

**The University of Iowa
FY 2008 Budget Issues
May 2007 Board of Regents Meeting**

The FY 2008 General Education Fund (GEF) budget is being developed based on the most current information available to inform revenue projections and an expenditure plan which is guided by The Iowa Promise: A Strategic Plan for the University of Iowa 2005-2010 (the Strategic Plan). The budget for UIHC is being submitted through the Board's UIHC Committee. All other UI budgets are being developed simultaneous with the General Education Fund budget and are developed under similar and in most instances identical policies and budget guidelines.

GENERAL EDUCATION FUND

REVENUE

Appropriations

The University's base General Education Fund support from appropriations in FY 2007 is \$234.6 million or 45.5% of the University of Iowa's General Education Fund. Among the Regent Universities this appropriation base is 46.3% of the appropriations provided to all three Regent Universities General Education Funds.

The Board of Regents FY 2008 higher education operating request was \$30.1 million in new appropriations Regent-wide for inflationary increases, an additional \$19.9 million to replace FY 2007 non-recurring appropriations and energy/environment surcharges, \$14 million for strategic initiatives, and an additional \$8.8 million for non-General Education Fund units.

The Governor recommended \$25 million in new appropriations for the Regents in FY 2008 plus an additional \$40 million for Regent-wide salary funding. The University has provided to the Board Office detailed salary funding history (1% tables) for UI appropriated units. These are for the Board Office's use in determining the allocation of state salary pool funds to Regent institutions. Until the appropriations process and the Regents allocation process are complete, the appropriations for UI units will be uncertain. Thus any final decisions on UI salary policies are dependent upon that chain of decision making over the next month.

The discussion that follows on the University's FY 2008 expenditure plan reflects these uncertainties. This is particularly true for Faculty and Professional & Scientific salary policies, proposed reallocations and other budgetary adjustments related to strategic initiatives.

Tuition

Information through February, 2007 indicates that FY 2007 tuition revenue will be at or slightly below the original budget (\$240.3 million).

In December 2006, the Board of Regents approved tuition increases for FY 2008 of 7.0% for non-resident undergraduates and 5.2% for all other students. With level enrollments and a stable resident/non-resident mix, these increases would yield approximately \$14 million in new tuition revenue prior to offsets for student financial aid. The University will be developing the latest enrollment projections and concomitant revenue implications before submitting its final FY 2008 General Education Fund tuition revenue budget to the Board. With growing undergraduate enrollments the UI has been very dependent upon tuition revenue to meet larger academic and student support service demands, thus the interdependence of the University's tuition revenue budget and the expense budget.

Professional School tuition supplements previously approved by the Board will yield approximately \$2.7 million for professional school improvements, prior to offsets funding student financial aid. These will be used in accord with the plans given to the Board at the time the tuition supplements were approved.

Facilities and Administrative Cost Reimbursement (Indirect Cost Recoveries)

Information through February 2007 indicates that FY 2007 indirect cost recoveries will be close to budget (\$39.4 million) or slightly higher. The University will monitor this revenue source closely prior to submission of a final budget to the Board.

In March 2007, the University negotiated with its cognizant federal agency, The Department of Health and Human Services (HHS), an on-campus indirect cost rate of 50.0%. This new rate, which replaces the 47.5% rate in effect during FY 2007, will become effective on July 1, 2007 for all new awards and competitive renewals subsequent to that date. Because the new rate applies only to new awards and competitive renewals, it will take more than one annual cycle to realize its full revenue impact. Modeling will occur to determine the ultimate impact on the FY 2008 revenue budget.

REALLOCATIONS

The University's FY 2008 reallocation policy will be guided by the overall Operational Plan generally described in this document coupled with final determination of available resources. The Operational Plan has, in turn, been guided by the highest priorities contained in the University's strategic plan, The Iowa Promise and by the need to address unavoidable or essential cost factors also described in this document.

There are several major subheadings within this reallocation section that are important to recognize and are emphasized below.

1. Recent reallocation experience – In FY 2006, the University of Iowa reallocated \$10.9 million. Of this amount, almost \$9 million was directed toward improving the University’s competitive position in faculty salaries. The balance was directed toward unavoidable cost increases, the most prominent of which was for the operations and maintenance cost of opening the Carver Biomedical Research Facility (\$1 million).

In FY 2007, the University reallocated \$8.6 million. Of this amount, almost \$7 million was directed toward achieving competitive faculty and staff salaries.

2. Athletics – FY 2008 will mark the final step in eliminating and reallocating the last \$800,000 of General Education Fund support for Athletics. The details of this multi-year reallocation process are described in the General Education Fund support for Athletics section of this document. These reallocated dollars will be used for academic and salary support needs within the General Education Fund.
3. Performance-based General Education Fund Allocation - Beginning in FY 2005, the Office of the Provost developed with the deans a series of strategies to change substantially the way General Education Fund resources are allocated across colleges (or, in the case of financial aid, across student populations). An alternative model based on current performance and financial contribution was established. Key goals of this model are to advance strategic initiatives, achieve equity, and encourage and reward academic initiative and productivity. Below are key examples.

Faculty Salaries. Achieving more competitive faculty salaries has been The University of Iowa’s top academic budget priority, and a priority of the Board of Regents. Through strategic reallocation, the University was able to provide two faculty salary increments (on July 1 and January 1) in FY 2006 and in FY 2007, totaling more than 5% in each year, and plans to do the same in FY 2008. In addition, the Office of the Provost has implemented a more strategic element to the faculty salary increment process, distributing a portion of the salary increase pool differentially among colleges. The goal is to help colleges that have fallen further behind in the competitiveness of their faculty salaries, and to support units that work hard to contribute to the General Education Fund through tuition revenue and indirect cost returns.

Based on a preliminary look at salary data collected by the American Association of University Professors (AAUP), the UI has moved up from last place within the 11-member Regent-approved peer group in FY 2005-06 to 8th place in FY 2006-07. In FY 2008, the UI aspires to reach the median of the peer group.

Student Financial Aid. Prior to FY 2007, annual increments to the various set-aside programs were made on a historical basis (prorating increments across existing programs). Beginning in FY 2007, the University strategically reallocated the set-aside to direct a larger share of it toward the area where it is generated and where it has the greatest chance of supporting General Education Fund revenues - undergraduate and professional students.

Graduate Student Block Allocation. The Graduate College block allocation for graduate student aid has long been distributed according to a historical model. The Graduate College is now implementing the second year of a three-year plan to transform the block allocation into a competitive, merit based funding process that will be used to recognize and encourage initiative among graduate programs. The intention is to move forward the strategic planning goals of improving student quality and reducing time to degree.

Central Reallocation (Strategic Investment Fund). The Strategic Investment Fund is a central pool of resources, reallocated from collegiate General Education Fund budgets, which is entirely dedicated to advancing University-wide strategic initiatives.

In FY 2006 the Strategic Investment Fund was created for use by the Provost to support University-wide strategic initiatives. Colleges were required to reallocate 0.5% of their recurring General Education Fund budgets to a central pool in the Office of the Provost - a total of \$1.2 million, which was used to advance key strategies laid out in the University's new strategic plan for FY 2005-2010, *The Iowa Promise*. In particular, it was used to expand the Honors Program, fund a First-Year Student Seminar Program, and increase funding for the Faculty Diversity Opportunity Program (FDOP, which supports hiring of diverse faculty across colleges). A portion of the Strategic Investment Fund also supported the extraordinary January 1, 2006 faculty salary increase.

In FY 2007, the Office of the Provost required colleges to reallocate 0.4% of their recurring General Education Fund budgets to the Strategic Investment Fund pool, for a total of \$1 million, which again contributed to the faculty salary increment and other strategic planning priorities, including graduate student scholarships, faculty diversity, the Honors Program, and realigning the student computer fee distribution as described below.

Student Computer Fee Distribution. Beginning in FY 2007, the University in conjunction with student groups and collegiate representatives implemented a new model for distributing student computer fees, to ensure that funds are more equitably directed to the colleges that generate them. Fees will be distributed according to how the fees are assessed, the number of students involved, and prorated for students who are part-time. Approximately \$0.4 million of General Education Funds were reallocated to better align the collegiate contributions to central information technology services based upon actual student usage. The model will improve predictability of the funds available to support college-specific technology needs versus those needs that are served by central information technology services. As a result, the process for establishing future fees will be more consistent, resulting in greater accountability.

Research Incentive Program. For the past several years, the Vice President for Research has reallocated to each college the equivalent of 4% (approximately \$1.7 M) of their General Education Fund indirect cost recoveries. The reallocation is based upon the sponsored research productivity of each college. These 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.

4. Business Process Improvement - In FY 2005, the UI formalized a function of business office improvement emphasizing techniques and skills found within LEAN, and six-sigma. The University program is led by a group within the HR office and includes collaborations with UIHC's program as well as private sector partners. The result has been continuous reallocation opportunities within the business service and support functions throughout the University and UIHC.

The inclusion of business partners and training of UI staff with these partners are a critical element of success and growth. Partners include Rockwell Collins, HNI, Inc., St. Luke's Hospital, and Deere Credit Corp. The University is now engaged in discussions with Principal Financial and hope to include it as well in the Business Process Improvements Partners group.

During calendar year 2006, business process improvement initiatives and "LEAN" events were done within a variety of University functions. Included were parking, registration, the cashiers office, biohazards disposal, sponsored programs contracting (primarily research contracts), IMU financial operations, printing, and bundling of on-campus financial services. For the spring 2007 semester, there are several other projects underway that include University Hygienic Laboratory contracting, construction bidding and award processes, fringe benefit systems/costs, and student services functions within the Provost Office. LEAN events and other business process improvement projects for fall 2007 will be planned over the next three months. University of Iowa Hospitals and Clinics participates in some of the broader University projects and also has its own successful improvement initiatives focused on hospital requirements.

SALARY POLICIES

Achieving more competitive faculty salaries remains The University of Iowa's top academic budget priority in FY 2008. The University of Iowa's average salaries for full-time tenured and tenure-track faculty, in all departments except clinical medicine, fell to the bottom of the University's Regent approved peer group as the result of previous budget difficulties encountered over the last decade. The FY 2008 budget will be the third year of a recovery plan supported by reallocations, tuition revenue, and now anticipated in FY 2008, state appropriations salary funding.

The University's aspiration is that the FY 2008 salary policy for faculty, coupled with the FY 2006 and FY 2007 increases, will raise the average salary for full-time tenured and tenure-track faculty, in all departments except clinical medicine, to the median of the peer group (6 of 11 institutions). Actual progress made will depend on both University of Iowa salary increases and on increases for peer institution faculty salaries. The University plans again to use a split pay increase plan for faculty with the largest portion beginning on July 1, 2007 and a further supplement made on January 1, 2008. This splits

the budgeted cost increase into two fiscal years. In FY 2007 the UI General Education Fund provided 1.5% mid year faculty pay adjustments which has a residual “budget cost” increase in FY 2008 of \$1.5 million.

Carver College of Medicine will continue to pursue the strategic goal of moving clinical faculty salaries to the median of the American Association of Medical Colleges. It currently is at the 40th percentile.

In all instances the pay adjustments will be based upon performance, relative competitiveness by college and department, and by revenue contribution metrics used by the Provost Office.

Even with appropriation levels that equate to the Board’s request, continued reallocations will be required to attain average faculty salary increases that are needed to achieve the UI’s strategic goal.

The UI has 6,700 professional and scientific staff (FTE) of which 2,200 are covered under the SEIU bargaining agreement. The non-bargaining professional and scientific staff are expected to be given pay adjustments on July 1, 2007 that in percentage terms are comparable to UI faculty increases given on July 1.

For both faculty and professional and scientific staff the salary policy of the University will likely be to provide collegiate and other major units latitude to establish average salary policies within a range of 1.5% (e.g. 3.5% - 5% as was the case in FY 2007). This permits units with differential competitiveness problems and differential funding models to achieve objectives within a reasonably flexible salary model. The General Education Fund revenue circumstance has a major influence on where a unit can be within this salary policy range, but is not the only influence.

* * *

The University will fully implement the terms and attendant costs of all collective bargaining agreements which are specified in the “Unavoidable or Essential Cost” section of this report.

Salary and wage costs in percentage increase terms for each of the relevant agreements is as follows:

	<u>FTE</u>	<u>General Fund</u>	<u>FTE</u>	<u>Total UI</u>
AFSCME	1,400	4.93%	5,000	5.47%
COGS (graduate assistants) (1)	1,600	3.70%	2,700	3.70%
SEIU (health care workers)	-	-	2,200	5.07%

(1) Healthcare cost increases within the collective bargaining agreement were estimated at an additional 1.7%. FTE for graduate assistants is defined as 50% time (HTE).

In addition to the above salary and wage costs for collective bargaining units, the fringe benefit costs also rise substantially from FY 2007 to FY 2008. As an example, the fringe rate applied to AFSCME covered employees will rise from 46.0% in FY 2007 to 48.5% in FY 2008.

UNAVOIDABLE OR ESSENTIAL COST INCREASES

Impact of Fringe Benefit Rate Changes on Salary Base

In March 2007, the University completed negotiations with the Department of Health and Human Services which established FY 2008 fringe benefit rates for each employee category. The effect of changes in fringe benefit rates on the existing General Education Fund compensation base is an additional cost of \$5.8 million. These increases are attributable to cumulative increases in covered health care costs, changes in the average salary for employees in each fringe benefit pool, and the University's internal charge back system (federally mandated) to recover its payments of fringe benefit costs.

The University's fringe benefit plans are divided into three basic groups. AFSCME covered employee's health plans and other benefit plans are managed by the State of Iowa. Organized Graduate Assistants plans are negotiated by the Regents/University with COG's and are distinct from other staff. Health plans and other benefits for Faculty and P&S staff (both SEIU bargained and non-bargained staff) are managed by the University as a single group plan.

Opening New Buildings: Costs to occupy new or improved space

The projected cost of utilities, custodial services, information technology and general maintenance for new General Education Fund-supported buildings in FY 2008:

University Capitol Centre/Academic and Academic Support Space	\$ 700,000 (1)
Iowa Memorial Union – common student use and study spaces	<u>100,000</u>
	\$ 800,000

(1) This represents the cost of space to be occupied by academic and academic support activities including International Programs, College of Public Health research units, English as a Second Language, Public Safety and Information Technology. Cost for non-academic space including UIHC and the Iowa Centers for Enterprise have not been included. Much of this cost is recovered by GEF through indirect cost reimbursements for research and payments for central services such as Public Safety.

Other

Other unavoidable or essential General Education Fund cost increases include the following examples:

Annualization of FY 2007 Merit Employee Step Increases	\$.6 million
Cost of FY 2008 Merit Employee Contract	\$3.2 million
Graduate Assistant Salary Cost-Bargained	\$.5 million
Graduate Assistant Scholarship Cost-Bargained	\$1.3 million
Annualization of Faculty Salary Increase January 1, 2007	\$1.5 million

Professional School Tuition Supplement Commitments	\$2.7 million
Student Financial Aid Set-aside	\$3.4 million
Non-salary Utility Inflation	\$2.2 million
Library Acquisitions Inflation	\$.6 million

GENERAL EDUCATION FUND SUPPORT FOR ATHLETICS

In FY 2004 General Education Fund support for Athletics operations was approximately \$2.2 million. As a major aspect of the University's reallocation strategy, a decision was made to reduce substantially or eliminate the General Education Fund support for Athletics. In FY 2005, General Education Fund support for Athletics was reduced by \$300,000 to \$1.9 million. In FY 2006 this support was reduced by an additional \$250,000, and \$800,000 (the student aid set-aside derived from Athletics Department's tuition scholarship payments) was transferred to Student Financial Aid and designated by the Office of Student Financial Aid as support for Athletic scholarships. With these actions the direct FY 2006 General Education Fund support for Athletics was reduced to approximately \$900,000. In FY 2007, the University President authorized a reduction of an additional \$100,000. In FY 2008, the University plans to eliminate the remaining \$800,000 of General Education Fund support for Athletics.

The budget for Athletics being developed reflects the changes in General Education Fund support and will continue to reflect a full assessment to Athletics for central services costs such as utilities, maintenance, and administration overhead for operations.

BUILDING RENEWAL

The University of Iowa's 2006 Campus Master Plan recognizes that a strong plan for the future builds on the University's commitment to responsible and effective stewardship of today's campus environment. This commitment includes taking a long-term institutional view towards total cost of ownership of its facilities. Achieving this financial model requires a disciplined investment strategy addressing funding for facility renewal.

In 2005, the University of Iowa had ISES Corporation, a firm with a national record of serving higher education, inspect, document and develop a database of information on the condition of all General Education Fund major buildings on campus. In 2006, ISES returned to inspect and document information on other major facilities such as Athletics, University housing and the utility plants and infrastructure. The information gained from the ISES study was much more thorough than previous assessment methods and has been valuable in determining deferred maintenance backlog, plant adaption deficiencies, and projected capital renewal needs over the next ten years. This work has enabled the allocation of funds for renewal projects to be done based upon reliable building audits.

The University's strategic objective continues to be attaining annual financial support for facilities renewal equal to 1% of the replacement cost of all General Education Fund-supported buildings. Contributing to this goal is the General Education Fund Building

Renewal budget, operations and maintenance budget directed to renewal, State capital appropriations for facilities, State Academic Building Revenue Bonding authorizations and any other central sources of support such as designated gifts and grants. The replacement cost of UI General Education Fund - supported buildings is now \$2.8 billion.

As facilities replacement cost continues to rise due to inflation and new buildings/major additions, it is imperative that the financial model include a future capital renewal set aside equal to 1.5% for each new major addition or building project approved. The University is programming these amounts for new facilities like the College of Public Health building and the University Hygienic Laboratory. The consequence of not doing this is long-term degradation of University facilities. This is an ambitious, yet essential undertaking.

Significant progress toward the 1% goal was possible in FY 2007, in part due to the energy/environment tuition surcharge. The University increased its Building Renewal support by \$1,430,000 to a total of \$8,509,000 budgeted. In FY 2008, the University wants to make further substantial gains in funding this category.

BUDGET CEILING INCREASES

The University will be reviewing revenue data through April before making judgments on the need for a budget ceiling increase in any of its appropriated units.

**The University of Iowa
FY 2008 Final Budget
General Education Fund**

The FY 2008 General Education Fund (GEF) budget is being developed based on the most current information available to inform revenue projections and an expenditure plan which is guided by The Iowa Promise: A Strategic Plan for the University of Iowa 2005-2010 (the Strategic Plan). All other University of Iowa budgets have been developed simultaneous with the General Education Fund budget and are developed under similar and in most instances identical policies and budget guidelines.

GENERAL EDUCATION FUND

A. REVENUE

Revenue Sources

\$515.6 million	FY 2007 GEF Budget Base
\$ 23.5 million	State Appropriation
\$ 12.0 million	Tuition
<u>\$ 2.0 million</u>	Facilities and Administrative Cost Reimbursement
\$ 37.5 million	Total New Revenue
<u>\$553.1 million</u>	FY 2008 GEF Budget

Appropriations

The University's base General Education Fund support from appropriations in FY 2007 is \$234.6 million or 45.5% of the University of Iowa's General Education Fund. Among the Regent universities the University of Iowa's appropriation base is 46.3% of the total appropriations provided to all three Regent universities general education funds.

Based on the appropriations legislation recently passed by the General Assembly, the Regents will receive \$25 million for operating initiatives and displacement of non-recurring appropriations received in FY 2007. Of this amount, the University of Iowa has been allocated by the Board Office \$9.6 million. In addition, the Regents anticipate receiving a salary allocation of \$40.9 million of which the University of Iowa's General Education Fund is being allocated \$17.6 million by the Board Office. The University's new General Education Fund appropriation is therefore \$23.5 million after accounting for

the loss of \$3.7 million in FY 2007 non-recurring appropriations. All of the budgeting that follows is predicated on these appropriation allotments.

Tuition

Information through April 2007 indicates that FY 2007 tuition revenue will be at or somewhat below the original budget (\$240.3 million). This is the tuition base upon which the projected FY 2008 tuition revenue increases are being applied.

Student application and acceptance data for fall 2007 (FY 2008) suggests another large class could enroll. Revenue that results from higher enrollment will need to be set aside as a contingency for concomitant enrollment related expenses. This is critical to maintain a quality student experience even with higher overall undergraduate enrollments. The interdependence of the University's tuition revenue from enrollment increases and enrollment demands for academic and student support services is fundamental to the budgeting process.

In December 2006, the Board of Regents approved tuition increases for FY 2008 of 7.0% for non-resident undergraduates and 5.2% for all other students.

Professional School tuition supplements previously approved by the Board will yield approximately \$2.7 million for professional school improvements, prior to offsets funding student financial aid. These will be used in accord with the plans given to the Board at the time the tuition supplements were approved and for faculty salaries within those colleges.

The University projects overall tuition revenue increases in FY 2008 of \$14 million, prior to student financial aid offsets. The FY 2007 energy/environment surcharge of \$4.7 million will lapse in FY 2008.

The above tuition components result in a projected net \$12 million tuition increase for FY 2008.

Facilities and Administrative Cost Reimbursement (Indirect Cost Recoveries)

Information through April 2007 indicates that FY 2007 indirect cost recoveries in the General Education Fund may be as much as \$2 million higher than budget (\$39.4 million). This increase is due to improved timing of NIH funding and continued success of faculty securing sponsored research support in FY 2007. A budget ceiling increase in the amount of \$2 million has been submitted to the Board Office.

In March 2007, the University negotiated with its cognizant federal agency, The Department of Health and Human Services (HHS), an on-campus indirect cost rate of 50.0%. This new rate, which replaces the current rate of 47.5%, will become effective on July 1, 2007 for all new awards and competitive renewals subsequent to that date. Because the new rate applies only to new awards and competitive renewals, it will take approximately three to four years to realize its full revenue impact.

B. REALLOCATIONS

In accordance with the Board of Regents guidelines the University must reallocate for strategic initiatives at least 1% (\$5.2 million) of the FY 2007 General Fund budget. However, due to the need to improve the competitiveness of faculty salaries relative to peer institutions and to help cover other unavoidable cost increases, the University of Iowa is committing an additional \$2 million in reallocated dollars bringing the total in FY 2008 to \$7.2 million.

Sources of Reallocation

Collegiate and Administrative Units	\$5,300,000
Collegiate Units (Provost Targeted Reallocation)	1,000,000
Intercollegiate Athletics	773,359
Student Health	<u>125,479</u>
Total Reallocations	\$7,198,838

The uses of these reallocations are described in Form 1B which is attached for review. Additional reallocation by individual collegiate units and administrative departments is likely to occur as well in the course of the budget development.

C. EXPENDITURES

SALARY POLICIES

Faculty

Achieving more competitive faculty salaries remains The University of Iowa's top academic budget priority in FY 2008. The University of Iowa's average salaries for full-time tenured and tenure-track faculty, in all departments except clinical medicine, fell to the bottom of the University's Regent approved peer group as the result of budget difficulties encountered over the last decade. The FY 2008 budget will be the third year of a recovery plan supported by reallocations and tuition revenue, and will include this year substantial support from state appropriations salary funding.

In FY 2008, the University plans again to use a split pay increase plan for faculty with an overall average allocation increase of 4.5% on July 1, 2007 and a further supplement of 2.0% on December 1, 2007.

The University's aspiration is that the FY 2008 salary policy for faculty, coupled with the FY 2006 and FY 2007 increases, will raise the average salary for full-time tenured and tenure-track faculty, in all departments except clinical medicine, to the median of both the Big Ten public institutions and the Regent approved peer institutions. Actual

progress made will depend on both University of Iowa salary increases and on increases for peer institution faculty salaries.

Carver College of Medicine will continue to pursue the strategic goal of moving clinical faculty salaries to the median of the American Association of Medical Colleges. It currently is at the 40th percentile.

In all instances the pay adjustments will be based upon performance, relative competitiveness by college and department, and by collegiate revenue contribution metrics used by the Provost Office.

Non-Union Professional & Scientific (P&S) Staff

Funds equal to 4.5% of non-union P&S staff salaries plus fringe benefit costs will be allocated to General Education Fund supported budgetary units. The average salary increase policy for non-union P&S staff salaries for each college, vice president unit, and other major administrative units is between 4.5% and 6.0%, regardless of source of funds.

The salary policy for non-bargaining P&S staff is based on the revenue and reallocation assumptions above with an overall average budget allocation increase of 4.5% for this employee group to be distributed to individuals differentially on the basis of performance. Additionally, there is flexibility based upon other funding sources and supplemental reallocation. This flexibility could well be essential for resolving comparable worth/pay equity concerns, compression problems, market adjustments or other special needs.

Collective Bargaining Units

The University will fully implement the terms and attendant costs of all collective bargaining agreements which are specified in the “Unavoidable or Essential Cost” section of this report.

Salary and wage costs in percentage increase terms for each of the relevant agreements is as follows:

	<u>FTE</u>	<u>General Fund</u>	<u>FTE</u>	<u>Total UI</u>
AFSCME	1,400	4.93%	5,000	5.47%
COGS (graduate assistants) (1)	1,600	3.70%	2,700	3.70%
SEIU (health care workers)	-	-	2,200	4.91%

(1) Healthcare cost increases within the collective bargaining agreement were estimated at an additional 1.7%. FTE for graduate assistants is defined as 50% time (HTE).

Fringe Benefit Rates

In March 2007, the University completed negotiations with the Federal Department of Health and Human Services which established FY 2008 fringe benefit rates for each employee category. This includes a specific, predetermined rate for each of the eleven classes of faculty and staff. The rates have been fluctuating from year to year based upon the projection model required by the federal government. FY 2008 fringe benefit rates are as follows:

Clinical Faculty	22.70%
Non-Clinical Faculty	29.70%
Prof & Scientific (incl. SEIU)	35.00%
Merit	48.50%
House Staff	9.00%
Grad Assistants	19.20%
Post Docs	19.20%
Fellowships	9.50%
Temporary	8.50%
Bi-weekly students	4.00%
Misc & Extra Comp	4.10%

These rates are applied to salaries as they are paid to fund the employer's share of fringe benefit costs.

UNAVOIDABLE OR ESSENTIAL COST INCREASES

Impact of Fringe Benefit Rate Changes on Salary Base

As cited above, fringe benefit rates for FY 2008 have been negotiated and finalized with the federal government. The effect of changes in fringe benefit rates on the existing General Education Fund compensation base is an additional cost of \$5.8 million. These increases are attributable to cumulative increases in historic costs of covered benefits, changes in the average salary for employees in each fringe benefit pool, and the University's internal charge back system (federally mandated) to recover its payments of fringe benefit costs.

The University's fringe benefit plans are divided into three basic groups. AFSCME covered employee's health plans and other benefit plans are managed by the State of Iowa. Organized Graduate Assistants plans are negotiated by the Regents/University with COG's and are distinct from other staff. Health plans and other benefits for Faculty and P&S staff (both SEIU bargained and non-bargained staff) are managed by the University as a single group plan.

Opening New Facilities: Costs to occupy new or improved space

The projected cost of utilities, custodial services, information technology and general maintenance for new General Education Fund-supported buildings in FY 2008 are as follows:

University Capitol Centre	\$ 407,000 (1)
Iowa Memorial Union - common student use and study spaces	90,000
2660 Crosspark Road Oakdale – academic research	100,000
111 Church Street - writers initiative	20,000
US Bank – continuing education	<u>183,000</u>
	\$ 800,000

(1) This represents the cost of space to be occupied by academic and academic support activities including International Programs, College of Public Health research units, English as a Second Language, Public Safety and Information Technology. Cost for non-academic space including UIHC and the Iowa Centers for Enterprise have not been included. Much of this cost is recovered by GEF through indirect cost reimbursements for research and chargeback payments for central services such as Public Safety.

Building Renewal

The University of Iowa’s 2006 Campus Master Plan recognizes that a strong plan for the future builds on the University’s commitment to responsible and effective stewardship of today’s campus environment. This commitment includes taking a long-term institutional view towards total cost of ownership of its facilities. Achieving this financial model requires a disciplined investment strategy addressing funding for facility renewal. Overall the University has 16,540,000 square feet of space of which 7,013,000 is supported by the General Education Fund.

In 2005, the University of Iowa had ISES Corporation inspect, document and develop a database of information on the condition of all General Education Fund major buildings on campus. ISES Corporation is a building engineering firm with a national record of serving higher education. In 2006, ISES returned to inspect and document information on other major facilities such as Athletics, University Housing and the utility plants and infrastructure. The information gained from the ISES studies was much more thorough than previous assessment methods and has been valuable in determining deferred maintenance backlog, plant adaption deficiencies, and projected capital renewal needs over the next ten years. This work has enabled the allocation of funds for renewal projects to be done based upon reliable building audits.

The University’s strategic objective continues to be attaining annual financial support for facilities renewal equal to 1% of the replacement cost of all General Education Fund-supported buildings. Contributing to this goal is the General Education Fund Building Renewal budget, operations and maintenance budget directed to renewal, State capital appropriations for facilities, State Academic Building Revenue Bonding authorizations and any other central sources of support such as designated gifts and grants. The replacement cost of UI General Education Fund - supported buildings is now \$2.8 billion.

As facilities replacement cost continues to rise due to inflation and new buildings/major additions, it is imperative that the financial model include a future capital renewal set aside equal to 1.5% for each new major addition or building project approved. The University is programming these amounts for new facilities like the Biomedical Discovery Institute, Engineering Research Facility Addition and the Hydraulics Wave Basin Facility. The consequence of not doing this is long-term degradation of University facilities. This is an ambitious, yet essential undertaking.

Significant progress toward the 1% goal was possible in FY 2007, in part due to the energy/environment surcharge. The University increased its Building Renewal support by \$1,430,000 to a total of \$8,509,000. In FY 2008, the University will increase this funding by an additional \$1,250,000.

Other

Other unavoidable or essential General Education Fund cost increases include the following:

	<u>Millions \$</u>
Annualization of FY 2007 Merit Employee Step Increases	0.6
FY 2008 Merit Employee Contract Cost-Bargained	3.2
Graduate Assistant Salary Cost-Bargained	0.5
Graduate Assistant Scholarship Cost-Bargained	1.3
Annualization of Faculty Salary Increase January 1, 2007	1.5
Professional School Tuition Supplement	2.3
Student Financial Aid Set-Aside	3.9
Contingency for Additional Cost of New Freshman Cohort	1.8
Provost Targeted Reallocation	1.0
Bridging/Security/Collegiate Support Commitments	1.4
Non-salary Utility Inflation	2.0
Amortization of Capitalized Systems	0.8
Library Acquisitions Inflation	0.6
Equipment	0.3
Staff Diversity Opportunity Program (SDOP)	0.2

GENERAL EDUCATION FUND SUPPORT FOR ATHLETICS

In FY 2004 General Education Fund support for Athletics operations was approximately \$2.2 million. As a major aspect of the University's reallocation strategy, a decision was made to reduce substantially or eliminate the General Education Fund support for Athletics. In FY 2005, General Education Fund support for Athletics was reduced by \$300,000 to \$1.9 million. In FY 2006 this support was reduced by an additional \$250,000, and \$800,000 (the student aid set-aside derived from Athletics Department's tuition scholarship payments) was transferred to Student Financial Aid and designated by the Office of Student Financial Aid as support for Athletic scholarships. With these actions the FY 2006 General Education Fund support for Athletics was reduced to

approximately \$900,000. In FY 2007, the University President authorized a reduction of an additional \$100,000. In FY 2008, the University is eliminating the remaining \$800,000 of General Education Fund support for Athletics.

The budget for Athletics reflects the changes in General Education Fund support and will continue to reflect a full assessment to Athletics for central services costs such as utilities, maintenance, and administrative overhead for operations.

D. INITIATIVES

**Core
Salary/Benefit
Increases**

\$11,741,000

The University seeks to maintain competitive staff salaries. Funds equal to 4.5% of non-union P&S staff salaries plus fringe benefit costs will be allocated to General Education Fund supported budgetary units. The average salary increase policy for non-union P&S staff salaries for each college, vice presidential unit, and other major administrative units is targeted to be between 4.5% and 6.0%, regardless of source of funds.

Colleges and divisions were provided salary benchmarking survey results as points of reference in determining salary increases.

This initiative also funds the cost of salary and benefits for staff covered by collective bargaining agreements. In addition to contractually mandated salary increases, the graduate assistant tuition scholarship levels will increase from 48.2% to 62.5% of full-time resident tuition.

Measures

This initiative supports the following Strategies and Indicators of Progress included in the Strategic Plan:

Strategies:

- Recruiting and retaining excellent faculty and research staff;
- Identifying, through a University-wide reallocation process, financial resources to support excellence and emerging distinction;
- Providing competitive financial support for graduate scholars and professional students;
- Maintaining competitive compensation for staff;
- Working closely with the Board of Regents, State of Iowa, and the other Regent institutions to increase legislative and gubernatorial support for higher education in the state.

Indicators of Progress: (Five Year Plan Targets)

- #16 - Increase graduate assistant salary and scholarship levels to the top third of peer group;
- #30 – Monitor competitiveness of P&S staff salaries.

Funding Source \$9,505,768
 \$ 442,746
 \$ 400,701
 \$1,391,785

Appropriation
Tuition
Other Income/Indirect Cost Recoveries
Reallocation

Reallocation
Detail

The University is requiring collegiate and administrative units to reallocate a portion of their base budget to support salary and fringe benefit increases for faculty and non-organized staff, salary and fringe benefit increases mandated by collective bargaining contracts, and other unavoidable or essential cost increases.

New Use \$11,741,000

P&S Salary and Benefits (\$4,174,000)
Grad Asst Salary and Scholarships (\$2,452,000)
Merit Staff Salary and Benefits (\$5,115,000)

Additional Investment in Faculty **\$17,509,002**

Achieving more competitive faculty salaries is The University of Iowa’s top academic budget priority in FY08. The competitiveness of The University of Iowa’s faculty salaries has fallen precipitously since the early 1990s. The Board of Regents, recognizing the impact that recruiting and retaining excellent faculty has on an institution’s quality and reputation, made the improvement of faculty salaries one of the top priorities of the Regents Partnership Plan for Transformation and Excellence. In FY06 and FY07, through the application of two faculty salary increments and substantial reallocation, the University was able to improve its ranking in the American Association of University Professors (AAUP) salary comparisons from 9th to 6th among the Big Ten public institutions and from 10th to 8th among the Regent approved peer institutions.

In FY08, the University hopes to improve faculty salaries to the median of both the Big Ten public institutions and the Regent approved peer institutions. Similar to the two previous years, the University will implement the faculty salary policy in two installments. The first installment will occur on July 1, 2007, and the second on December 1, 2007.

The University’s FY08 budget will continue to recognize the importance of earned revenues and will support those units that contribute to the generation of revenues. Moreover, some collegiate salaries are less competitive than others, and

this difference must also be taken into account. The Office of the Provost will again make salary allocations in a fashion that acknowledges both the collegiate revenue contributions and the relative competitiveness of collegiate salaries.

The July 1, 2007 faculty salary allocation will consist of three components: a 3.25% across-the-board allocation; a differential allocation equal to 1.30% of the faculty salary base; and, a 0.42% required match component for selected colleges. In total, the July 1, 2007 faculty salary increment will equal 4.97%. The December 1, 2007 faculty salary allocation will consist of a differential salary allocation equal to 2.00% of the faculty salary base. In total within the General Education Fund, the average of continuing faculty salaries will be targeted to increase by no less than 6.97% in FY08.

Colleges that have new tuition supplement proceeds available in FY08 have been instructed to use a portion (approximately \$460,000) of those proceeds to help pay for their increased faculty compensation costs. The Office of the Provost will provide a one time non-recurring match for these collegiate contributions with funds that have been reallocated to it. These colleges have been instructed to review enrollment levels, tuition rates, and other revenue sources to determine how to replace the Provost's non-recurring salary support in FY09.

Measures

This initiative supports the following Strategies and Indicators of Progress included in the Strategic Plan:

Strategies:

- Providing nationally competitive faculty salaries;
- Recruiting and retaining excellent faculty and staff;
- Developing methods for identifying programs of emerging distinction that are central to improving the University's stature;
- Identifying, through a University-wide reallocation process, financial resources to support excellence and emerging distinction;
- Identifying opportunities for investment in existing University strengths and extramural funding opportunities;
- Using the Regents' reallocation process to direct resources to existing and emerging programs based on their centrality to the University's mission and potential for sustained excellence;
- Enhancing support for junior faculty and junior

research staff in their efforts to secure external funding.

Indicators of Progress: (Five Year Plan Targets)

- #13 - Increase external funding 2.5% per year;
- #14 - Increase the number of annual external grant applications from 3,041 to 3,200;
- #15 - Increase to 10 the average number of national faculty fellowships and scholarships awarded per year;
- #28 – Increase non-clinical tenured/track faculty salaries to the top third of peer group;
- #29 – Increase clinical medicine salaries to the 50th percentile in the AAMC;
- #44 – Increase the number of options and licenses of UI intellectual property from 30 to 75.

Funding Source	\$13,444,234 \$ 607,254 \$ 549,299 \$ 2,908,215	Appropriation Tuition Other Income/Indirect Cost Recoveries Reallocation
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Reallocation Detail
The University will require collegiate and administrative units to reallocate a portion of their base budgets to support salary and fringe benefit increases for faculty and non-organized staff, salary and fringe benefit increases mandated by collective bargaining contracts, and other unavoidable or essential cost increases.

In FY08, the Provost will require colleges to reallocate a portion of their recurring General Education Fund budgets to a central pool. From this central pool the Provost will fund strategic academic initiatives.

New Use	\$17,509,002	Faculty Salary and Benefits: July 1, 2007 (\$14,011,000) Faculty Salary and Benefits: December 1, 2007 (\$2,498,002) Provost Targeted Reallocation: (\$1,000,000)
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Additional Investment in Students **\$8,023,000**
The University enrolled its largest first year class ever in fall 2006. Resident and non-resident first year student enrollments increased. Fall 2007 application and acceptance data suggest that another large class could enroll. This preliminary data suggest both resident and non-resident enrollments could again increase. Revenue that could result from higher enrollment will be set aside as a contingency for concomitant enrollment related expenses.

Undergraduate students generate approximately 70% of the University's General Education Fund tuition revenue. It is important to recognize this when planning the use of student financial aid set-aside funds. The University's student financial aid set-aside program was modified in FY07 to allocate a larger share of incremental tuition revenue to undergraduate financial aid programs. The recruitment of two very large first-year student cohorts reflects the importance of the strategic use of tuition set-aside funds. The reallocation of the set-aside budget will continue to foster student opportunity, growth, quality, and diversity.

Funding – generated by market-based tuition supplements – is included under this initiative. The incremental funds from these tuition supplements will be used to improve undergraduate, graduate and professional programs. FY08 will mark the second cohort of upper division Engineering students that will pay a tuition supplement. Proceeds from this supplement will support distinctive educational programs for engineers in the areas of writing, health sciences, globalization and international studies, integrated design experiences, personalized research opportunities, and support competitive faculty salaries.

Tuition supplements will also generate new income for the Colleges of Dentistry, Law, Medicine, and Pharmacy. The proceeds of these tuition supplements will be used to enhance student services, make programmatic improvements, and support competitive faculty salaries.

Measures

This initiative supports the following Strategies and Indicators of Progress included in the Strategic Plan:

Strategies:

- Providing access through an appropriate blend of merit- and need-based financial aid and by increasing the amount of aid available;
- Introducing students to the process by which research, scholarship, and creative work are produced and enabling their participation in that process, which is the key “value added” of a comprehensive research university;
- Developing more freshman seminars, honors courses, and other small class venues where students can interact with tenured faculty;
- Strengthening the honors program and other opportunities for high-achieving students;
- Ensuring the availability and robustness of information

technology services and support required for extraordinary and day-to-day research, scholarship, and creative activity;

- Providing competitive financial support for graduate scholars and professional students;
- Using the Regents’ reallocation process to direct resources to existing and emerging programs based on their centrality to the University’s mission and potential for sustained excellence;
- Educating highly competent and committed health professionals and research scientists for Iowa and beyond.

Indicators of Progress: (Five Year Plan Targets)

- #2 – Increase the one-year retention rate from 83.2% to 86.0%;
- #3 – Increase the six-year graduation rate from 66.2% to 70.0%;
- #8 - Create additional opportunities for students to engage in research, scholarship, and creative work;
- #9 – Increase First-Year Seminars from 13 to 50 sections per academic year;
- #17 – Redeploy the Graduate fellowships and scholarships block allocation to support the recruitment of higher quality graduate students.

Funding Source	\$0	Appropriation
	\$8,023,000	Tuition
	\$0	Other Income/Indirect Cost Recoveries
	\$0	Reallocation

New Use	\$8,023,000	Student Financial Aid (\$3,918,000)
		Undergraduate/Graduate/Professional School Programs
		Tuition Supplements (\$2,270,000)
		Contingency for Additional Cost of New Freshman Cohort (\$1,835,000)

Renewing Environments for Learning & Research	\$7,369,380	Each year the University faces unavoidable cost increases, such as, inflationary costs for utilities and library acquisitions. Some years these can be extraordinary. Funding of these increases is an important component of maintaining a productive environment for faculty, staff, and students. Building maintenance and repair of campus facilities also requires additional support.
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Funding is budgeted for the projected cost of utilities, custodial services, information technology and general maintenance for new GEF-supported buildings, library acquisitions, building renewal, equipment, capitalized systems and collegiate and program support.

Measures

This initiative supports the following Strategies and Indicators of Progress included in the Strategic Plan:

Strategies:

- Augmenting support for our research collections, libraries, museums, and information technologies - broadly defined - that are critical to teaching and learning;
- Providing faculty and research staff with the research support appropriate at a comprehensive research university;
- Using the Regents' reallocation process to direct resources to existing and emerging programs based on their centrality to the University's mission and potential for sustained excellence;
- Advancing health care and the public's health through excellence in biomedical and population-based research.

Indicators of Progress: (Five Year Plan Targets)

- #14 – Increase the number of annual external grant applications from 3,041 to 3,200;
- #15 – Increase to 10 the average number of national faculty fellowships and scholarships awarded per year;
- #31 – Maintain top 15 Association of Research Libraries (ARL) ranking among public research libraries.

Funding Source	\$ 505,542 \$2,915,000 \$1,050,000 \$2,898,838	Appropriation Tuition Other Income/Indirect Cost Recoveries Reallocation
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Reallocation
Detail

The University is requiring collegiate and administrative units to reallocate a portion of their base budgets to support salary and fringe benefit increases for faculty and non-organized staff, salary and fringe benefit increases mandated by collective bargaining contracts, and other unavoidable or essential cost increases.

New Use	\$7,369,380	Utility Inflation (\$1,956,000)
		Opening New Facilities (\$800,000)
		Library Acquisitions Inflation (\$630,000)
		Building Renewal and Equipment (\$1,653,380)
		Amortization of Capitalized Systems (\$750,000)
		Bridging/Security/Collegiate Support
		Commitments (\$1,380,000)
		Staff Diversity Opportunity Program (SDOP) (\$200,000)

**UNIVERSITY OF IOWA HOSPITALS AND CLINICS
FINAL FY 2008 OPERATING BUDGETS OF THE
UNIVERSITY OF IOWA'S STATEWIDE HEALTH SERVICE UNITS**

STRATEGY

In FY 2008, the strategic focus for the University of Iowa Hospitals and Clinics (UIHC) will continue to center on the offering of a broad spectrum of clinical services to all patients, serving as the primary teaching hospital for the University, and providing a base for innovative research to improve health care.

There are three commitments identified in the strategic plan that were key drivers in drafting the FY 2008 operating budgets. Achievement of each commitment will occur by following defined goals, strategies, and tactics.

- 1) Innovative Care
 - Care Delivery - UIHC will be recognized as a state and national leader in developing and implementing new and more efficient health care delivery models that emphasize quality-driven patient experience.
 - Clinical Programs – Select UIHC clinical services will be leaders in the state and national market by offering cutting edge clinical services, robust clinical research, and strong training opportunities.
- 2) Excellent Service
 - Patient Satisfaction – Patients and families will be highly satisfied with their entire UIHC experience in all settings.
 - Referring Physician Satisfaction – UIHC will be recognized by referring physicians for its efficient and effective support to their patients.
 - Staff, Faculty, and Volunteer Engagement – Staff, faculty, and volunteers are valued and engaged in the pursuit of UIHC's vision.
- 3) Exceptional Outcomes
 - Safety – UIHC will provide a continuously improving, safe environment for all patients and staff at all times.
 - Clinical Outcomes – UIHC will use a continuous improvement process to achieve exceptional clinical outcomes.

The following are key strategies under implementation to achieve UIHC's goals:

- Development and optimization of several key product lines:
 - Cardiovascular - Heart Clinic / EP Lab / Recovery Renovation
 - Oncology – Cancer Center Relocation
 - Neuroscience - Neurosurgery Clinic Renovation
 - Children's Hospital - Pediatric Inpatient Unit Renovation / New Neonatal and Pediatric Intensive Care beds
- Initiatives to reduce length of stay by a minimum of 0.28 days
- Labor productivity improvement of 2 percent or more on a volume adjusted basis
- On-going policy of contracting with third-party payors at fair and reasonable rates
- Complete Emergency Treatment Center Renovation
- Complete Patient and Visitor Service Center Construction
- Investment in radiology to increase throughput and provide state-of-the-art technology
- Continued emphasis on revenue cycle and supply chain initiatives
- Significant investment in information technology infrastructure, with special attention to clinical information, operating room, ICU, and electronic medication systems
- New ambulatory service initiatives to increase patient access and physician productivity

CHALLENGES

There are ever-increasing pressures on the healthcare industry to maintain funding sources while keeping operating expenses in check. FY 2008 will offer no exception to this trend for the University of Iowa Hospitals and Clinics. An average “all-in” salary increase of 5.5 percent is projected for next year. Wage increases have been impacted by settlement of new collective bargaining agreements with two groups resulting in increases in wage rates and benefits for these classes of employees. One of the bargaining units (general services staff) has pay and benefits negotiated through the State of Iowa. While we continue to standardize product utilization and implement supply chain savings initiatives, medical and surgical supply costs are estimated to rise 4 percent or more due to price increases and changes in technology. Pharmaceutical cost increases are anticipated in the 7 percent range. Utilities and other administrative services purchased from the University of Iowa will increase 9 percent and 4.5 percent, respectively.

The State of Iowa has appropriated \$27.3 million with an additional \$10 million available if the \$27.3 million is exhausted for the care of the state’s indigent population at the UIHC in FY 2008. The IowaCare appropriation does not provide funding of physician, dental services, pharmaceuticals or durable medical equipment, but UIHC and UI physicians provide these services. While the Iowa Department of Human Services can terminate IowaCare enrollment if funding is exhausted, stopping such a program during the year would prove difficult. Continued growth in IowaCare enrollment may also have implications for timely access to appointments for patients from all financial classes and could create the need for costly expansions in some areas to avoid loss of paying patients. Iowa’s compliance with the Deficit Reduction Act of 2005 (P.L. 109-171) may necessarily result in delays in authorization of IowaCare and Medicaid coverage status which could create hardships for patients and increase charity care at the UIHC.

VOLUMES

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 by 2.0 percent and outpatient activity is also anticipated to grow at a 2.0 percent rate in FY 2008. Length of stay is expected to decrease by 0.28 days. In FY 2008, the case mix index, a measure of inpatient severity, is expected to remain at a high level. To meet this increase in demand, the University of Iowa Hospitals and Clinics is increasing cardiovascular services, expanding operating room and intensive care services, completing Lean Sigma projects to enhance patient access, and continuing to expand initiatives to lower length of stay to allow for more admissions.

<u>Combined Health Service Units</u>	<u>Actual 2004</u>	<u>Actual 2005</u>	<u>Actual 2006</u>	<u>Projected 2007</u>	<u>Budget 2008</u>
Acute Admissions (excl. newborns)	25,384	25,063	26,030	27,189	27,733
Surgical Cases	20,644	20,820	21,008	21,764	22,635
Clinic Visits	669,045	668,456	673,947	692,637	706,878
Average Length of Stay for Acute	6.94	6.99	6.64	6.68	6.40
Case Mix - All Patients	1.5950	1.6384	1.6920	1.7090	1.7090

RATES

Additional net revenues will be required in FY 2008 to support staffing levels appropriate for safe and high quality patient care, while maintaining a satisfactory operating margin. These additional net revenues will be achieved through new volumes and a rate increase of 6.0 percent approved by the Board in April to be effective July 1, 2007. Market data indicates that UIHC continues to have lower rate adjustments when compared to academic medical center peers and other Midwest healthcare institutions.

As always, UIHC is concerned with the effect of higher charges on its patient population. A study completed by the University HealthSystem Consortium shows that the impact on insured patients is minimal, with little or no change to deductibles and co-payments. Self-pay patients, which account for fewer than 5 percent of UIHC charges, have limited exposure due to UIHC's discount policy for the medically indigent. The following chart illustrates how increases in rates affect various payor groups:

Rate Increase Impact by Payor:

- Medicare
 - Charges and cost affect DRG and APC rate setting
 - Charges affect new technology rate setting
 - Outlier thresholds and payments are based on charges and cost
 - Coinsurance up to policy maximum
- Medicaid
 - Charges and cost affect DRG and APC rate setting
 - Outlier thresholds and payments are based on charges and cost
- Managed Care
 - Payors with outpatient percent of charge payment provisions
 - Stop-loss thresholds and payments
 - Carve-out arrangements (i.e. high cost drugs, prosthesis, new technology, etc)
 - Coinsurance up to policy maximum
- Commercial Non-Contracted
 - Payment based on charges
 - Coinsurance up to policy maximum
- Self Pay
 - Individuals not otherwise eligible for uncompensated care discount policy

UIHC Policy Guidelines for Uncompensated Care Discount Percentages:

Income Percent of Federal Poverty Guidelines				
	<150%	151%-200%	201%-250%	251%-300%
Patient Balance	Discount Percentages			
> \$50,000	100%	80%	60%	40%
\$40,000 - 50,000	100%	80%	60%	40%
\$30,000 - 39,999	100%	80%	60%	40%
\$20,000 - 29,999	100%	80%	60%	40%
\$10,000 - 19,999	100%	60%	40%	20%
\$0 - \$9,999	100%	60%	40%	20%

FINAL BUDGET SUBMISSIONS

University Hospital – FY 2008 Budget:

REVENUES:

STATE APPROPRIATION

General Fund	27,284,584
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OTHER REVENUES

Reimbursed Indirect Costs	2,268,100
Sales & Services	712,028,616
Other Income	380,100

TOTAL REVENUES

741,961,400

EXPENDITURES:

Faculty Salaries	36,794,600
Professional & Scientific Salaries	271,936,300
General Services Salaries	130,106,800
Hourly Wages	6,607,500
Subtotal	<u>445,445,200</u>

Supplies and Services	256,092,800
Rentals	4,923,200
Utilities	19,305,800
Building Repairs	7,376,500
Equipment	8,817,900
Subtotal	<u>296,516,200</u>

TOTAL EXPENDITURES

741,961,400

Psychiatric Hospital - FY 2008 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 7,321,954

OTHER REVENUES

Reimbursed Indirect Costs 1,375,600

Sales & Services 15,789,346

TOTAL REVENUES

24,486,900

EXPENDITURES:

Faculty Salaries 1,990,300

Professional & Scientific Salaries 11,942,900

General Services Salaries 5,723,800

Hourly Wages 237,800

Subtotal 19,894,800

Supplies and Services 3,209,000

Rentals 14,200

Utilities 1,368,900

Subtotal 4,592,100

TOTAL EXPENDITURES

24,486,900

Center for Disabilities & Development - FY 2008 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 6,726,227

OTHER REVENUES

Reimbursed Indirect Costs 159,000

Sales & Services 557,573

TOTAL REVENUES

7,442,800

EXPENDITURES:

Faculty Salaries 828,700

Professional & Scientific Salaries 3,207,000

General Services Salaries 2,006,500

Hourly Wages 194,400

Subtotal 6,236,600

Supplies and Services 906,100

Rentals 31,400

Utilities 268,700

Subtotal 1,206,200

TOTAL EXPENDITURES

7,442,800

Specialized Child Health Services - FY 2008 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 732,388

OTHER REVENUES

Federal Support 2,501,351

Sales & Services 600,000

Other Income 1,715,343

TOTAL REVENUES

5,549,082

EXPENDITURES:

Faculty Salaries 498,013

Professional & Scientific Salaries 2,970,055

General Services Salaries 924,916

Hourly Wages 338,325

Subtotal 4,731,309

Supplies and Services 701,673

Rentals 106,100

Equipment 10,000

Subtotal 817,773

TOTAL EXPENDITURES

5,549,082

**The University of Iowa
OAKDALE CAMPUS
Budget Summary
FY 2008**

\$3,673,485

The Oakdale Campus 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. For example this budget supports significant building operations and maintenance costs associated with space occupied by the University Hygienic Lab. Other activities on this campus include the Obermann Center for Advanced Studies, the Technology Innovation Center and a number of academic and health care-related activities.

INCOME

Appropriations for FY 2008 increased by \$69,150 (2.6%) to \$2,726,485. "Other Income" is projected at \$947,000 due to enhanced success of faculty securing sponsored research on the Oakdale Campus and additional Technology Innovation Center rentals. A budget ceiling increase for FY 2007 in the amount of \$370,000 has been submitted to the Board Office. The total Oakdale Campus budgeted revenue is \$3,673,485.

EXPENDITURES

SALARIES: Salary increases for professional and scientific staff reflect an average 4.5 percent, which includes increments for promotions, equity increases and marketplace adjustments. The salary increases for merit staff include negotiated increases as per the AFSCME labor contract for FY 2008 and annualization of merit step increases given in FY 2007. Fringe benefit rate increases were included for both professional and scientific staff and merit staff.

UTILITIES: The FY 2008 utility budget was increased by \$196,246 to \$1,424,261. This amount will continue to be supplemented by the General Education Fund by \$646,000 in order to accommodate the continued increase in gas prices and other inflationary expenses. The Oakdale Campus State appropriation decreased by 17% from FY 2001 to FY 2007, thus the need for the General Education Fund subsidy. Oakdale Campus utilities are not provided to the adjacent Oakdale Research Park.

SUPPLIES: The supplies budget includes services and material that are required to maintain an environment to conduct research. The FY 2008 budget is \$360,517.

EQUIPMENT: The equipment budget remains unchanged at \$16,200.

BUILDING REPAIRS: The building repairs budget was restored to \$125,000 due to projected increases in "Other Income". The original budget in FY 2007 was zero.

**The University of Iowa
STATE HYGIENIC LABORATORY
Budget Summary
FY 2008**

\$7,517,511

FY 2008 REVENUE

Appropriations for FY 2008 are projected to be \$4,182,151 with “Other Revenues” of \$3,335,360. The FY 2008 appropriation has increased by \$332,690 based on the anticipated salary allocation by the Regents. “Other Revenues” have increased by \$93,604 based on projected classification of future research activity. Accordingly, the total budgeted revenue is \$7,517,511.

FY 2008 EXPENDITURES

SALARIES: Through revenue increases and internal reallocation, salary increases for professional and scientific staff reflect an average increase of 5.04 percent, which includes increments for promotions, equity increases and marketplace adjustments. In prior years, the lab staff had been restricted to increases below the average of other University professional and scientific staff. The salary increases for merit staff include negotiated increases as per the labor contract for FY 2008 and annualization of merit step increases given in FY 2007. Fringe benefit changes are also included for both professional and scientific staff and merit staff. Approximately \$93,000 was reallocated from merit staff salaries to fund professional and scientific staff positions. The budget proposes professional and scientific staff salaries of \$4,679,115, merit staff salaries of \$2,332,759 and hourly wages of \$26,265.

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

Other revenue and operating expenses are significantly driven by external factors beyond the State Hygienic Laboratory’s control and influences.

IMPACT STATEMENT

The 2006 mumps outbreak originating here in Iowa demonstrated two things:

1. Disease outbreaks can originate in the Midwest
2. Rapid detection and providing rapid response of results to authorities in need

The equipment, reagents and experienced staff need to be in place and working to detect and track the first cases of disease here in Iowa. Whether pandemic influenza, mumps, whooping cough, or monkey pox; waiting until the outbreak to prepare, means that Iowa will pay the full costs in lost lives, lost health and lost wealth.

The University of Iowa
STATEWIDE FAMILY PRACTICE PROGRAM
Budget Summary
FY 2008

FY 2008 BASE

\$2,179,043

The FY 2008 base appropriation (\$2,179,043) is \$103,095 greater than the 2007 base

FY 2008 INCOME

The statewide program's appropriation for FY 2008 is \$2,179,043. Non-appropriated income is estimated at \$15,000. Total revenues, therefore, will be \$2,194,043. Eighty percent (80%) of the appropriated funds are scheduled to be spent directly in the UI-affiliated family physician training programs consistent with statutory requirements, and 20% of the appropriations 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 2008 EXPENDITURES

Salary budgets proposed for faculty and professional and scientific staff have been increased by approximately 5%. Salary budgets proposed for merit staff are consistent with contractual obligations negotiated by the State.

The amount budgeted for hourly wage employees is \$18,000. Those funds will 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 through the Visiting Professor Program. Funds for that activity were reduced in recent years through the reallocation process in order to sustain faculty and professional positions. This year's increase in base funding will allow the statewide program to resume Visiting Professor Program activity at its past level.

Expenditures for supplies are proposed at \$18,036. 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 CARE INITIATIVE
Budget Summary
FY 2008

FY 2008 BASE

\$793,920

The FY 2008 base of \$793,920 for the Primary Care Initiative is \$34,045 greater than the FY 2007 base.

FY 2008 INCOME

The appropriation for the Primary Care Initiative (PCI) in FY 2008 is \$793,920. 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: Department of Family Medicine Faculty Expansion \$330,000; Regional Medical Education Centers Grant Program \$215,185; Iowa Health Professions Inventory \$126,228; Rural Physician Support Program \$102,507; and Culturally Competent Care Initiative \$20,000.

FY 2008 EXPENDITURES

The faculty salaries are for both Department of Family Medicine faculty and community-based teaching positions. The professional salary lines are University-based positions that provide administrative and technical support for the various programs within the PCI. The Department Family Medicine moved \$36,622 from faculty salaries to professional salaries to more accurately reflect efforts in community-based medical education. That transfer accounts for the 8% decline on the faculty salary line.

The funds for hourly wage employees provide support for student research assistants. The supply budget supports travel, data processing, conferences, telecommunications, and educational resources.

The University of Iowa
STATE OF IOWA CANCER REGISTRY
Budget Summary
FY 2008

\$184,578

In 2007, cancer will strike five out of every 1,000 Iowans. An estimated 6,400 Iowans will die from cancer in 2007, 15 times the number caused by auto fatalities. Cancer is second to only heart disease as a cause of death in Iowans. For the years 1973-2005, over 445,500 cancers were newly diagnosed among Iowans, with more than 198,900 Iowans having died from cancer. In 2007 alone, we expect 15,700 new cancers will be diagnosed among Iowa residents. However, on the positive side, during the past 10 years there has been a measurable reduction in mortality resulting from cancer. Statewide cancer incidence and survival data are available due to the existence of the Iowa Cancer Registry.

Since 1973, the Iowa Cancer Registry has been a member of the NCI's Surveillance, Epidemiology and End Results (SEER) Program. There are only 18 state and regional cancer registries throughout the United States that participate in this prestigious program. Iowa represents rural agricultural and Midwestern populations and provides data included in many NCI publications. The objectives of the Registry include: 1) collecting data on each Iowan diagnosed with cancer and reporting these data to the NCI; 2) monitoring annual trends in the incidence of cancer among Iowans and the number of deaths related to cancer; 3) monitoring changes over time in prevalence of cancer, trends in therapy, and survival rates; and 4) promoting and conducting research studies designed to assist with cancer prevention and control.

Cancer is a reportable disease in Iowa, and the Iowa Department of Public Health has designated responsibility for cancer data collection to the Registry. Each year the Registry responds to a few hundred requests from Iowans for data, analyses, and cancer cluster investigations. Additionally, Registry staff members participate in educational outreach efforts designed to provide useful cancer-related education for citizens in Iowa. The Registry functions as a data resource for local, national and international research. The Registry also serves as the source of data for measuring progress with cancer and measuring the cancer burden for the Iowa Consortium for Comprehensive Cancer Control, a cancer prevention and control group that represents over 50 agencies in Iowa.

The Iowa Cancer Registry employs more than 50 full-time staff members. Half of them, situated throughout the state, regularly visit hospitals, clinics and medical laboratories in Iowa and neighboring states to collect cancer data. In addition, in 2007 the Iowa Cancer Registry will employ part-time approximately 35 undergraduate students. This employment introduces the students to the process by which cancer surveillance data are collected and edited and enables their participation in the process, one of the goals of the University's strategic plan.

The existence of the Iowa Cancer Registry allows for the study of the cancer experience of Iowans and focuses national attention and research dollars on this issue. The Iowa Registry is funded primarily through a contract with the NCI, but the contract requires a portion of funding for the Registry be obtained from non-federal sources such as the state of Iowa. Currently, for every dollar the state of Iowa invests in the Iowa Cancer Registry, approximately \$22.32 of federal funds are returned to Iowa through the core SEER contract. This does not include funds that are received for related studies that are directly attributable to the existence of the Registry, which currently amount annually to several additional millions of dollars. The presence of the Registry and its database have helped attract numerous research projects and funds to Iowa from other federal agencies such as the Environmental Protection Agency, the Centers for Disease Control, and the National Institutes of Health.

The University of Iowa
IOWA CONSORTIUM FOR SUBSTANCE ABUSE RESEARCH AND EVALUATION
Budget Summary
FY 2008

\$67,877

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 community and jail-based substance abuse treatment programs in the state.
- Facilitating implementation of evidence-based practices in treatment agencies statewide.
- Evaluating methamphetamine treatment programs in the state.
- Evaluating youth substance abuse prevention programming at the local and state level.
- 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.
- Assisting the State in implementing quality improvement techniques at the state and agency levels.
- Evaluate the State's Drug Courts

Over the last 8 years, the Consortium has experienced over a 30% budget reduction, which has limited our ability to provide statewide services at a time of increased needs. Funds for FY08 will help provide for the continuation of the Consortium's unique capacity for interdisciplinary alcohol and drug research in Iowa. The Consortium's annual budget request process to external sponsors allows for staff salary increases. In FY08, increasing costs for salaries will be covered by externally funded grants and contracts.

The University of Iowa
CENTER FOR BIOCATALYSIS AND BIOPROCESSING
Budget Summary
FY 2008

\$902,687

The Center for Biocatalysis and Bioprocessing (CBB) Laboratory serves as the primary contract research facility for fermentation, fermentation-derived metabolites, protein expression and downstream processing, and biocatalytic process 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 therapeutic, health, nutritional and chemical uses. These technologies are necessary to implement modern "biotechnology" based approaches to solve problems in agricultural, chemical, nutritional and bio/pharmaceutical industries. Traditionally, CBB has operated under GLP conditions to provide pre-clinical materials. This year, we will commission GMP operations to produce clinical grade materials for Phase I and Phase II trials, for biotherapeutic products. Facility construction is complete; facility preparations have started. The funding for this came via Grow Iowa Values Fund grant.

The University of Iowa has assembled its Biocatalysis Research Group -- an experienced and multidisciplinary cluster of more than fifty 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 \$15 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, protein purification, 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 42 companies utilized the CBB's vast technical resources and funded a high percentage of the CBB's research and contract activities.

The CBB pursues an aggressive industrial outreach effort in order 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 Michigan, Georgia, Maryland, Minnesota, Nebraska, Utah and California. Today, CBB is one of its kind, state of the art microbial pilot plant facility, unmatched by any other University. In order to continue this and keep pace with both biotherapeutic and industrial biotechnology industrial interactions CBB must maintain a competitive and viable funding base. CBB experience dedicated to industrial research and development projects supports initial contacts with industry (to identify the scope of a specific project), entices companies to consider the state of Iowa for their research and contract needs, and fosters projects that are of mutual interest and which promote long-term contractual relationships and industrial partnerships. A five-year, multimillion dollar National Science Foundation-Engineering Research Center grant received in 2003 enables the CBB to leverage state of Iowa support with other federal and industrial funding sources.

FY 2008

Strategic changes necessary to fund salary increases:

The high point in the CBB 234 budget was at the end of FY01 at \$1.085 million. Subsequent reductions to the budget amount have been accommodated by reducing the Tech Transfer Research and Development funds to partially match and encourage industrial laboratory work at the CBB Laboratory, and by reducing Education and Training. Last year, the CBB Executive Committee arrived at the difficult decision to reduce Education and Training further this year as the only means available to the CBB to reduce spending and accommodate salary increases. This decision is making it a challenge to maintain strong academic ties with CBB-faculty as well as students. Given the increase in cost of operations with GMP addition in 06-07, restoration of the original budget of \$1.085 million would help CBB overhead expenses and its strong ties to the academic community.

This new budget reflects an increased allocation of \$21,303, which has gone toward a rent increase of \$7,600 with the balance going for salary increases between 2% for CBB student stipends and up to 5% for faculty salaries.

The University of Iowa
IOWA REGISTRY FOR CONGENITAL AND INHERITED DISORDERS
(FORMERLY THE IOWA BIRTH DEFECTS REGISTRY)
Budget Summary
FY 2008

\$46,685

The Iowa Registry for Congenital and Inherited Disorders (IRCID) was established by the Iowa General Assembly (Chapter 23 of the Iowa Code) in 1983. Since that time, the IRCID has received national attention for its role in birth defects surveillance and has served as a model for other states establishing surveillance programs. In recent years, the Registry has expanded its mission to include surveillance of developmental disabilities (Duchenne-Becker Muscular Dystrophy) and, most recently, for fetal deaths. The IRCID is the only active, statewide birth defects surveillance program in the Midwest, as well as one of only five programs nationally to conduct muscular dystrophy surveillance and one of only two programs nationally to conduct fetal death surveillance. Through these activities, the IRCID serves families in all 99 Iowa counties.

The objectives of the IRCID 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.

Data collected permit comparison of birth defects rates in geographic areas of interest (e.g., cities or counties) with state and national rates. In addition, data are used to monitor trends in birth defect occurrence by population characteristics such as maternal age. Statewide surveillance is necessary to accurately evaluate such trends and to guide health promotion and disease prevention efforts in Iowa.

A number of investigators and public health professionals also utilize IRCID 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.

As examples, Drs. Paul Romitti (College of Public Health) and Jeffrey Murray (College of Medicine) were awarded a five-year renewal agreement with the Centers for Disease Control and Prevention. The agreement is targeted to establish a "Center for Excellence in the Research and Prevention of Birth Defects" in Iowa. Dr. Romitti is also collaborating with investigators at Emory University and the National Institutes of Health to study factors related to Down Syndrome. In addition, Dr. Romitti and Dr. Katherine Mathews (College of Medicine) were awarded a five-year renewal agreement to expand surveillance activities to include surveillance of children with Duchenne and Becker Muscular Dystrophy. Annual renewal of each of these agreements will require identification of state funds to support surveillance staff.

Education and health promotion efforts that utilize IRCID data include lectures, press releases, articles, public service announcements, and disseminating prenatal educational materials. Annually, the IRCID attempts to publish an annual report to disseminate information regarding birth defects surveillance, research and prevention efforts ongoing in Iowa. Also, through collaboration with the Iowa Department of Public Health, the Registry has implemented a program to provide parents of children diagnosed with birth defects resource materials and referrals to appropriate clinical, educational and social services. Overall, the IRCID is a public health registry in vigorous pursuit to promote the health and welfare of infants and children in Iowa.

BENEFIT TO THE STATE OF IOWA:

- Provide accurate, timely data that directs program planning, health policies, prevention efforts, and welfare of Iowa's infants and children.
- Act as an innovative research partner to disseminate information about the impact of genetics and environment in the development of these disorders and to evaluate the efficacy of treatments for these disorders.

- Translate surveillance and research findings into efforts that families can understand and implement.
- Increase public awareness of prevention programs and maintain public education.
- Foster communication between agencies involved in surveillance and referral services.
- Answer public concerns regarding these disorders using data available from all 99 counties and disseminate findings locally, statewide and nationally.

STRATEGIC CHANGES:

Funds provided are used for partial salary support for IRCID staff and for design, printing and distribution costs for the IRCID's annual report. To fund salary increases for the current fiscal year, a reduction in support for the publication costs of the annual report will be necessary. Additional funding will need to be identified to continue with publication of the report.

The University of Iowa
CENTER FOR ADVANCED DRUG DEVELOPMENT (CADD)
Budget Summary
FY 2008

\$115,749

The Center for Advanced Drug Development (CADD) is a division of the University of Iowa, College of Pharmacy. The Center offers contract services to the pharmaceutical and biotechnology industry which complement those of the College's Division of Pharmaceutical Service. The Division of Pharmaceutical Service, the only comprehensive FDA registered facility in a College of Pharmacy in the U.S., offers the unique capability to produce under contract limited quantities of new medicines under FDA 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.

This Center which is an integral resource in the states bioeconomy economic development agenda offers non-production services and contract services relevant to the clinical trials process which complement those of the Division of Pharmaceutical Service, and explicitly include:

- Management of FDA relationships for clients, especially in the processing of new drug applications,
- Development and execution for 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/excipients for compliance.

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. In addition, as the state looks ahead to an investment to enhance its biotechnology infrastructure for both animal and human health, the Center will play a major role (along with the Center for Biocatalysis and Bioprocessing and the Division of Pharmaceutical Service) in the University's ability to interact with the biotechnology industry to shorten the time to market for new therapies. This new initiative will also attract interest from a completely new industry base, composed of mainly start-up companies, who may be recruited to Iowa.

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

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Impact of the 2008 Budget

The allocation from the economic development appropriations for the Center for Advanced Drug Development for FY 08 will increase by \$5,406 from FY 07, requiring continued internal reallocation to address salary increases for the staff. Staff salary adjustments will be within overall University of Iowa staff salary policy. This will continue to limit the Centers ability to stimulate ongoing interest on the part of the pharmaceutical and biopharmaceutical companies that seek CADD's services.

**The University of Iowa
OAKDALE RESEARCH PARK
Budget Summary
FY 2008**

\$97,578

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 an investment of more than \$135 million by the federal government, the State, the City of Coralville, and a number of private building developers and owners. Four other projects valued at \$60 million are under construction or planned. The Park is part of the IOWA Centers for Enterprise which integrates UI economic development activities.

Established by the University in 1989 at the urging of the State, the Park is building a nucleus of businesses in Iowa that are drawn by the strengths of the University. The labor shed for nearly 1,700 employees of laboratories and companies affiliated with the Park and the Technology Innovation Center business incubator covers 65 cities and towns in 21 Iowa counties – approximately one-fifth of the State. This is in keeping with the UI's strategic plan for engagement with external constituencies and participation in Iowa's economic growth. Current corporate tenants on the park include LMS CADSI, The Stanley Group, Breakthrough to Literacy, Inc., Vangent, Inc., Pearson Educational Measurement, Integrated DNA Technologies, Inc./Bioinformatics Division, Innovative Software Engineering and National Genecular Institute. A total of 18 technology companies have established a presence on the Park since 1989.

The State-funded 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, fully operational co-venture with the U.S. Department of Transportation. UI infectious disease research programs, including the Emerging Pathogens Laboratory, are undergoing further expansion. The College of Public Health also maintains a research presence on the Park. The University's Center for Advanced Drug Development (CADD) facility, a unit of the College of Pharmacy, is also at Oakdale. A \$2.9 million award to the CBB from the State's Grow Iowa Values Fund is being invested in a new biotech laboratory facility on the Park that will meet U.S. Food and Drug Administration current Good Manufacturing Practices (cGMP) standards, enabling the CBB to manufacture new vaccines and medicines for use in human clinical trials.

FY 2008 funding is needed to partially support the essential operating expenses for the 189-acre Research Park. ORP will receive \$97,578 in State support in FY 2008, while the balance of ORP's support comes from Park income and from the University. Expenses include a variety of professional services (e.g., engineering, landscape architecture and legal), marketing, and support for University staff engaged in the project, operation of the Park office, and preparation and maintenance of common areas within the park. For FY 2008 level funding will not support fully the delivery of essential services and Park amenities. The cost of providing essential services has increased. A new business plan and ground lease policies will result in management efficiencies and greater revenue. Additional funding must be identified for the Park to maintain the current level of services and amenities delivered to affiliates and enable future growth.

The University of Iowa
TECHNOLOGY INNOVATION CENTER
Budget Summary
FY 2008

\$45,879

The Technology Innovation Center is a business incubator for start-up companies, growing fledging new ventures into freestanding businesses. The Center 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. The Center is part of the IOWA Centers for Enterprise which integrates UI economic development activities.

Established by the University in 1984 at the urging of the State, the University's Oakdale Research Park benefits the Center and receives benefits in return. In a major advancement, the University will invest \$5 million from the Grow Iowa Values Fund and Battelle Infrastructure Fund to construct the BioVentures Center incubator facility in FY 2008 for biotech spin-out and recruited startup companies. A recently-completed laboratory upgrade supported by GIVF and matching funds enabled the University to retain a major biotech spin-out opportunity in FY 2007.

Expenditures by the Center allow continued delivery of shared services and amenities to tenant companies. More than 90 technology start-ups have become Center tenants since 1984. Seventeen tenants are now in the Center and 35 tenants have met their business goals upon graduating from the Center. One company successfully graduated and four new tenant companies were accepted in FY 2007.

The Center's operating budget in FY 2008 includes \$45,879 in State support, with the balance of its support coming from the University. Along with the Oakdale Research Park, the Center has become an important part of the UI's strategic plan for engagement, building ties with those off campus and participating in the economic vitality of the State. For FY 2008 the funding will not support fully the incubator facility and delivery of essential professional services and amenities to tenant companies. A new business plan and rent policies will result in management efficiencies and greater revenue. Additional funding must be identified for the Center to maintain the current level of core services and amenities and achieve its goal of expanded services and support for tenant companies.

The University of Iowa
LARNED A. WATERMAN IOWA NONPROFIT RESOURCE CENTER
Budget Summary
FY 2008

\$200,000

The Larned A. Waterman Iowa Nonprofit Resource Center is a University wide interdisciplinary center which provides education and research about charitable nonprofit organizations on campus and throughout Iowa. It functions on contributed services, grants, earned income and the Larned A. Waterman endowment. The new appropriation provides much needed recurring support of the Nonprofit Center to provide for basic operational infrastructure for which funds are not available at all or on a continuing basis.

The funding will be applied to these basic infrastructure needs: an administrative assistant, a full time secretary, a half time graduate assistant as a website programmer and a teaching assistant for a year long University wide course that teaches 150 students. The funding will also help support the work of the University's 50 year old Institute of Public Affairs which has one employee. Funds will also be used to support travel across Iowa to provide training for nonprofit and local governmental agencies. Also funds will be available for creation and publication of research for Iowa nonprofit and local governmental agencies.

The request for this appropriation was initiated by Governor Culver in his 2007 Regent budget message with strong endorsement in the General Assembly. The Governor and Members of the General Assembly are helping to assure the future of this vital University of Iowa outreach service to Iowans in their home communities through their local charitable nonprofit organizations and local governments.

The University of Iowa
AGRICULTURAL HEALTH AND SAFETY PROGRAM
Budget Summary
FY 2008

\$130,000

These funds will be transferred to the Iowa Vocational Rehabilitation Services (IVRS) for the Rural Solutions Program for farmers with disabilities.

The appropriation replaces expired federal funding for a nationally recognized program that has been replicated in at least thirty other states, but which is not available through any other entity in this state.

The program provides assistance to farmers with disabilities in all 99 counties to allow the farmers to remain in their own homes and be gainfully engaged in farming through provisions of agricultural worksite and home modification consultations, peer support services, services to families, information and referral, and equipment loan services.

**The University of Iowa
RESTRICTED FUNDS
Budget Summary
FY 2008**

The FY 2008 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.

Continuing Education

Continuing education courses are required to be self-supporting and therefore, the tuition receipts must be linked with expenses. To accomplish this, continuing education funds are accounted for, along with other self-supporting operations, in the restricted fund category.

Restricted Fund Student Aid

Based on information received from the University of Iowa, Office of Student Financial Aid, the Restricted Student Financial Aid budget is being increased over the FY 2007 budget by 10%. This is based, in part, on higher than budgeted expenditures in FY 2007. In addition, it is anticipated that there will be additional funding in FY 2008 for the Federal Pell Grant Program, the All Iowa Opportunity Scholarship Program and the Iowa Work Study Program. This increase is also partially driven by Board approved increases in tuition and room/board.

Breakdown of Other Income

Other income includes non-federal gifts, grants and contracts of \$97.9M, Medicine and Dentistry Practice Plans of \$12.1M, interest, dividends and capital gains and losses of \$27.6M, workshops and seminars of \$6.6M, royalties of \$10.9M, and rental of equipment and facilities of \$4.9M.

FY 2008 Bond Sales/Debt Service

The Bonds and Loans line includes the following potential bond sales for FY 2008 subject to the refinement of schedules and final approval by the Board:

UIHC	\$25 million
Campus Recreation & Wellness Center	\$26 million
Utility System	\$25 million

In addition to FY08 projected debt service on existing issues (\$47.7 million), an estimate of \$2.0 million has been included for the issues listed above.

The General Assembly also approved issuing academic building revenue bonds to finance the following construction or renovation projects:

College of Public Health	\$18,700,000
Pentacrest Renewal	\$13,000,000
Old Music Building Renovation	\$ 4,200,000
Deferred Maintenance projects	\$ TBD

The timing of these bond sales has not been determined and will be coordinated by the Board Office. As a result, the bonds/loans revenue and debt service expense on these sales are not included in this budget.

Tuition Replacement

This budget contains \$9.5 million, which has been appropriated for Tuition Replacement to address FY 2008 debt service on academic building revenue bond issues.

Capital

A total of \$30 million in new capital was appropriated by the General Assembly during the 2007 legislative session for the Biomedical Discovery Institute. This includes \$10 million for each of FY 2008, FY 2009 and FY 2010. In addition, the 2006 legislative session appropriated \$36 million for the new University Hygienic Laboratory facility to be distributed as follows: FY 2007 \$8.35 million, FY 2008 \$15.65 million and FY 2009 \$12 million.

New capital from the State in FY 2008 is therefore \$25,650,000 which includes the following components:

University Hygienic Laboratory	\$ 15,650,000
Biomedical Discovery Institute	\$ 10,000,000

The University will keep the Board Office apprised of actual needs throughout the year as construction of the two facilities proceeds.

Economic Development

FY 2008 GIVF funds (\$1,925,000) will be used for continued support for I-START and I-GROW, two distinct and interdependent phases. The FY 2008 GIVF funds will be matched dollar for dollar by The University of Iowa. The first phase of investment (I-START) is targeted toward immediate or short-term needs designed to facilitate direct university-private sector partnerships in entrepreneurship and the creation of new companies and jobs in Iowa. The second phase (I-GROW) is designed to address the middle to long-term commitments needed to promote and sustain high tech entrepreneurship in the region and build new networks of technical-financial-business capabilities that will stimulate and sustain the growth of new companies and industries that provide high paying jobs for the citizens of Iowa.

**The University of Iowa
INTERCOLLEGIATE ATHLETICS
Budget Summary
FY 2008**

MISSION STATEMENT

The mission of the Department of Athletics is to provide the administrative and coaching support, facilities, resources, and equipment necessary for student athletes to graduate from The University of Iowa while participating in broad based championship caliber athletic competition. The overall wellbeing of the participant and the integrity of the program will be paramount in all that we do.

VALUES AND COMMITMENTS

Education and enrichment of the student athlete—The department values competitive athletic and academic experiences that foster self-esteem, a sense of responsibility, effective communication skills and an appreciation for life-long learning.

Integrity in all aspects of behavior—The highest level of excellence and integrity shall characterize every aspect of policy, performance and programs in the department. All participants in the department shall be expected to exemplify impeccable integrity, be they student athletes, coaching staff, and administrative professionals or support staff.

Fiscal responsibility—It is a fundamental tenet that the department shall at all times maintain a fiscally responsible and economically sound structure that provides the optimal environment for student-athlete success within budgetary parameters.

Innovation in approach and spirit—In order to meet its goals and develop a problem-solving orientation, the Department is dedicated to encouraging innovation and creativity as core values.

Respect for the individual—The department values diversity in its people, whether that diversity is expressed by heritage, race, belief, age, sexual orientation, gender, disability, or veteran status and recognizes the need to work as a team while valuing each individual's self-worth.

Valuing our heritage—The department is committed to championship caliber athletic achievement and the on-going enhancement of the traditions of Iowa Hawkeye Athletics, including leadership, individual and team achievement, and intense pride and loyalty.

Outreach—The department must strive to enhance the overall mission of the University through competitive excellence, academic achievement, and an on-going commitment to service.

Leadership—The University of Iowa will continue its long history of conference and national leadership through a commitment to leading edge involvement in athletics issues.

Budget for Fiscal Year 2008

The intercollegiate athletics program budget reflects revenue and expense projections totaling over \$61.5 million. Kinnick Stadium premium seating revenues and the new multi-media contract first realized in FY2007 will continue this year. In addition, the budget projection has been revised for the current year and in FY2008 to account for an increase in revenues resulting from the overall TV rights revenues from the Big Ten, including the Big Ten TV Network. Included in the FY08 budget projection is a reduction in revenue and expense from one less home football game.

Revenues:

Football Income is expected to decrease by approximately \$2 million. This is due primarily to having one less home football game.

Men's Basketball Income is expected to increase by approximately \$400,000 because of two additional home games and higher attendance estimates.

Athletic Conference revenue is expected to increase by approximately \$4.5 million primarily due to TV rights revenues including the TV Network that the Big Ten Conference is establishing in FY2008.

Starting in FY08 Athletics will no longer receive any General Fund Support. This is a loss in annual revenue of \$773,359.

Other income is expected to decrease by approximately \$350,000 due to less concession & parking revenue caused by having one less home football game.

Expenses:

Football expenses have decreased by approximately \$780,000. This decrease is primarily due to fewer game management costs with one less home football game and fewer charter air trips for team travel.

Men's Basketball expenses have increased by approximately \$300,000. This increase is primarily due to the game management expenses in having two more home games & salary obligations per contract that have been negotiated for the new head coach.

Other sport expenses for the men and women are increasing due in part to fulfilling goals of the "Initiatives in Excellence" campaign.

Administration and General expenses are increasing due in part to the start up expenses of the new Big Ten TV Network.

Facility Debt Service has increased by approximately \$1,174,344 or 17%. \$1,125,000 of this new debt service is Athletics' contribution to the Campus Recreation & Wellness Center.

A new line titled "Transfer for Enterprise Reserve and Contingency" has been established. \$2,400,000 is being reflected in FY07 and \$2,000,000 is being reflected in FY08. The purpose of this account is to create a quasi-endowment that will provide financial stability to the department over the long term. Plans are to make periodic investments into the quasi-endowment with a minimal goal of \$10 million. As a part of the overall Kinnick Stadium renewal plan that included large increases in fixed cost debt, the University wanted to build a reserve that would help protect the enterprise should seating demand decline. This reserve set-aside begins in FY 2007 and will create annual investment earnings that will support Athletics' initiatives while providing broad financial protection.

The contributions to this reserve were expected to begin in FY 2008, but the up front payment in FY 2007 from the Big Ten TV Network enabled the contributions to begin in FY 2007.

Academic & Counseling expenses are increasing by approximately 15%. Part of this increase is from adding one new academic counselor's position which was a recommendation from the Athletic Merger Report.

**The University of Iowa
Intercollegiate Athletics**

Number of Participants for 2006-07:

Men:

Football	139	
Basketball	16	
Wrestling	36	
Swimming	19	
Gymnastics	19	
Baseball	50	
Tennis	15	
Track & Cross		
Country	52	
Golf	<u>13</u>	
Total Men Participants		359

Women:

Basketball	17	
Field Hockey	17	
Golf	9	
Gymnastics	16	
Rowing	66	
Soccer	26	
Softball	21	
Swimming	27	
Tennis	7	
Track & Cross		
Country	37	
Volleyball	<u>15</u>	
Total Women Participants		<u>258</u>
Total Participants		<u>617</u>

University of Iowa Athletic Operating Budget

	FY 07 Regents Budget	Fiscal Year End Projection 2006-2007 <i>thru June 30th</i>	FY 08 Regents Budget
<u>INCOME:</u>			
Men's Sports			
Football	18,128,300	18,481,845	16,513,500
Basketball	2,489,200	2,840,219	3,250,000
Wrestling	226,000	286,422	276,000
All Other	5,500	10,777	7,000
Total Men's Sports	\$ 20,849,000	\$ 21,619,263	\$ 20,046,500
Women's Sports			
Basketball	175,000	130,049	175,000
Volleyball	10,000	11,355	10,000
All Other	12,000	12,000	13,000
Total Women's Sports	\$ 197,000	\$ 153,404	\$ 198,000
Other Income			
Facility Debt Service/Student Fees	1,513,683	1,513,683	1,500,000
Learfield Multi Media Contract Income	4,850,000	4,580,000	4,821,700
Athletic Conference	10,715,000	13,933,000	18,448,000
University General Fund Support	773,359	773,359	-
Student Tuition Financial Aid Set Aside	800,000	800,000	800,000
Interest	350,000	350,000	350,000
Foundation Support	7,217,425	7,227,525	7,192,026
Foundation Premium Seat Revenue	5,700,000	5,089,900	5,100,000
Novelties--			
Bookstore	1,350,000	1,650,000	1,500,000
General Income	1,758,000	1,952,161	1,598,000
Total Other Income	\$ 35,027,467	\$ 37,869,628	\$ 41,309,726
TOTAL INCOME	<u>\$ 56,073,467</u>	<u>\$ 59,642,295</u>	<u>\$ 61,554,226</u>
<u>EXPENSES:</u>			
Men's Sports			
Football	14,044,729	14,263,230	13,475,363
Basketball	3,448,528	3,721,836	4,036,213
Wrestling	943,017	987,763	955,138
Other Sports	3,252,024	3,027,389	3,374,776
Total Men's Sports	\$ 21,688,298	\$ 22,000,218	\$ 21,841,489
Women's Sports			
Basketball	2,453,799	2,393,736	2,479,774
Volleyball	1,034,789	931,988	1,039,529
Other Sports	6,354,443	6,125,927	6,488,158
Total Women's Sports	\$ 9,843,031	\$ 9,451,651	\$ 10,007,461

Other Expenses

Training Room	1,145,680	1,163,780	1,234,763
Sports Information	573,524	586,524	619,787
Admin. & General Expenses	7,839,026	8,078,520	8,596,685
Facility Debt Service	6,909,550	6,909,550	8,083,894
Transfer for Enterprise Reserve/Contingency	-	2,400,000	2,000,000
Contribution for Joint Recreation Projects	1,000,000	1,000,000	1,000,000
Academic & Counseling	1,362,444	1,362,444	1,569,371
Buildings & Grounds	5,711,916	6,589,608	6,600,779
Total Other Expenses	\$ 24,542,139	\$ 28,090,426	\$ 29,705,277
TOTAL OPERATING EXPENSE	<u>\$ 56,073,467</u>	<u>\$ 59,542,295</u>	<u>\$ 61,554,226</u>
Total Operating Balance	\$ -	\$ 100,000	\$ -

**The University of Iowa
Intercollegiate Athletics
Scholarship Expenses**

Sport	Number Allowed By NCAA	2006-07 Budget	2006-07 Projected	2007-08 Budget
Head Count Sports				
Football	85	2,228,900	1,844,800	2,100,700
Men's Basketball	13	344,700	293,600	322,400
Women's Basketball	15	363,300	284,600	339,800
Women's Gymnastics	12	401,100	297,300	375,100
Women's Tennis	8	195,900	167,900	183,300
Volleyball	12	351,300	268,300	333,500
Equivalency Sports				
Baseball	11.7	269,600	252,300	257,300
Men's Track	12.6	344,700	302,900	322,400
Women's Track	18	462,900	463,100	436,100
Men's Swimming	9.9	272,900	197,600	258,200
Women's Swimming	14	359,800	307,400	336,500
Wrestling	9.9	205,300	226,500	192,200
Men's Golf	4.5	78,300	67,200	73,300
Women's Golf	6	153,200	107,400	143,600
Men's Tennis	4.5	116,400	109,800	104,000
Men's Gymnastics	6.3	218,500	181,800	204,400
Field Hockey	12	320,400	317,500	304,700
Softball	12	261,500	223,300	244,800
Rowing	20	535,200	460,100	500,700

Soccer 14 330,500 387,800 309,300

TOTAL	300.4	7,814,400	6,761,200	7,342,300
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The University of Iowa
Intercollegiate Athletics
FY2008 TICKET PRICING

	2007-08	2006-07
	6 Home Games	7 Home Games
Football		
Public Season Ticket Price	\$282	\$325
F/S Season Ticket Price	\$228	\$262
Student Season Ticket Price	\$132	\$140
Single Game Premium Ticket Price	\$0	\$60
Single Game Regular Ticket Price	\$50	\$48

(season ticket prices per game have increased \$2)

	19 Home Games	17 Home Games
Men's Basketball		
Public Season Ticket Price	\$336	\$300
F/S Season Ticket Price	\$272	\$243
Student Season Ticket Price	\$95	\$85

(season ticket prices per game have not increased)

Women's Basketball		
Season Ticket Prices	\$70	\$70

Athletic Scholarships - University of Iowa

Scholarships Included in Operating Budget

Description	FY 2004 Budget	FY 2005 Budget	FY 2006 Budget	FY 2007 Budget	FY 2007 Projection 06/30 Balance	FY 2008 Budget
Total # Women's Scholarships	141.00	141.00	141.00	143.00	132.88	143.00
Recipients	199.00	199.00	199.00	201.00	178.00	182.00
Total Dollar Value	3,080,039	3,335,700	3,536,300	3,735,100	3,284,900	3,507,400
Total # Men's Scholarships	157.40	157.40	157.40	157.40	147.98	157.40
Recipients	213.00	213.00	213.00	213.00	220.00	219.00
Total Dollar Value	3,275,365	3,664,111	3,884,411	4,079,300	3,476,300	3,834,900
Total # Scholarships	298.40	298.40	298.40	300.40	280.86	300.40
Recipients	412.00	412.00	412.00	414.00	398.00	401.00
Total Dollar Value	6,355,404	6,999,811	7,420,711	7,814,400	6,761,200	7,342,300
Band, Trainers, Managers	215,015	232,315	245,615	258,000	238,800	257,700
Summer School Estimate	319,240	0	0	0	0	0
	534,255	232,315	245,615	258,000	238,800	257,700
Total	6,889,659	7,232,126	7,666,326	8,072,400	7,000,000	7,600,000

**UNIVERSITY OF IOWA
INTERCOLLEGIATE ATHLETICS**

Revenue from FY08 budget that Athletics provides to other university entities:

--Scholarships (Tuition, Room & Board and Fees)--	\$7,600,000
--Public Safety—(Game Management Expenses)	\$1,000,000
--Cambus Charters (Football & Men’s Basketball) --	\$50,000
--University Hospitals (medical costs)	\$810,000
--Utility Consumption--	\$1,437,000
--Custodial Services—(Facilities Management)	\$629,300
--Insurance-- (Risk Management Office)	\$175,000
--University Business Service Charges--	\$775,728
--Telecommunication Services-- (Voice & Data)	\$339,000
--Parking Services-- (Game Management Expenses)	\$260,000
--University Marching Band--	\$200,000
--Residence Services (Training Table for Football)	\$510,000
--Summer Camps (Room & Board)	\$325,000
Total	\$14,111,028

**The University of Iowa
RESIDENCE SYSTEM
Budget Summary
FY 2008**

The University is proposing the attached annual budget for the residence system for fiscal 2007-08. Estimated revenues total \$44,386,064 and proposed expenses for operations total \$31,556,261, leaving \$12,829,803 net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. These projected net revenues are \$76,689 lower than the preliminary budget submitted to the Board in March.

The decreased net revenue projection is due primarily to an increase in projected utility costs for the 2007-08 fiscal year, offset partially by higher interest income and non-contract revenue estimates.

Contract revenues remain essentially unchanged from the preliminary budget. The most recent projections of entering first-year student enrollment and residence hall occupancy remain at a level equal to or above last year's numbers. Residence hall occupancy projections remain above the current operating capacity of permanent space.

Projected revenues are based on rates approved by the Board at its meeting of May 1, 2007, fall residence hall occupancy of 5,576, residence hall board contracts numbering 5,675, and 680 apartments occupied.

Voluntary reserve balances at June 30, 2008 are projected to be \$12,239,929. Despite the lower projected net revenues from operations, this amount is \$372,286 higher than projected in March. The increase is a result of a reduction in the planned capital spending during FY 2008.

**The University of Iowa
Residence System Final Budget 2007-08**

	Actual 2005-06	Revised Estimate 2006-07	Preliminary Budget 2007-08	Final Budget 2007-08
OPERATIONS (Modified Cash Basis)				
Revenues	\$ 40,912,929	\$ 43,865,942	\$ 44,264,123	\$ 44,386,064
Expenditures for Operations	29,193,652	30,447,449	31,357,631	31,556,261
Net Revenues	<u>11,719,277</u>	<u>13,418,493</u>	<u>12,906,492</u>	<u>12,829,803</u>
% of Revenues	28.6%	30.6%	29.2%	28.9%
Debt Service (due July 1)	6,029,008	5,998,195	4,968,395	4,968,395
Mandatory Transfers	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Net After Debt Service & Mandatory Transfers	<u>\$ 5,090,269</u>	<u>\$ 6,820,298</u>	<u>\$ 7,338,097</u>	<u>\$ 7,261,408</u>
% of Revenues	12.4%	15.5%	16.6%	16.4%
Debt Service Coverage Ratio	194%	224%	260%	258%
University Overhead Payment From Surplus	\$ 399,108	\$ 430,572	\$ 435,354	\$ 438,552
FUND BALANCES (June 30)				
Revenue Fund	\$	\$	\$	\$
Operation & Maintenance Fund	1,000,000	1,000,000	1,000,000	1,000,000
Improvement Fund	7,072,634	8,966,276	10,241,430	10,126,000
Surplus Fund	3,965,354	3,817,073	626,213	1,113,929
Subtotal--Voluntary Reserves	<u>12,037,988</u>	<u>13,783,349</u>	<u>11,867,643</u>	<u>12,239,929</u>
Sinking Fund	0	0	0	0
Bond Reserve Fund	6,348,855	5,180,855	5,180,855	5,180,855
Bond Construction Fund	0	0	0	0
Subtotal--Mandatory Reserves	<u>6,348,855</u>	<u>5,180,855</u>	<u>5,180,855</u>	<u>5,180,855</u>
Total Fund Balances (June 30)	<u>\$ 18,386,843</u>	<u>\$ 18,964,204</u>	<u>\$ 17,048,498</u>	<u>\$ 17,420,784</u>
REVENUES AND EXPENDITURES DETAIL				
Revenues				
Contracts	\$ 36,699,417	\$ 39,490,826	\$ 39,952,963	\$ 39,942,150
Interest	889,884	959,721	905,624	992,419
Other Income	3,323,628	3,415,395	3,405,536	3,451,495
Total Revenues	<u>\$ 40,912,929</u>	<u>\$ 43,865,942</u>	<u>\$ 44,264,123</u>	<u>\$ 44,386,064</u>
Expenditures for Operations				
Salaries, Wages & Benefits	10,872,028	11,616,953	12,716,035	12,706,762
Cost of Food or Goods Sold	3,812,738	3,852,769	4,073,459	4,050,065
Other Operating Expense	6,001,871	6,328,066	5,528,011	5,534,895
Utilities	4,797,330	4,824,932	5,003,973	5,243,497
Repairs & Maintenance	3,709,685	3,824,729	4,036,153	4,021,042
Total Expenditures	<u>\$ 29,193,652</u>	<u>\$ 30,447,449</u>	<u>\$ 31,357,631</u>	<u>\$ 31,556,261</u>

