIC and four new tenant companies were accepted in FY 2003.

The TIC received \$44,821 in State support in FY 2003, while the balance of its support comes from the University. The TIC has become an important part of the UI's strategic plan for building ties with those off campus and for participation in the economic vitality of the State. For FY 2004 the level funding will not support fully the incubator facility and delivery of essential professional services and amenities to tenant companies. In response to the 59.6 per cent reduction since FY 2000, the TIC will continue to strive to maintain the current level of core services and amenities delivered to TIC affiliates.

	<u>FY 2004</u>
Professional and Scientific Salaries (.25 FTE)	\$ 22,000 + \$7,700 (Fringe)
Merit Salaries (.25 FTE)	\$ 10,000 + \$4,700 (Fringe)
General Expenses	<u> \$ 421</u>
Total	\$ 44,821

Oakdale Research Park

Sustaining Current Core Operations: Oakdale Research Park FY 2004 **\$95,345**

The University's Oakdale Research Park (ORP) represents a substantial commitment by the State and the University to further sustained interaction with business. In addition, the Oakdale Research Park represents a sizeable investment by the federal government, the City of Coralville, and a number of private building developers and owners. Established by the University in 1989 at the urging of the State, the project is building a nucleus of businesses in Iowa that are drawn by the strengths of the University. This is in keeping with the UI's strategic plan to reach out to external constituencies and to participate in Iowa's economic growth. Current corporate tenants on the park include Pinnacor, LMS CADSI, The Stanley Group, Police Law Institute, Breakthrough to Literacy, Inc., Apovia, Inc., Patient Education Institute, and Pearson Government Solutions. The State-funded "anchor" laboratory of the Center for Biocatalysis and Bioprocessing (CBB) is located on the Park as are human health and medicine laboratories and the National Advanced Driving Simulator, a major co-venture with the U.S. Department of Transportation which is fully operational. UI infectious disease research programs, including the Emerging Pathogens Laboratory, occupy a new addition to the human health and medicine laboratories. New flexible laboratory incubator space for start-up companies was assigned to two spin-off biotechnology companies. A \$500,000 award to the Park from the State's Advanced Research Commercialization (ARC) program supported construction of the incubator labs. In FY 2003 a private developer will complete construction of Phase III of a \$10 million, 108,000 square-foot office complex for Pearson Government Solutions. Appovia, Inc., a vaccine development company with strong research ties to the UI CBB, continues research and development activities in expanded laboratory facilities. Technology Innovation Center (TIC) business incubator tenant Patient Education Institute "graduated" to the Park in FY 2003.

FY 2004 funding is needed to partially support the essential operating expenses for the 189-acre Research Park. ORP received \$95,345 in State support in FY 2003, while the balance of ORP's support comes from Park income. Expenses include a variety of professional services (e.g., engineering, landscape architecture, legal) marketing, support for the University staff engaged in the project, maintenance of the Oakdale Research Park office, and preparation and maintenance of common areas within the park. The cost of providing the essential services has increased. In the face of a 60.24 percent reduction in State support since FY 2000, the Park will strive to maintain the current level of services and amenities delivered to ORP affiliates.

Funding for FY 2004 will support the Oakdale Research Park as outlined above.

	<u>FY 2004</u>
Professional and Scientific Salaries (.671 FTE)	\$ 57,447 + \$20,107 (Fringe)
Merit Salaries (.25 FTE)	\$ 10,620 + \$ 4,992 (Fringe)
General Expenses	\$ 2,179

Iowa Birth Defects Registry

\$45,781

PURPOSE:

The Iowa Birth Defects Registry (IBDR) was established by the Iowa General Assembly (Chapter 23 of the Iowa Code) in 1983. At that time, a pilot surveillance program was begun in 23 Iowa counties and, in 1986, was expanded to all 99 Iowa counties. Through the past 20 years, the IBDR has received national attention for its role in birth defects surveillance i.e. the collection of birth defects data on a statewide basis, and has served as a model for other states establishing surveillance programs. The IBDR is the only active, birth defects surveillance program in the Midwest, and, through a combination of surveillance, research, education and outreach activities, serves families in all 99 Iowa counties.

The objectives of the IBDR are integrated and fully consistent with those of the University of Iowa Colleges of Medicine and Public Health. These objectives are to:

- maintain statewide surveillance for birth defects; and
- monitor trends in birth defects occurrence and mortality.

Nationally, the IBDR is one of only eleven programs that conducts active surveillance for birth defects. Data generated by the IBDR permits comparison of birth prevalence rates for birth defects in geographic areas of interest (e.g., cities or counties) with state and national rates. In addition, these data have been used to monitor trends in birth defect occurrence by population characteristics such as maternal age and residence. Statewide surveillance is warranted to accurately evaluate trends in birth defect occurrence and to guide health promotion and disease prevention efforts in Iowa.

A number of investigators and public health professionals utilize IBDR data to:

- conduct research studies to identify genetic and environmental risk factors for birth defects;
- promote education activities for the prevention of birth defects; and
- provide outreach to patients and families to appropriate clinical, educational and social services.

Education and health promotion efforts that utilize IBDR data include lectures, press releases, articles, public service announcements, and disseminating prenatal educational materials.

Through collaboration with the Iowa Department of Public Health, the IBDR is implementing a program to provide parents of children diagnosed with birth defects resource materials and referrals to appropriate clinical, educational and social services. Overall, the IBDR is a public health registry in vigorous pursuit to promote the health and welfare of infants and children in Iowa.

IBDR FUNCTIONS THAT DIRECTLY BENEFIT THE STATE OF IOWA:

1. Apply social and public responsibility to provide accurate, timely data that directs program planning,
1. health policies, birth defects prevention efforts, and welfare of Iowa's infants and children.
2. Act as an innovative research partner to elucidate the impact of genetics and environment in the development of birth defects and to evaluate the efficacy of birth defect treatments.
3. Translate surveillance and research findings about birth defects into adaptive health campaigns/health promotion efforts that families can understand and implement.
4. Increase public awareness of birth defect prevention and maintain public education as a key directive within IBDR responsibilities.
5. Foster communication between agencies involved in surveillance and potential to provide referral services to families
6. Answer public concerns regarding birth defects using data available from all 99 counties and disseminate findings locally, statewide and nationally.
7. Maintain a "Center for Excellence in the Research and Prevention of Birth Defects" in Iowa and recognition as an archetype for other registries around the country.

Intercollegiate Athletics Final Budget FY 2004

The intercollegiate athletics program budget reflects increased revenue projections from football and men's basketball ticket price increases and Big Ten football and basketball television contracts.

Consolidation of various expenses continues to be made to reflect the merger of the men and women's athletic departments. A variety of opportunities will present themselves in the years ahead to capture savings as a result of economies of scale. Listed below are the significant adjustments to the budget reflected in Attachment A.

Big Ten Conference revenue distribution share will increase by approximately 4%.

Ticket prices for football and men's basketball have been increased. Attachment B provides additional detail regarding these increases.

Parking rates for football and basketball have been increased.

New revenue streams (such as chairback rentals in Kinnick Stadium) are being recognized in Other Income.

Because of budget shortfalls in the General Education Fund, Athletics will have \$48,000 less in General Education Fund support to apply to operating needs.

All scholarship expenses are reflected in the appropriate sport accounts. Fifth year degree completion aid is included in each sport account. Additional detail regarding scholarships is contained in Attachment C.

Salary budgets have been developed to address contractual commitments, collective bargaining agreements, and a policy for Professional and Scientific employees that will fall in the range of the general University Policy.

Scholarship costs are expected to increase by approximately \$1.3 M due to increases in tuition, fees, and room and board.

Facility expenses will increase because of operation expenses for the Russell and Ann Gerdin Athletics Learning Center. This facility will open in the fall of 2003.

The expense budget reflects increases due to contractual bonus incentives that are expected to be realized in FY 2004.

University of Iowa Athletic Budget

	FY 2003		
	Budget	Apr Est for Jun 03	FY 04 Budget
<u>INCOME:</u>			
Men's Sports			
Football	\$ 11,400,000	\$ 12,018,400	\$ 13,783,200
Basketball	4,481,500	4,503,500	4,462,000
Wrestling	201,000	269,100	226,000
All Other	3,500	4,500	2,500
Total Men's Sports	\$ 16,086,000	\$ 16,795,500	\$ 18,473,700
Women's Sports			
Basketball	\$ 200,000	\$ 200,000	\$ 200,000
Volleyball	10,000	10,000	10,000
All Other	12,000	13,400	12,000
Total Women's Sports	\$ 222,000	\$ 223,400	\$ 222,000
Other Income			
Student Activity Fees	\$ 1,289,444	\$ 1,505,400	1,401,944
Athletic Conference	10,003,000	10,298,077	10,419,000
Univ. General Support	2,437,361	2,437,361	2,389,361
Interest	425,000	350,000	300,000
Alumni/Foundation Support	4,078,000	4,236,200	4,597,566
Novelties--Bookstore	470,000	810,000	500,000
Radio, Football & Basketball	1,275,000	1,275,000	1,300,000
General	2,130,000	2,635,700	2,495,975
Total Other Income	\$ 22,107,805	\$23,547,738	\$23,403,846
TOTAL INCOME	<u>\$ 38,415,805</u>	<u>\$ 40,566,638</u>	<u>\$ 42,099,546</u>
<u>EXPENSES:</u>			
Men's Sports			
Football	\$ 10,093,886	\$ 11,724,586	\$ 11,205,896
Basketball	3,123,277	3,310,177	3,822,125
Wrestling	711,539	737,389	823,210
Other Sports	2,518,402	2,624,255	2,783,749
Total Men's Sports	\$ 16,447,104	\$ 18,396,407	\$ 18,634,980
Women's Sports			
Basketball	\$ 1,615,177	\$ 1,716,652	\$ 1,866,848
Volleyball	651,798	673,608	749,225
Other Sports	4,948,341	4,940,249	5,370,965
Total Women's Sports	\$ 7,215,316	\$ 7,330,509	\$ 7,987,039
Other Expenses			
Training Room	\$ 765,000	\$ 765,000	\$ 787,000
Medical Exp. - Women Athletes			
Sports Information	634,137	619,137	644,415
Admin. & General Expenses	6,031,859	6,131,300	6,831,634
Fifth Year Scholarship			
Debt Retirement	1,765,944	1,765,944	1,701,944
Academic & Counseling	1,292,145	1,206,000	1,307,504
Buildings & Grounds	3,931,692	4,330,632	4,205,030
Total Other Expenses	\$ 14,420,777	\$ 14,818,013	\$ 15,477,528
TOTAL OPER. EXPENSE	<u>\$ 38,083,197</u>	<u>\$ 40,544,929</u>	<u>\$ 42,099,546</u>
Total Operating Balance	\$ 332,608	\$21,709	\$0

** Does not include Non Recurring Revenue from the 7th home football game which is being used to reduce FY 2002 deficits.

Athletics Ticket Price Changes FY 2003 to FY 2004

	2002-03	2003-04
Football Ticket Prices-(7games)		
Public Season Ticket Prices-(\$8 increase-28 to 36)	196	246
Staff Season Ticket Prices-(\$7 increase-23 to 30)	160	204
Student Season Ticket Prices-(\$3 increase-12 to 15)	84	105
Single Game Tickets	32	40
Premium Game Ticket Price (Michigan)	40	45

	2002-03 (18 Games)	2003-04 (16 games)
Men's Basketball Ticket Prices		
Public Season Ticket Prices-(\$4 increase-20 to 24)	340	360
Staff Season Ticket Prices-(\$4 increase-16 to 20)	272	300
Student Season Ticket Prices-(\$2 increase-10 to 12)	170	180
Single Game Tickets	24	26

Athletic Scholarships

Scholarships included in Operating Budget Approved by Board:

	FY2001 Approved Budget	FY2002 Approved Budget	FY2003 Approved Budget	FY2003 Estimated Costs	FY2004 Final Budget
Total # Women's Scholarships	124.11	133.02	124.11(1)	138.83	141.00
Recipients	203	188	141(2)	221	199
Total Dollar Value	1,942,800	2,242,500	2,606,425	2,727,700	3,080,039
Total # Men's Scholarships	157.4	154.45	157.4	152.72	157.40
Recipients	220	226	220	227	213
Total Dollar Value	2,032,000	2,374,975	2,832,425	2,832,425	3,275,365
Total # Other Scholarships Band, Trainers, Managers Recipients				187,600 N/A	215,015 N/A
Summer School Recipients				Included in Sport	319,240
Total Dollar Value				Included in Sport	81 534,255
Total # Scholarships	281.51	287.47	281.51	300.55	271.14
Recipients	423	414	361	448	412
Total Dollar Value	3,974,800	4,617,475	5,438,850	5,560,125	6,889,659

(1) Should have been 141.00

(2) Should have been 203.00

**The University of Iowa
Residence System Proposed Final Budget
2003-04**

The University is proposing the attached annual budget for the residence system for fiscal 2003-04. Estimated revenues total \$38,033,296 and proposed expenses for operations total \$28,131,890, leaving \$9,901,406 net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. Voluntary reserve balances at June 30, 2004 are projected to be \$9,853,833.

Projected net revenues are \$329,203 higher than the preliminary budget submitted to the Board in March. Among the factors leading to the increase over the preliminary budget are slightly higher board contract income projections, lower salary increases than expected, and the decision to not fill a small number of vacant positions, all of which are offset by slightly higher utility estimates than originally budgeted. Occupancy projections remain unchanged from the time of the preliminary budget.

Revenues are based on rates approved by the Board at its meeting of April 10, 2003, fall residence hall occupancy of 5,590, residence hall board contracts numbering 4,839, and 694 apartments occupied.

The University of Iowa
Residence System Proposed Final Budget 2003-04

	Actual	Revised	Preliminary	Proposed
	2001-02	Estimate	Budget	Final
	2001-02	2002-03	2003-04	Budget
				2003-04
OPERATIONS (Modified Cash Basis)				
Revenues	\$ 32,863,821	\$ 35,076,171	\$ 37,898,146	\$ 38,033,296
Expenditures for Operations	22,996,769	25,437,119	28,325,943	28,131,890
Net Revenues	<u>9,867,052</u>	<u>9,639,052</u>	<u>9,572,203</u>	<u>9,901,406</u>
% of Revenues	30.0%	27.5%	25.3%	26.0%
Debt Service (due July 1)	4,933,974	5,149,070	5,289,435	5,289,435
Mandatory Transfers	600,000	600,000	600,000	600,000
Net After Debt Service &				
Mandatory Transfers	<u>\$ 4,333,078</u>	<u>\$ 3,889,982</u>	<u>\$ 3,682,768</u>	<u>\$ 4,011,971</u>
% of Revenues	13.2%	11.1%	9.7%	10.5%
University Overhead Payment				
From Surplus	\$ 272,028	\$ 371,652	\$ 394,168	\$ 373,032
CASH AND INVESTMENT BALANCES (June 30)				
Revenue Fund	\$ 318,162		\$	\$
Operation & Maintenance Fund	621,692	1,000,000	1,000,000	1,000,000
Improvement Fund	6,041,746	3,243,000	4,813,000	4,958,000
Surplus Fund	4,295,480	915,252	3,489,429	3,895,833
Subtotal--Voluntary Reserves	<u>11,277,080</u>	<u>5,158,252</u>	<u>9,302,429</u>	<u>9,853,833</u>
Sinking Fund	4,146,640	4,099,535	4,308,734	4,308,734
Bond Reserve Fund	5,271,473	5,271,473	6,250,655	6,250,655
Bond Construction Fund	3,884,055	0	12,000,000	12,000,000
Subtotal--Mandatory Reserves	<u>13,302,168</u>	<u>9,371,008</u>	<u>22,559,389</u>	<u>22,559,389</u>
Total Cash Balances (June 30)	<u><u>\$ 24,579,248</u></u>	<u><u>\$ 14,529,260</u></u>	<u><u>\$ 31,861,818</u></u>	<u><u>\$ 32,413,222</u></u>
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	\$ 28,901,648	\$ 31,066,836	\$ 33,816,783	\$ 33,913,179
Interest	1,066,260	853,045	811,036	780,083
Other Income	2,895,913	3,116,056	3,270,327	3,340,034
Total Revenues	<u>\$ 32,863,821</u>	<u>\$ 35,035,937</u>	<u>\$ 37,898,146</u>	<u>\$ 38,033,296</u>
Expenditures for Operations				
Salaries, Wages & Benefits	8,882,943	9,877,916	11,777,052	11,502,721
Cost of Food or Goods Sold	2,651,084	2,690,024	2,896,368	2,785,448
Other Operating Expense	4,843,623	5,681,411	5,985,192	6,073,388
Utilities	3,640,107	3,908,361	4,100,227	4,233,459
Repairs & Maintenance	2,979,012	3,306,002	3,567,104	3,536,874
Total Expenditures	<u>\$ 22,996,769</u>	<u>\$ 25,463,714</u>	<u>\$ 28,325,943</u>	<u>\$ 28,131,890</u>

**The University of Iowa
FY 2004 Final Budget
Restricted Funds**

The FY 2004 Restricted Fund budget is based upon the most current information available to inform revenue and expenditure projections for each of the funds contained therein. The Restricted Fund includes the Organized Activities Fund, the Auxiliary Enterprise Fund, the Current Restricted Fund and the Plant Fund and involves virtually every department on campus in revenue and expenditure planning. Revenues are derived from federal and non-federal support for sponsored programs (primarily research and student aid), sales and services, reimbursed indirect costs, tuition and fees, bond proceeds, transfers from current unrestricted funds, tuition replacement appropriations and capital appropriations. The expenditure plan provides for salary adjustments, meets certain non-discretionary cost increases, and reflects the University's best efforts at planning to meet its most critical needs and to provide essential services within the limits of available resources, guided by the Strategic Plan.

The Organized Activities Fund includes Continuing Education Programs, Medicine and Dentistry Practice Plan funds, Sports Camp activities, Conferences and Institutes, and various publications and workshops related to academic departments. The Auxiliary Enterprise Fund includes Intercollegiate Athletics, Residence Halls, the Iowa Memorial Union operations, Student Health, Recreational Services, Hancher Auditorium, Parking and Transportation, Cambus, and various smaller enterprises serving faculty, staff, students and the public. The Current Restricted Fund includes sponsored activities, predominately research and student financial aid funded from federal and non-federal sources.

Included in the budget for Restricted Funds are two appropriations from the General Assembly for FY 04. This budget contains \$10.2 million, which has been appropriated for Tuition Replacement to address debt service on academic bond issues for FY 04. A total of \$11.2 million of capital appropriations has been included for Art – Phase I (\$3,653,000), Journalism (\$7,200,000) and Old Capitol (\$350,000).