

**The University of Iowa
FY 2006 Final Budget
General Education Fund**

The FY 2006 General Education Fund budget has been developed based on the most current information available to inform revenue projections and an expenditure plan which will to be guided by The Iowa Promise: *A Strategic Plan for the University of Iowa 2005-2010* (the Strategic Plan) and by the components of the Regents' Partnership for Transformation and Excellence plan (the Transformation Plan).

A detailed discussion of the Strategic Plan along with its relationship to the four year Transformation Plan can be found on the web at:

<http://www.uiowa.edu/~provost/strategic-plan-2005/draft.pdf>.

A discussion of how appropriated funds, other new revenues and internal reallocations would be used to further the objectives of the Strategic Plan and the Transformation Plan, along with pertinent measures, is contained in the "Uses" section of this budget.

1. SOURCES

| | |
|-------------------------------|---------------------------------------|
| \$468.7 million | FY 2005 GEF Budget Base |
| \$ 9.9 million | State Appropriation |
| \$ 8.2 million | Tuition |
| <u>\$ 1.9 million</u> | Other Income/Indirect Cost Recoveries |
| \$ 20.0 million | Total New Revenue |
| | |
| <u>\$488.7 million</u> | FY 2006 GEF Budget |

Appropriations

The Board of Regents' FY 2006 operating appropriations request was an increase of \$40 million Regent-wide with a commitment to reallocate \$1 for every \$2 dollars in new operating appropriations using the Regent's definition of reallocation. These provisions were linked to a Board commitment to moderate tuition increases as reflected in the FY 2006 tuition increases approved by the Board in December 2004. Based on the appropriations legislation recently passed by the General Assembly, the Regents will receive an appropriation of \$24.02 million (\$15M recurring and \$9M non-recurring) of which the University of Iowa would receive \$9.9 million (\$6.2M recurring and \$3.7M non-recurring). All the information that follows is predicated on this appropriation level.

Tuition

In December of 2004, the Board of Regents approved tuition increases for FY 2006 of 4% for residents and 6% for non-residents. These increases would yield approximately \$10 million in new tuition revenue in FY 2006 assuming the same enrollment and mix as budgeted for FY 2005. However, several other factors must be considered in projecting tuition revenue for FY 2006:

1. While the overall enrollment has grown by over 1400 since fall 2000, current projections indicate the size of the Fall 2005 freshmen class could be lower than the Fall 2004 class by as many as 200 students. The mix of students is also expected to change. Resident students will comprise a smaller number and percentage of the freshmen class in Fall 2005. The net negative impact of these enrollment changes is estimated to be \$1,000,000.
2. Given a reduction in the percentage of non-resident students over the two preceding years, there is an additional impact as fewer non-residents move through the enrollment pipeline. For example, the University's fourth year class graduating this spring began with 1649 non-residents whereas the third and fourth year classes for FY 2006 began with 1538 and 1452 non-residents respectively. The impact of this is projected to be as much as \$2.7 million depending on the number of transfer students and retention experience.
3. Graduate/Professional School Tuition Supplements will be generated from the market-based tuition differentials implemented for specific colleges and previously approved by the Board. Students enrolled in the applicable colleges pay this supplement as part of overall tuition and they receive the benefits of these additional resources. In FY 2006, \$1.2 million is expected to be generated from tuition rate supplements within the colleges of Business, Dentistry, Law, Nursing, and Public Health.

Based on these factors, the University projects an increase in FY 2006 tuition revenue of \$8.2 million absent a decision by the Board to raise tuition for the winter term, 2006. At least 17% of the total tuition revenue budget will be set-aside for Student Financial Aid.

Other Income/Indirect Cost Recoveries

Based on information for the past several years and based on actual recoveries and data on new awards through April 2005, the University is projecting FY 2006 increases in this revenue source of 4.5% which amounts to approximately \$1.9 million.

Reallocations **\$10,850,000**

Sources of Reallocation

| | |
|--|-------------------------|
| GEF Task Force Reductions | \$ 2,000,000 |
| Administrative and Collegiate Reallocations | 1,300,000 |
| Other Collegiate Reallocations: | |
| Internal | 3,100,000 |
| Provost | 1,200,000 |
| Graduate College Block Reallocation | 650,000 |
| Building Renewal/ Infrastructure Appropriations Bill | <u>2,600,000</u> |
| Total Reallocations | <u>\$10,850,000</u> |

The FY 2006 reallocations reported below in greater detail include two major components. The first is the \$8,250,000 in reallocation required to address the University's portion of the \$20 million commitment by the Regents in accordance with the FY 2006 appropriations request and attendant Transformation Plan. The second is the \$2,600,000 made possible by the Infrastructure Appropriations Bill which designates funding for building renewal thereby releasing an equal amount in the current Building Renewal base for reallocation to support the Transformation Plan.

There are multiple components to the University's plan to identify and monitor FY 2006 reallocations in ways that assure compliance with the Board's reallocation policy and meet the Board's commitment to the Governor and General Assembly to reallocate \$20 million regent-wide.

Reallocations ultimately could exceed the required budgeted amounts. Actual reallocations in excess of budget will be identified in the course of the University's monitoring throughout the year and will be provided to the Board.

Administrative/GEF Task Force **\$2,000,000**

FY 2006 will bring the second phase of General Education Fund (GEF) reductions based on the recommendations of the President's GEF Task Force. In the FY 2005 final budget submission to the Board, the University reported the first \$2 million in reductions including information on the source of these reductions and the strategic initiatives and mandated costs to which they were applied. In FY 2006, an additional \$2 million in reductions will be accomplished, as recently announced. Information on the sources of these reallocations follows:

| | |
|---------------------------|------------|
| Athletics | \$ 250,000 |
| Utilities | 500,000 |
| Custodial Services | 50,000 |
| Printing Services | 47,000 |
| VP Finance and Operations | 140,000 |

| | |
|----------------------------------|-------------------------|
| Student Health Service | 138,000 |
| Hancher Auditorium | 25,000 |
| Information Technology Services | 275,000 |
| Division of Continuing Education | 295,000 |
| Art Museum | 70,000 |
| NTitle | 10,000 |
| Publications Department | 45,000 |
| Radio Stations | 50,000 |
| Office of Corporate Partnerships | 85,000 |
| University of Iowa Press | <u>20,000</u> |
| Total | <u>\$ 2,000,000</u> |

These funds are being reallocated to support a portion (\$1,030,000) of the cost of a 3% salary increase for Faculty and Professional & Scientific staff and to support a portion (\$970,000) of the operating cost of buildings scheduled to open in FY 2006.

Administrative and Collegiate \$1,300,000

As reported in the Salary Policy section of this budget, a 3% allocation for Faculty and Professional & Scientific staff salary increases is being provided to each General University unit to be distributed on the basis of performance. In addition, it is the aspiration of the University for Faculty and non-organized Professional and Scientific staff to permit an overall average that ranges higher than 3% when feasible through reallocation and/or flexibility based on funding source. This flexibility could well be essential for particularly competitive classes and to provide equity vis-à-vis those governed by collective bargaining agreements. The University believes that a conservative estimate of the impact of this flexibility will be a minimum of an additional 0.5% (\$1,300,000) in reallocation. The University will report the final outcome of this policy when the detailed budget is complete.

Collegiate Units

| | |
|-------------------------------------|-------------|
| Internal Reallocation | \$3,100,000 |
| Provost Central Reallocation | \$1,200,000 |
| Graduate College Block Reallocation | \$ 650,000 |

The Office of the Provost will require colleges to reallocate a minimum of 2% of their recurring General Education Fund budgets. In addition to the reallocation to support salary increases mentioned above, \$3,100,000 will be reallocated internally within the colleges, in accordance with the Board approved policy defining reallocation. This reallocation will be in support of high priority core programs and services.

Colleges will continue to reallocate faculty lines to address the teaching needs created by changing student interests and for exploiting new research and scholarship opportunities. For example, plans are underway in the College of Liberal Arts & Sciences to hire approximately 28 FTE in new areas of expertise in their curriculum, ranging from Evolutionary Ecology in Biological Sciences to Social Psychology in Sociology; the College of Engineering is creating a new faculty position in Biomedical Imaging with plans to strengthen interdisciplinary research and education in this area; and the College of Dentistry is creating two faculty positions with a generalist focus to meet curriculum changes.

The remaining portion of the required collegiate reallocation, \$1,200,000, will be retained and redistributed during the course of the year by the Provost across collegiate units to support University-wide strategic initiatives recently presented to the Board of Regents. Examples of initiatives include improving the overall undergraduate experience by expanding the Honors Program and the First-Year Seminar Program, increasing funding of the Faculty Diversity Opportunity Program to support diverse faculty hires across all colleges, and establishing an Interdisciplinary Program Grant Fund to promote University-wide collaboration and enhancement of programs.

In addition to these reallocations, the Graduate College will reallocate \$650,000 from the Graduate block allocation to support the recruitment of high quality graduate students by designating the funds for tuition scholarships and merit-based fellowship programs.

Building Renewal/Infrastructure Appropriations Bill \$2,600,000

In accordance with the State Infrastructure Bill, \$2,600,000 in the current Building Renewal base has been released for the purpose of reallocation to support the Transformation Plan. These funds have been reallocated to support a portion of the cost of a 3% salary increase for Faculty and Professional & Scientific staff.

The monitoring of reallocations will be accomplished in several ways. The GEF Task Force reallocations (\$2,000,000) and the Building Renewal/Infrastructure Appropriations Bill reallocation (\$2,600,000) have been accomplished and are imbedded in the FY 2006 proposed budget. The projected reallocations to increase average Faculty and Professional & Scientific salaries beyond the 3% allocated centrally (\$1,300,000) will be done during the preparation of the final budget and will be reported to the Board after that process is complete. The Provost Central Reallocation (\$1,200,000) has been extracted from collegiate budgets and will be reallocated during the course of the year and reported to the Board. Colleges have been informed that their internal reallocations (\$3,100,000 + \$650,000) are subject to both internal and external review and they must provide tracking mechanisms sufficient to facilitate these reviews.

The Provost and the Vice President for Finance and Operations will have joint responsibility for the monitoring of all reallocations.

2. USES

2a. SALARY POLICY

The competitiveness of faculty salaries at the University of Iowa has dropped significantly over the past decade. In the early 1990's, average faculty salaries at Iowa reached as high as second in their approved peer group of eleven universities. By 2005, SUI's average faculty salary fell to ninth in this same group. In an effort to combat this trend, the Board of Regents approved a four-year plan to move average faculty salaries back into the top third of the peer group.

Faculty salaries will be incremented by an average of 3.0% - 4.0% on July 1, 2005 – partially from new revenues and partially from reallocations. In addition, if a mid-year tuition supplement is approved by the Board of Regents, an additional faculty salary increment of 2.0% - 2.5% will be implemented on January 1, 2006. The annualized cost of these two increments will be 5.0% – 6.5%. The actual cost of these increments will be 4.0% - 5.25% in FY 2006.

The salary policy for non-bargaining P & S staff is based on the revenue assumptions above with an overall budget allocation increase of 3% average for this employee group to be distributed on the basis of performance. The University is encouraging its units to achieve up to an average 4.5% increase for non-organized P & S staff when feasible through reallocation and/or flexibility based on funding source. This flexibility could well be essential for particularly competitive classes and to provide equity vis-a-vis those governed by collective bargaining agreements.

Fringe benefit rates for FY 2006 have been negotiated and finalized with the Federal Government. This includes a specific, predetermined rate for each of eleven classes of faculty and staff. The fringe benefit rates in FY 2006 are overall essentially equivalent to the FY 2005 fringe benefit rates although some individual rates have changed. FY 2006 fringe benefit rates will be as follows:

| | |
|--------------------------------|---------------|
| Clinical Faculty | 22.10% |
| Non-Clinical Faculty | 26.40% |
| Prof & Scientific (incl. SEIU) | 32.70% |
| Merit | 44.00% |
| House Staff | 8.40% |
| Grad Assistants | 14.00% |
| Post Docs | 14.00% |
| Fellowships | 6.00% |
| Temporary | 8.00% |
| Bi-weekly students | 3.10% |
| Misc & Extra Comp | 5.00% |

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

Bargained

The University will fully implement all aspects of collective bargaining agreements. The salary cost increases of these agreements are summarized below:

| | FY06: | | FY07: | |
|--|-------------|------------------|-------------|------------------|
| | <u>GEF</u> | <u>All Funds</u> | <u>GEF</u> | <u>All Funds</u> |
| AFSCME* | | | | |
| --Total % | 3.92% | 4.25% | 4.97% | 5.05% |
| --Total \$ | \$2,000,000 | \$7,500,000 | \$2,600,000 | \$9,300,000 |
| * Includes annualization costs | | | | |
| SEIU | | | | |
| --Total % | 0.00% | 5.21% | 0.00% | 4.60% |
| --Total \$ | \$0 | \$6,000,000 | \$0 | \$5,600,000 |
| COGS ** | | | | |
| --Total % | 3.95% | 3.75% | 4.68% | 4.44% |
| --Total \$ | \$1,000,000 | \$1,800,000 | \$1,200,000 | \$2,100,000 |
| **Includes stipend and tuition scholarship | | | | |

University of Iowa
 General Education Fund
 FY 2006 - Use of New Revenues and Reallocations

| INITIATIVE | | NEW REVENUES | | | | REALLOCATION TOTAL | INITIATIVE TOTAL |
|---------------------|---|--------------------|--------------------|--------------------|---------------------|-----------------------|---------------------|
| | | Appropriation | Tuition | Other Income | Total | | |
| 1 | Core Salary/Benefits Increases | \$7,308,000 | \$906,000 | \$974,000 | \$9,188,000 | \$4,930,000 | \$14,118,000 |
| | | | | | | | |
| 2 | Investment in Faculty | | | | \$0 | \$4,050,000 | \$4,050,000 |
| | | | | | | | |
| 3 | Investment in Students | | \$5,103,000 | | \$5,103,000 | \$1,257,000 | \$6,360,000 |
| | | | | | | | |
| 4 | Supporting Operating Environments for Learning & Research | \$2,600,000 | \$2,191,000 | \$876,000 | \$5,667,000 | \$613,000 | \$6,280,000 |
| | | | | | | | |
| SOURCE TOTAL | | \$9,908,000 | \$8,200,000 | \$1,850,000 | \$19,958,000 | \$10,850,000 | \$30,808,000 |

2b. INITIATIVES

Core Salary/Benefit Increases

\$14,118,000

In the early 1990's, average faculty salaries at the University climbed as high second in its peer group. In 2005, this ranking fell to ninth. During this same period, student enrollments grew and faculty positions were lost due to appropriation reductions. These factors combined to make it increasingly difficult for the University to manage class sizes, honor its commitment to the Four-Year Graduation plan, and refresh the curriculum so as to offer courses and majors that students demand and which benefit the state of Iowa. The Board of Regents, concerned about the quality and competitiveness of its institutions, developed the Transformation Plan as a response.

The \$14.1M included in this initiative will fund a 3% faculty salary increment. The University does not expect that this level of funding will alter its current rank in the peer group. As such, the Office of the Provost is permitting colleges to reallocate up to an additional 1.0% on July 1st to enhance faculty salaries.

At the same time that the University seeks to improve faculty salaries, it will seek to maintain the competitiveness of staff salaries. The \$14.1M included in this initiative will fund a 3% non-bargaining P&S staff salary increase. The University is encouraging its units to achieve up to an average 4.5% increase for non-organized P & S when feasible through reallocation and/or flexibility based on funding source. This flexibility could well be essential for particularly competitive classes and to provide equity vis-a-vis those governed by collective bargaining agreements.

This initiative also funds the cost of salary and benefits for those staff covered by collective bargaining agreements.

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;
- Providing nationally competitive faculty salaries;
- 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;
- #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;
- #30 – Monitor competitiveness of P&S staff salaries.

| | | |
|------------------------|--|---|
| Funding Source | \$7,308,000 \$ 906,000 \$ 974,000 \$4,930,000 | Appropriation Tuition Other Income/Indirect Cost Recoveries Reallocation |
| Reallocation Detail | \$1,030,000 \$1,300,000 \$2,600,000 | This is part of the \$2 million General Education Task Force reduction effective July 1, 2005. It is anticipated that units will reallocate funds equal to at least 0.5% of the salary base from previously filled faculty and staff positions. Funds will be released from the Building Renewal budget in accordance with the Infrastructure Bill. |
| New Use | \$14,118,000 | Faculty and P&S Salaries and Benefits (\$10,197,000) Grad Asst Salaries and Scholarships (\$1,082,500) Merit Staff Salaries and Benefits (\$2,838,500) |

| | | |
|---|--------------------|--|
| Additional Investment in Faculty | \$4,050,000 | In the Transformation Plan – the Board of Regents highlighted the need to establish new faculty positions in areas critically important to the future of Iowa. Doing so would allow the Regent universities to: <ul style="list-style-type: none"> • increase class offerings in areas of high student demand and great importance to the state of Iowa; • strengthen academic areas negatively impacted by appropriations cuts over the past five years; • develop new educational and research programs vital |
|---|--------------------|--|

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- to the economic needs and growth of Iowa;
 - further enrich students education experience;
 - improve student progress toward graduation, and;
 - more effectively manage class sizes, which have grown due to more than 1400 new student enrollments in the past five years, more effectively.

The incremental appropriation support on which this budget is built will not allow for the restoration of faculty positions lost due to the appropriation reductions of the past five years. Hence, many of the improvements outlined in the preceding paragraph will not be initiated in FY 2006. Internally reallocated funds will be used to hire faculty where student demand is greatest and where new scholarship/research opportunities exist. In addition, the Provost will reallocate collegiate funds to support increased minority faculty hiring and begin a modest effort to promote the growth of emerging interdisciplinary programmatic opportunities.

Measures

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

Strategies:

- 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;
- Increasing the diversity of the faculty, especially in tenured and tenure track positions;
- 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)

- #8 - Create additional opportunities for students to engage in research, scholarship, and creative work;

- #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;
- #21 – Increase minority tenured/tenure track representation from 13.6% to 16.0%;
- #27 – Increase Faculty Diversity Opportunities Program budget pool from \$800,000 to \$1,300,000;
- #44 – Increase the number of options and licenses of UI intellectual property from 30 to 75.

| | | |
|---------------------|-------------|--|
| Funding Source | \$0 | Appropriation |
| | \$0 | Tuition |
| | \$0 | Other Income/Indirect Cost Recoveries |
| | \$4,050,000 | Reallocation |
| Reallocation Detail | \$3,100,000 | As faculty retire or resign their positions, colleges must determine how to reallocate their salaries to address new teaching demands that result from changes in student interests and to take advantage of new scholarship and research opportunities. |
| | \$950,000 | In FY 2006, the Provost will require colleges to reallocate 0.5% of their recurring General Education Fund budgets to a central pool. From this central pool the Provost will fund strategic initiatives. |
| New Use | \$4,050,000 | Faculty Positions (\$3,100,000) Faculty Diversity Opportunity Program (\$300,000) Interdisciplinary Program Development (\$650,000) |

Additional Investment in Students **\$6,360,000**

29,745 students enrolled at the University in Fall 2004. This reflects a growth of over 1400 students since Fall 2000. Attracting students has become increasingly important to the University given its growing dependence on tuition revenue. To attract students in a competitive environment, the University must continually reinvest in its programs and facilities. This initiative supports maintaining or increasing student enrollments by improving student retention and graduation success through existing and new financial aid programs, new and expanded undergraduate educational opportunities, enhanced student systems, and opening new and replacement academic facilities.

In addition, this initiative includes funding – generated by market-based tuition differentials - to improve graduate and professional programs. These improvements include the following examples: curriculum enhancements – designed to encourage skill-building professional development experiences and improve critical thinking skills, improved student access to technology, and enriched student writing experiences.

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%;
- #9 – Increase First-Year Seminars from 13 to 50 sections per academic year;

- #16 – Increase Graduate assistant salary and tuition scholarship levels to top third of peer group;
- #17 – Redeploy the Graduate fellowships and scholarships block allocation to support the recruitment of higher quality graduate students.

| | | |
|----------------|-------------|---|
| Funding Source | \$0 | Appropriation |
| | \$5,103,000 | Tuition |
| | \$0 | Other Income/Indirect Cost Recoveries |
| | \$1,257,000 | Reallocation |
| Reallocation | \$250,000 | In FY 2006, the Provost will require colleges to reallocate 0.5% of their recurring general fund budgets to a central pool. From this central pool the Provost will fund strategic initiatives. |
| Detail | \$357,000 | This is part of the \$2 million General Education Task Force reduction effective July 1, 2005. |
| | \$650,000 | The Graduate College block allocation will be reallocated to tuition scholarships and merit-based fellowships. |
| New Use | \$6,360,000 | Student Financial Aid (\$2,040,000) Student Information System (\$700,000) Provost Reallocation: Honors Program (\$125,000) Provost Reallocation: First-Year Seminars (\$125,000) Opening Academic Buildings (\$1,060,000) Opening Carver Biomedical Research Facility (Education Component) (\$466,000) Student Academic Service Units (\$300,000) Graduate/Professional School Programs (\$894,000) Graduate Scholarships and Merit-Based Fellowships (\$650,000) |

Supporting Operating Environments for Learning & Research **\$6,280,000**

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.

Research funding, like tuition revenue, has become an increasingly important component of the University's overall funding. Investment in research facilities and programs is crucial to maintaining and growing the University's research enterprise. This initiative includes funding for inflationary costs, the opening of the research component of the Carver

Biomedical Research Facility, cost-share funds for the State Cancer Registry grant, and building renewal costs.

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 \$2,600,000
 \$2,191,000
 \$ 876,000
 \$ 613,000

Appropriation
 Tuition
 Other Income/Indirect Cost Recoveries
 Reallocation

Reallocation \$ 613,000
 Detail

This is part of the \$2 million General Education Task Force reduction effective July 1, 2005.

New Use \$6,280,000

Utility Inflation (\$940,000)
 Utility Inflation Oakdale (\$84,000)
 Opening Carver Biomedical Research Facility (Research) (\$1,346,000)
 State Cancer Registry (\$59,000)
 Library Acquisitions (\$571,000)
 Building Renewal (\$3,280,000)

UNIVERSITY OF IOWA HOSPITALS AND CLINICS
FINAL FY 2006 OPERATING BUDGETS OF THE
UNIVERSITY OF IOWA'S STATEWIDE HEALTH SERVICE UNITS

STRATEGY

In FY 2006, the strategic focus for the University of Iowa Hospitals and Clinics will continue to center on the preservation and expansion of high quality, innovative patient care, support of the companion missions of teaching and research, and the protection of the ability to recruit and retain highly skilled health care professionals.

A formal strategic plan is currently under development, with an expected completion date in the December 2005 timeframe. Components of the plan will include:

- Analysis and optimization of several key product lines:
 - Cardiovascular
 - Oncology
 - Neuroscience
 - Children's Hospital
 - Orthopaedics
- Initiatives to reduce length of stay by a minimum of 0.5 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
- Addition of two new operating rooms
- Expansion of surgical ICU, intermediate pulmonary care, and telemetry beds
- 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 operating room, ICU, and electronic medication systems
- Augmentation of the hospitalists program
- A detailed review of the sharing agreement between UIHC and the Carver College of Medicine, with a focus on the development of a stronger collaborative care model and realignment of key accountability and performance factors.

CHALLENGES

There are ever-increasing pressures on the healthcare industry to maintain funding sources while keeping operating expenses in check. FY 2006 will offer no exception to this trend for the University of Iowa Hospitals and Clinics. State appropriations funding is expected to remain flat, while inflationary forces continue to drive costs upward. An average "all-in" salary increase of 4.6 percent is projected for next year, medical and surgical supply costs are estimated to rise 4 percent or more, and increases in drug costs are anticipated in the 8 percent range. Utilities and other administrative services purchased from the University of Iowa will increase 7.5 percent and 4.5 percent, respectively.

Although the Iowa Care Act appropriates \$27.3 million to UIHC for the care of the state's indigent population in FY 2006, which is an amount equal to FY 2005 funding levels, there is a distinct risk that costs related to this expanded Medicaid program could eventually exceed those incurred under the Iowa Chapter 255 Indigent Care Program. Detailed analysis, based on published utilization statistics, indicates that a state-wide population of approximately 10,000 would consume the proposed appropriation, while state figures indicate that as many as 147,000 Iowans could eventually become eligible. The FY 2006 budget assumes that the Department of Human Services will be able to effectively terminate enrollment as funding is exhausted, and that expenditures on the part of UIHC will approximate the \$47 million experienced in FY 2005. However, it is the expectation of UIHC management that services available under the new program will not be as comprehensive as previously provided. Transportation, provision of temporary lodging and meals, and outpatient access to pharmaceuticals are examples of areas where service reductions are likely.

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 2.5 percent and outpatient activity is anticipated to grow at a 2.0 percent rate in FY 2006. Length of stay is expected to decrease by 0.5 days. In FY 2006, the case mix index, a measure of inpatient severity, is expected to remain at a high level, as a result of the 3M coding project and continued demand for sub-specialty services. To meet this increase in demand, the University of Iowa Hospitals and Clinics is increasing cardiovascular services, expanding operating room and intensive care services, opening a new Radiation Oncology Center of Excellence and continuing to expand initiatives to lower length of stay to allow for more admissions.

| <u>Combined Health Service Units</u> | <u>Actual 2002</u> | <u>Actual 2003</u> | <u>Actual 2004</u> | <u>Projected 2005</u> | <i>Budget 2006</i> |
|---|-------------------------------|-------------------------------|-------------------------------|----------------------------------|-------------------------------|
| Acute Admissions (excl. newborns) | 23,388 | 24,104 | 25,384 | 25,209 | 25,839 |
| Surgical Cases | 19,814 | 20,269 | 20,644 | 20,582 | 21,096 |
| Clinic Visits | 622,584 | 631,443 | 669,045 | 679,753 | 693,348 |
| Average Length of Stay for Acute | 7.59 | 7.24 | 6.94 | 7.11 | 6.50 |
| Case Mix - All Patients | 1.5866 | 1.6272 | 1.5950 | 1.6239 | 1.6239 |

RATES

Additional net revenues will be required in FY 2006 to support staffing levels appropriate for safe and high quality patient care, while maintaining a positive operating margin. These additional net revenues will be achieved through new volumes and a proposed rate increase of 6.5 percent to be effective July 1, 2005. Market data indicates that UIHC continues to lag significantly, with regard to rates, when compared to academic medical center peers and other Midwest healthcare institutions. It is imperative to maintain an appropriate charge structure, in order to positively impact Medicare and Medicaid rate setting in future years.

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, will have limited exposure as a result of the newly implemented 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 affect DRG and APC rate setting
 - Charges affect new technology rate setting
 - Outlier thresholds and payments are based on charges
 - Coinsurance up to policy maximum
- Medicaid
 - Charges affect DRG and APC rate setting
 - Outlier thresholds and payments are based on charges
- 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% | 35% |
| \$30,000 - \$39,999 | 100% | 75% | 55% | 30% |
| \$20,000 - \$29,999 | 100% | 70% | 45% | 25% |
| \$10,000 - \$10,999 | 100% | 60% | 40% | 20% |
| \$5,000 - \$9,999 | 100% | 55% | 35% | 15% |
| \$2,500 - \$4,999 | 100% | 50% | 30% | 10% |
| \$0 - \$2,4999 | 100% | 45% | 25% | 5% |

FINAL BUDGET SUBMISSIONS

Please refer to the following list of FY2005 operational, reporting and accounting changes in order to make a normalized comparison of year-over-year UIHC budgets (FY 2005/FY 2006):

- University Hospital
 - Significant improvements in net receivable analysis have resulted in a \$28.7M shift of bad debt expense to contractual deductions from revenue thereby reducing both expenses and revenues.
 - Payment from the Carver College of Medicine, for billing and collection services, has been reclassified from income to an expense offset, resulting in an \$11.7 million reduction in Supplies and Services Expense and Sales & Services Income.
 - To more accurately realign the budget with actual experience, a reallocation of approximately \$22M expense between Professional & Scientific salaries and benefits to Supplies and Services is reflected in the FY 2005 baseline.
- Psychiatric Hospital
 - A ceiling increase of \$1.1 million was granted to this budgetary unit in FY 2004, but timing issues prevented the inclusion of the increase in the FY 2005 budget. The new estimated 2005 base reflects the perpetuation of this rise in the budget ceiling for the Psychiatric Hospital.

University Hospital - FY 2006 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 27,284,584

OTHER REVENUES

Reimbursed Indirect Costs 2,631,800

Sales & Services 622,839,916

Other Income 477,600

TOTAL REVENUES

653,233,900

EXPENDITURES:

Faculty Salaries 30,240,500

Professional & Scientific Salaries 232,270,700

General Services Salaries 118,258,700

Hourly Wages 6,226,800

Subtotal 386,996,700

Supplies and Services 232,926,100

Utilities 17,116,700

Building Repairs 7,376,500

Equipment 8,817,900

Subtotal 266,237,200

TOTAL EXPENDITURES

653,233,900

Psychiatric Hospital - FY 2006 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 7,043,056

OTHER REVENUES

Reimbursed Indirect Costs 886,700

Sales & Services 13,845,644

TOTAL REVENUES

21,775,400

EXPENDITURES:

Faculty Salaries 1,934,700

Professional & Scientific Salaries 10,362,900

General Services Salaries 4,794,700

Hourly Wages 220,700

Subtotal 17,313,000

Supplies and Services 3,135,900

Utilities 1,326,500

Subtotal 4,462,400

TOTAL EXPENDITURES

21,775,400

Center for Disabilities & Development - FY 2006 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 6,363,265

OTHER REVENUES

Reimbursed Indirect Costs 240,000

Sales & Services 2,571,035

TOTAL REVENUES

9,174,300

EXPENDITURES:

Faculty Salaries 840,600

Professional & Scientific Salaries 4,302,000

General Services Salaries 2,467,500

Hourly Wages 353,400

Subtotal 7,963,500

Supplies and Services 1,011,900

Utilities 198,900

Subtotal 1,210,800

TOTAL EXPENDITURES

9,174,300

Specialized Child Health Services - FY 2006 Budget:

REVENUES:

STATE APPROPRIATION

General Fund 649,066

OTHER REVENUES

Other Income 1,331,563

Federal Support 2,582,801

Sales & Services 200,000

TOTAL REVENUES

4,763,430

EXPENDITURES:

Faculty Salaries 484,281

Professional & Scientific Salaries 2,526,983

General Services Salaries 890,941

Hourly Wages 247,035

Subtotal 4,149,240

Supplies and Services 604,190

Equipment 10,000

Subtotal 614,190

TOTAL EXPENDITURES

4,763,430

**The University of Iowa
State Hygienic Laboratory
FY 2006 Budget Summary**

FY 2006 Revenue

\$6,770,202

Appropriations for FY 2006 are projected to be \$3,849,461 with “Other Revenues” of \$2,920,741. The FY 2006 appropriation is the same as the FY2005 revised appropriation. “Other Revenues” are the same as FY 2005. Accordingly, the total budgeted revenue is \$6,770,202.

FY 2006 EXPENDITURES

SALARIES: Through internal reallocation, salary increases for professional and scientific staff reflect an average of 3.0 %, which includes increments for promotions, equity increases, marketplace adjustments and similar imperatives. The salary increases for merit staff include negotiated increases as per the labor contract for FY 2006 and annualization of merit step increases given in FY 2005. Fringe benefit changes are also included for both professional and scientific staff and merit staff. The budget proposes professional and scientific staff salaries of \$4,167,549, merit staff salaries of \$2,160,020 and hourly wages of \$16,752.

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.

THE UNIVERSITY OF IOWA
Budget Summaries
Fiscal Year 2006
Oakdale Campus

\$3,063,335

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. The activities on this campus include the University Hygienic Lab, the Obermann Center for Advanced Studies, the Technology Innovation Center and a number of academic and health care-related activities.

INCOME

Appropriations for FY 2006 are projected to be \$2,657,335 with "Other Income" of \$406,000. Both the appropriation base budget and "Other Income" remain unchanged. The total Oakdale Campus budgeted revenue is \$3,063,335.

EXPENDITURES

SALARIES: Salary increases for professional and scientific staff reflect an average 3.0 percent, which includes increments for promotions, equity increases and marketplace adjustments. The salary increases for merit staff include negotiated increases as per the labor contract for FY 2006 and annualization of merit step increases given in FY 2005. Fringe benefit increases were included for both professional and scientific staff and merit staff. Funding for utilities was reallocated to the salaries budget to meet the University's policy on salary increases.

UTILITIES: The FY 2006 utility budget of \$916,458 will be supplemented by the General Fund by \$584,000 in order to accommodate the continued increase in gas prices and the reallocation for salary increases. 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 budget remains unchanged at \$360,424.

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

BUILDING REPAIRS: The building repairs budget remains unchanged at \$125,000.

THE UNIVERSITY OF IOWA
Statewide Family Practice Program
Budget Summary
Fiscal Year 2006

FY 2006 BASE

\$2,090,948

The FY 2006 base appropriation (\$2,075,948) is identical to the final budget for FY 2005.

FY 2006 INCOME

The statewide program's appropriation for FY 2006 is \$2,075,948. Nonappropriated income is estimated at \$15,000. Total revenues will be \$2,090,948. Eighty percent (80%) of the appropriated funds are scheduled to be spent in the UI-affiliated family physician training programs consistent with statutory requirements, and 20% of the appropriation will be spent on University-sponsored activities in support of the community-based training programs. The College of Medicine provides educational, administrative and research support.

FY 2006 EXPENDITURES

The budget proposed for faculty and salaries for professional and scientific staff essentially will stay level from FY 05 to FY 06. Salary budgets proposed for the merit staff are consistent with contractual obligations negotiated by the State.

The budget proposes faculty salary expenditures of \$1,660,758, professional salaries of \$303,698, and general service salaries of \$90,131. The faculty salaries are community-based teaching positions. The professional and general service salary lines are University-based positions that provide administrative and technical support to the Statewide Family Practice Training Program. Funds for salary increases, consistent with university guidelines, are coming from other Carver College of Medicine sources.

The amount budgeted for hourly wage employees is \$9,000. Those funds will pay for the wages of student research assistants and provide extra compensation to faculty who temporarily leave their regular duties at the University of Iowa to participate as visiting instructors at the community-based training sites.

Expenditures for supplies are proposed at \$27,361. 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
Fiscal Year 2006

FY 2006 BASE

\$759,875

The FY 2006 base (\$759,875) is identical to the final budget for FY05.

FY 2006 INCOME

The appropriation for the Primary Care Initiative (PCI) in FY 2006 is \$759,875. 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 \$198,892; Iowa Health Professions Inventory \$116,124; Rural Physician Support Program \$94,859; and Culturally Competent Care Initiative \$20,000.

FY 2006 EXPENDITURES

The salary budget for faculty is \$466,716, and salary allocations for professional and scientific staff are \$165,303. Salaries budgeted for merit staff are consistent with contractual obligations negotiated by the State. The merit staff expense is \$34,705. The amount budgeted for hourly wage employees is \$31,200. Those funds will pay for wages for student research assistants.

To fund a salary increase consistent with institutional guidelines, funds allocated to one of the Primary Care Initiative programs, the Integrated Health Professions Education Program will be made available for reallocation by eliminating a series of University activities currently sponsored by that program. The resulting fund balance will be sufficient to cover salary adjustments.

Expenditures for supplies are budgeted at \$61,951. The supply budget supports travel, data processing, conferences, telecommunications, and educational resources.

**The University of Iowa
State of Iowa Cancer Registry
Budget Summary
FY 2006**

\$178,739

In 2005, an estimated 6,500 Iowans will die from cancer, 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 1973-2004, over 415,000 cancers were newly diagnosed among Iowans, with more than 186,500 Iowans having died from cancer. In 2005 alone, we expect 15,800 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. The percent of improvement ranges from 4% - 19% depending on the cancer site. 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 14 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 300 requests from Iowans for data, analyses, and cancer cluster investigations. The Registry also serves as the source of data for measuring progress in cancer and 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 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 \$21.62 of federal funds is 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 to several additional million dollars annually. 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 NCI contract was negotiated to provide an average salary increase of 3% per year. Last year, salary increases averaged 2.5%. Although the state appropriation will remain at the status quo for FY 06, it is anticipated funds will be available from the NCI contract to provide for salary increases within the range of university policy.

The University of Iowa
Iowa Consortium for Substance Abuse Research and Evaluation FY06
Budget Summary
FY 2006

\$64,871

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.
- Transferring evidence-based practice technology to the agency level through coordination of a trainer network.
- 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.

Over the last 5 years, the Consortium has experienced a 36% budget reduction, which has limited our ability to provide statewide services at a time of increased needs. Funds for FY06 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 sponsors allows for salary increases. A 4.5% increase from FY05 salaries is incorporated into budgets for FY06 projects. Salaries dependent on the general fund appropriation will be reduced in FTE to accommodate salary increases. Other externally-sponsored projects will provide the difference.

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The University of Iowa
Center for Advanced Drug Development (CADD) FY2006
Budget Summary
FY 2006

\$110,343

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.

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

Impact of the 2006 Budget

The allocation from the economic development appropriations for the Center for Advanced Drug Development for FY 06 will be the same as the appropriation for FY 05, requiring internal reallocation to address salary increases for the staff within the range of university policy. This will limit the Centers ability to stimulate continued interest on the part of the pharmaceutical and biopharmaceutical companies that seek CADD's services.

The University of Iowa
Center for Biocatalysis and Bioprocessing
Budget Summary
FY 2006

\$81,384

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

The University of Iowa has assembled its Biocatalysis Research Group -- an experienced and multidisciplinary cluster of more than fifty-five faculty with broad expertise in biocatalysis/bioprocessing. Housed administratively within the CBB, the group is recognized for its individual and collective scientific talent that has secured in excess of \$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, 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. With a Grow Iowa Values Fund grant of \$2.9 million, the CBB is developing an advanced current Good Manufacturing Processing (cGMP) facility for the development of clinical grade biopharmaceuticals.

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

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. To encourage continued industrial interaction with the CBB and to fully utilize the large-scale fermentation and bioprocessing laboratory, the 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.

FY06 Budget

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 present budget amount of \$881,384 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. 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 deleterious to maintaining viable faculty and student involvement in the CBB, and comes at a critical time during recruitment of a new CBB Director.

**The University of Iowa
Technology Innovation Center
Budget Summary
FY 2006**

\$43,701

Sustaining Current Core Operations: Technology Innovation Center

The Technology Innovation Center (TIC) is a business incubator for start-up companies, growing fledging new ventures into freestanding businesses. TIC is also an interim site for research units of major corporations and a point of contact for those off campus seeking access to the research resources of the University of Iowa. Established by the University in 1984 at the urging of the State, the University's Oakdale Research Park benefits TIC and, in turn, receives benefits from TIC. The University was awarded \$1 million from the State's Grow Iowa Values Fund to design, construct, equip and open a planned \$7 million laboratory facility with flexible space for biotech start-up companies "spinning out of" or attracted by the University. Expenditures by TIC allow continued delivery of shared services and amenities to tenants of the Center. About 85 technology start-ups have become TIC tenants since 1984. Eighteen tenants are now in the TIC and in its short existence 31 tenants have met their business goals upon graduating successfully from TIC. Two companies successfully graduated from the TIC and three new tenant companies were accepted in FY 2005.

TIC's operating budget in FY05 was \$43,701 in State support, with the balance of its support coming from the University. Along with the Oakdale Research Park, the TIC 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 2006 the level funding will not support fully the incubator facility and delivery of essential professional services and amenities to tenant companies. In response to the 61 per cent State funding reduction since FY 2000, the TIC will continue to strive to maintain the current level of core services and amenities delivered to TIC affiliates. Earnings from the University of Iowa Research Foundation will be used on a temporary basis to defray unfunded operating expenses of TIC and to accommodate salary increases within the range of university policy.

**The University of Iowa
Oakdale Research Park
Budget Summary
FY 2006**

Sustaining Current Core Operations:

\$92,961

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 \$130 million by the federal government, the City of Coralville, and a number of private building developers and owners. Established by the University in 1989 at the urging of the State, the project is building a nucleus of businesses in Iowa that are drawn by the strengths of the University. The labor shed for more than 1,400 employees of laboratories and companies affiliated with ORP and the TIC business incubator covers 22 counties and 83 cities and towns in Iowa – nearly 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., Pearson Government Solutions and Integrated DNA Technologies, Inc./Bioinformatics Division. A total of 13 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 \$3 million award to the CBB from the State's Grow Iowa Values Fund will fund 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 2006 funding is needed to partially support the essential operating expenses for the 189-acre Research Park. ORP received \$92,961 in State support in FY 2005, 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, legal) marketing, support for University staff engaged in the project, maintenance of the Oakdale Research Park office, and preparation and maintenance of common areas within the park. For FY 2006 level funding will not support fully the delivery of essential services and Park amenities. The cost of providing essential services has increased. In the face of a 61 percent reduction in State support since FY 2000, the Park will strive to maintain the current level of services and amenities delivered to ORP affiliates. Earnings from the University of Iowa Research Foundation will be used on a temporary basis to support selected activities of the ORP and to fund salary increases within the range of university policy.

The University of Iowa
IOWA REGISTRY FOR CONGENITAL AND INHERITED DISORDERS
(FORMERLY THE IOWA BIRTH DEFECTS REGISTRY)
Budget Summary
FY 2006

\$44,636

PURPOSE:

The Iowa Registry for Congenital and Inherited Disorders (IRCID) was established by the Iowa General Assembly (Chapter 23 of the Iowa Code) in 1983. Through the past 20 years, the Registry 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); hence, the name change to reflect this expanded mission. The Registry is the only active, birth defects/developmental disabilities surveillance program in the Midwest, and, through a combination of surveillance, research, education and outreach activities, serves families in all 99 Iowa counties.

The objectives of the Registry 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 Registry 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 three-year 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 Registry data include lectures, press releases, articles, public service announcements, and disseminating prenatal educational materials. Annually, the Registry 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 Registry 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:

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

STRATEGIC CHANGES:

Funds provided are used for partial salary support for Registry staff and for design, printing and distribution costs for the Registry's annual report. To fund salary increases for FY 2006, 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
Restricted Funds
FY2006 Final Budget**

The FY2006 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.

This budget contains \$10.9 million, which has been appropriated for Tuition Replacement to address FY2006 debt service on academic bond issues. A total of \$3.3 million of capital appropriations has been included for Art – Phase 1 (\$1.3 million) and the Iowa Values Fund for Economic Development initiatives (\$2 million). The Iowa Values Fund proposals will be provided to the Board Office by June 20 in accord with its request.

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.

Breakdown of Other Income

Other income includes non-federal gifts, grants and contracts of 87.0M, interest, dividends and capital gains and losses of 13.2M, workshops and seminars of 5.3M, royalties of 7.8M and rental of equipment and facilities of 4.7M.

Discussion of Variances

The original estimate of \$134,000,000 for FY 2005 Bond Proceeds was significantly over the current revised estimate (\$49,000,000) for the following reasons:

CCOM/Public Health, UIHC, and Residence Services for \$25,000,000 each were included in the original estimate but did not occur.

Two refunding issues were accomplished in FY 2005 but not included in the original estimate. They were Academic Revenue Refunding Series SUI 2005 (\$16,500,000) and Center for University Advancement Refunding Series (\$9,600,000).

Debt Service was also originally overstated for FY 2005 (\$15,500,000). This is due to a combination of the three issues planned but not issued, the timing of other new issues and the impact of the two refunding issues.

These revisions have been reflected in the FY 2005 adjustment column of Restricted Form 2.

FY 2006 Bond Sales/Debt Service

The Bonds and Loans line includes the following potential bond sales in FY 2006 subject to the refinement of schedules and final approval by the Board:

| | |
|--------------------------------|---------------|
| Athletics | \$ 65 Million |
| Utilities | \$ 35 Million |
| UIHC | \$ 75 Million |
| Chemistry/Art | \$ 25 Million |
| UI Facilities Corp. (Younkers) | \$ 12 Million |

In addition to projected FY 2006 debt service on existing issues (\$36.2 million), an estimate of \$3.2 million has been included for the issues listed above.

Intercollegiate Athletics Final Budget FY 2006

Mission

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 well-being 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, 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.

Attached is a table showing the FY 2005 budget approved by the Board of Regents, current projections of FY 2005 revenue and expense, and the proposed revenue and expense budget for FY 2006. The following factors have impacted the proposed budget for FY 2006 or are in response to specific questions raised by the Board Office:

Budgeted revenue for football is approximately \$1,000,000 above the projected amount for FY 2005. This is due to increased football ticket prices. Also, fund raising opportunities and licensing/royalty fees are expected to increase.

Ticket Price Changes

From: To: Increase

FOOTBALL

| | | | |
|-----------------------------|-------|-------|--------------------------------|
| Public Season Tickets | \$250 | \$280 | 5 games @\$45; Mich-\$55 |
| Staff Season Tickets | \$206 | \$225 | 5 games @ \$36; Mich-\$45 |
| Student Season Tickets | \$105 | \$120 | 6 games @ \$20 |
| Single Game Tickets | \$44 | \$ 48 | \$4 increase for 5 games |
| Michigan Single Game Ticket | | \$ 60 | Premium Game-(2004-ISU @ \$55) |

Ticket prices for all other sports will remain the same.

There are eleven men’s teams and thirteen women’s teams with an unduplicated participation headcount during the 2004-05 academic year of 348 for men and 269 for women.

There have been no changes in reporting methodology for the FY 2006 budget presentation except for the matters explained in the paragraph relating to General Education Fund support for Athletics.

Information on FY 2006 scholarships for the men’s and women’s programs is attached.

In FY 2004, General Education Fund support for Athletics operations was approximately \$2.2 million. In its report to the President, the GEF Task Force recommended this support be reduced. In FY 2005, General Education support for Athletics was reduced by \$300,000 to \$1.9 million. In FY 2006, this support will be reduced by an additional \$250,000. In addition, \$800,000 of General Fund support to Athletics is being transferred to a new income line entitled “University Student Financial Aid” to recognize the student financial aid component of the

tuition paid by Athletics. With these actions the direct FY 2006 General Education Fund support for Athletics operations will be reduced to approximately \$900,000 which is very close to 2% of the Athletics Department overall operating budget.

A table showing the revenue that Intercollegiate Athletics provides to other University entities is attached.

Additional fund raising opportunities continue to be initiated or expanded to augment the department budget.

All scholarship expenses are reflected in the appropriate sport accounts. Fifth year degree completion aid is included in each sport account.

Salaries have been increased by an average of 3%.

Scholarship costs are expected to increase by approximately \$435,000 due to increases in tuition, fees, and room and board.

Men's basketball expenses will increase because of a longevity incentive (per contract) that will be realized by the head coach. The contract provides for a \$300,000 payment in 2004, 2006 and 2008.

Volleyball expenses are higher due to additional team travel charter costs and additional scholarships.

Facility expenses have increased because of additional credit card fees associated with online ticket purchasing and several maintenance projects involving Grant Field, Jacobson Weight Room equipment, Baseball Field seating and waterproofing, Carver Hawkeye floor refinishing, Fieldhouse painting and upgrading training rooms in several buildings.

The salary and fringe benefit cost of a Drug Counselor (~\$100,000) was transferred from the Academic Counseling budget to the Training Room budget to better match the responsibilities of the individual involved.

University of Iowa Athletic Budget

5/31/2005 9:11

| | FY 05 Budget | Jun Projection | FY 06 Budget |
|------------------------------------|-----------------------------|----------------------------|-----------------------------|
| <u>INCOME:</u> | | | |
| Men's Sports | | | |
| Football | ** 16,186,000 | \$13,253,786 (1) | 14,234,141 |
| Basketball | 4,694,200 | 3,687,900 (1) | 3,682,300 |
| Wrestling | 226,000 | 228,500 | 226,000 |
| All Other | 2,500 | 2,500 | 5,500 |
| | \$ 21,108,700 | \$17,172,686 | \$ 18,147,941 |
| Total Men's Sports | | | |
| Women's Sports | | | |
| Basketball | \$ 200,000 | \$ 175,000 | 200,000 |
| Volleyball | 10,000 | 8,300 | 10,000 |
| All Other | 9,300 | 12,000 | 12,000 |
| | \$ 219,300 | \$ 195,300 | \$ 222,000 |
| Total Women's Sports | | | |
| Other Income | | | |
| Facility Debt Service/Student Fees | 1,526,431 | 1,526,431 | 1,513,683 |
| Athletic Conference | 10,609,000 | 10,438,000 | 10,532,000 |
| Univ. General Fund Support | 1,923,359 | 1,923,359 | 873,359 |
| University Student Financial Aid | | | 800,000 |
| Interest | 400,000 | 324,800 | 350,000 |
| Alumni/Foundation Support | 4,912,689 | 4,909,989 | 5,680,000 |
| Novelties--Bookstore | 950,000 | 1,250,000 | 1,350,000 |
| Radio, Football & Basketball | 1,325,000 | 1,325,000 | 1,350,000 |
| General | 2,504,000 | 2,865,232 | 2,579,891 |
| | \$24,150,479 | \$24,562,811 | \$25,028,933 |
| Total Other Income | | | |
| | <u>\$ 45,478,479</u> | <u>\$41,930,797</u> | <u>\$ 43,398,874</u> |
| TOTAL INCOME | | | |

EXPENSES:**Men's Sports**

| | | | |
|--------------|------------|------------------|------------|
| Football | 13,276,499 | \$10,098,362 (1) | 10,241,944 |
| Basketball | 3,706,573 | 2,851,193 (1) | 3,027,319 |
| Wrestling | 862,255 | 922,626 | 874,749 |
| Other Sports | 2,940,985 | 2,942,472 | 3,043,259 |

| | | | |
|---------------------------|-------------------|---------------------|-------------------|
| | \$ | | \$ |
| Total Men's Sports | 20,786,312 | \$16,814,653 | 17,187,272 |

Women's Sports

| | | | |
|--------------|-----------|-----------|-----------|
| | | \$ | |
| Basketball | 2,057,039 | 2,132,263 | 2,210,102 |
| Volleyball | 831,840 | 755,622 | 974,228 |
| Other Sports | 5,661,522 | 5,603,980 | 5,955,165 |

| | | | |
|-----------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Total Women's Sports | 8,550,401 | 8,491,865 | 9,139,495 |

Other Expenses

| | | | |
|---|-----------|-----------|-----------|
| Training Room | 852,637 | 852,637 | 1,087,050 |
| Sports Information | 573,969 | 573,969 | 548,719 |
| Admin. & General Expenses | 7,267,220 | 7,583,583 | 7,407,116 |
| Facility Debt Service W Campus Recreation/Ath. Projects | 819,419 | 819,419 | 825,000 |
| Academic & Counseling | 1,000,000 | 1,000,000 | 1,000,000 |
| Buildings & Grounds | 1,340,649 | 1,340,649 | 1,292,958 |
| | 4,287,872 | 4,354,022 | 4,911,264 |

| | | | |
|-----------------------------|-------------------|---------------------|-------------------|
| | \$ | \$ | \$ |
| Total Other Expenses | 16,141,766 | \$16,524,279 | 17,072,107 |

| | | | |
|----------------------------|--------------------------|----------------------------|--------------------------|
| | \$ | \$ | \$ |
| TOTAL OPER. EXPENSE | <u>45,478,479</u> | <u>\$41,830,797</u> | <u>43,398,874</u> |

| | | | |
|--------------------------------|-----------|----------------|-----------|
| | \$ | \$ | \$ |
| Total Operating Balance | - | 100,000 | 0 |

(1) The significant change from original budget to the current projection is a result of a change in the accounting for Big Ten revenue sharing. This affects Football and Men's Basketball revenue and expense equally with no change in the bottom line. A separate schedule showing a five year history has also been recast to reflect this accounting change.

INTERCOLLEGIATE ATHLETICS

Revenue from FY06 budget that Athletics provides to other university entities:

- Scholarships (Tuition, Room & Board and Fees)--\$7,420,711
- Public Safety--\$862,700 (Game Management Expense)
- University Hospitals (medical costs)--\$500,000
- Utility Consumption--\$850,000
- Custodial Services--\$450,000 (University Facilities Management)
- Insurance--\$75,000 (Risk Management Office)
- University Business Service Charges--\$544,300
- Telecommunication Services--\$290,000 (Voice & Data)
- Parking Services--\$75,000 (Parking Lot Maintenance)
- University Marching Band--\$200,000
- Residence Services (Training Table for Football—includes pre-season)--\$350,000
- Summer Camps (Room & Board, Parking dept. reimbursement)--\$425,000

Total \$10,638,326

Tuition, Room and Board – Non-scholarship Athletes -- \$364,000

State Sales Tax -- \$970,000

Athletic Scholarships - University of Iowa

Scholarships Included in Operating Budget

| | FY 2002 Budget | FY 2003 Budget | FY 2004 Budget | FY 2005 Budget | FY2005 Proj. 6/30 Bal. | FY 2006 Budget |
|---|-------------------|-------------------|-------------------|-------------------|---------------------------|-------------------|
| Total # Women's Scholarships | 141.00 | 141.00 | 141.00 | 141.00 | 129.76 | 141.00 |
| Recipients | 220.00 | 220.00 | 199.00 | 199.00 | 182.00 | 199.00 |
| Total Dollar Value | 2,242,500 | 2,606,425 | 3,080,039 | 3,335,700 | 3,010,113 | 3,536,300 |
| | | | | | | |
| Total # Men's Scholarships | 157.40 | 157.40 | 157.40 | 157.40 | 152.81 | 157.40 |
| Recipients | 220.00 | 220.00 | 213.00 | 213.00 | 225.00 | 213.00 |
| Total Dollar Value | 2,374,975 | 2,832,425 | 3,275,365 | 3,664,111 | 3,047,712 | 3,884,411 |
| | | | | | | |
| Total Dollar Value | | | | | | |
| | | | | | | |
| Total # Scholarships | 298.40 | 298.40 | 298.40 | 298.40 | 282.57 | 298.40 |
| Recipients | 440.00 | 440.00 | 412.00 | 412.00 | 407.00 | 412.00 |
| Total Dollar Value | 4,617,475 | 5,438,850 | 6,355,404 | 6,999,811 | 6,057,825 | 7,420,711 |
| | | | | | | |
| Explanation of How Scholarships Displayed in Budget (eg, within sports budgets) | | | | | | |
| | | | | | | |
| Band, Trainers, Managers | | | 215,015 | 232,315 | 242,175 | 245,615 |
| Summer School Estimate | | | 319,240 | 0 | | |
| | | | 534,255 | 232,315 | 242,175 | 245,615 |
| | | | | | | |
| <i>Total</i> | | | 6,889,659 | 7,232,126 | 6,300,000 | 7,666,326 |

UNIVERSITY OF IOWA ATHLETIC BUDGETS

| | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | | FY 2006 | | |
|----------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|------------------------|-------------------------------------|----------------------|--|---|
| | | | | | | June 2004 Budget | Projection/ Revised/ Estimate | Budget | \$ Change from FY 2005 Estimate | % Change from FY 2005 Estimate |
| | Actual | Actual | Actual | Actual | Actual | | | | | |
| INCOME: | | | | | | | | | | |
| Men's Sports | | | | | | | | | | |
| Football | \$ 7,636,677 | \$ 7,545,041 | \$ 7,242,949 | \$ 9,015,783 | \$ 11,744,989 | \$ 16,186,000 | \$ 13,253,786 | \$ 14,234,141 | \$ 980,355 | 7.4% |
| Basketball | 2,367,414 | 3,032,433 | 3,114,607 | 3,617,216 | 3,547,349 | 4,694,200 | 3,687,900 | 3,682,300 | (5,600) | -0.2% |
| Wrestling | 174,681 | 179,274 | 210,343 | 264,329 | 181,324 | 226,000 | 228,500 | 226,000 | (2,500) | -1.1% |
| All Other | 10,314 | 6,666 | 11,481 | 4,381 | 9,456 | 2,500 | 2,500 | 5,500 | 3,000 | 120.0% |
| Total Men's Sports | \$ 10,189,086 | \$ 10,763,414 | \$ 10,579,380 | \$ 12,901,709 | \$ 15,483,118 | \$ 21,108,700 | \$ 17,172,686 | \$ 18,147,941 | \$ 975,255 | 5.7% |
| Women's Sports | | | | | | | | | | |
| Basketball | \$ 104,272 | \$ 153,710 | \$ 214,674 | \$ 195,992 | \$ 177,852 | \$ 200,000 | \$ 175,000 | \$ 200,000 | \$ 25,000 | 14.3% |
| Volleyball | 7,680 | 9,477 | 9,641 | 9,068 | 8,745 | 10,000 | 8,300 | 10,000 | 1,700 | 20.5% |
| All Other | 14,067 | 12,957 | 11,068 | 13,950 | 13,539 | 9,300 | 12,000 | 12,000 | | 0.0% |
| Total Women's Sports | \$ 126,019 | \$ 176,144 | \$ 235,383 | \$ 219,010 | \$ 200,136 | \$ 219,300 | \$ 195,300 | \$ 222,000 | \$ 26,700 | 13.7% |
| Other Income | | | | | | | | | | |
| Student Building Fees | \$ 717,209 | \$ 705,395 | \$ 1,490,611 | \$ 1,302,920 | \$ 1,401,944 | \$ 1,526,431 | \$ 1,526,431 | \$ 1,513,683 | \$ (12,748) | -0.8% |
| Athletic Conference | 7,377,975 | 7,055,704 | 9,010,848 | 10,160,312 | 10,562,297 | 10,609,000 | 10,438,000 | 10,532,000 | 94,000 | 0.9% |
| Univ. General Support | 1,673,670 | 1,925,000 | 2,166,137 | 2,437,361 | 2,223,359 | 1,923,359 | 1,923,359 | 873,359 | (1,050,000) | |
| Univ. Student Financial Aid | | | | | | | | 800,000 | 800,000 | |
| Interest | 333,975 | 486,718 | 258,316 | 428,772 | 274,806 | 400,000 | 324,800 | 350,000 | 25,200 | 7.8% |
| Alumni/Foundation Support | 3,490,474 | 3,836,386 | 3,623,720 | 4,308,596 | 5,224,344 | 4,912,689 | 4,909,989 | 5,680,000 | 770,011 | 15.7% |
| Novelties-Bookstore | 450,000 | 450,000 | 450,000 | 852,165 | 881,247 | 950,000 | 1,250,000 | 1,350,000 | 100,000 | 8.0% |
| Radio, Football & Basketball | 1,000,000 | 1,055,000 | 1,115,000 | 1,263,000 | 1,290,400 | 1,325,000 | 1,325,000 | 1,350,000 | 25,000 | 1.9% |
| General | 1,836,216 | 2,773,064 | 2,385,989 | 2,745,649 | 2,497,408 | 2,504,000 | 2,865,232 | 2,579,891 | (285,341) | -10.0% |
| Total Other Income | \$ 16,879,519 | \$ 18,287,267 | \$ 20,500,621 | \$ 23,498,775 | \$ 24,355,805 | \$ 24,150,479 | \$ 24,562,811 | \$ 25,028,933 | \$ 466,122 | 1.9% |
| TOTAL INCOME | \$ 27,194,624 | \$ 29,226,825 | \$ 31,315,384 | \$ 36,619,494 | \$ 40,039,059 | \$ 45,478,479 | \$ 41,930,797 | \$ 43,398,874 | \$ 1,468,077 | 3.5% |
| EXPENSES: | | | | | | | | | | |
| Men's Sports | | | | | | | | | | |
| Football | \$ 4,367,619 | \$ 6,038,671 | \$ 6,612,962 | \$ 8,669,847 | \$ 8,994,409 | \$ 13,276,499 | \$ 10,098,362 | \$ 10,241,944 | \$ 143,582 | 1.4% |
| Basketball | 1,660,658 | 2,022,571 | 2,524,727 | 2,408,845 | 2,931,983 | 3,706,573 | 2,851,193 | 3,027,319 | 176,126 | 6.2% |
| Wrestling | 555,857 | 717,961 | 721,514 | 776,504 | 870,078 | 862,255 | 922,626 | 874,749 | (47,877) | -5.2% |
| Other Sports | 1,573,774 | 2,355,985 | 2,376,065 | 2,477,516 | 2,845,812 | 2,940,985 | 2,942,472 | 3,043,259 | 100,787 | 3.4% |
| Scholarships | 2,052,581 | | | | | | | | | |
| Total Men's Sports | \$ 10,210,489 | \$ 11,135,188 | \$ 12,235,268 | \$ 14,332,712 | \$ 15,642,282 | \$ 20,786,312 | \$ 16,814,653 | \$ 17,187,271 | \$ 372,618 | 2.2% |
| Women's Sports | | | | | | | | | | |
| Basketball | \$ 699,837 | \$ 1,028,824 | \$ 1,506,134 | \$ 1,765,602 | \$ 1,829,085 | \$ 2,057,039 | \$ 2,132,263 | \$ 2,210,102 | \$ 77,839 | 3.7% |
| Volleyball | 418,813 | 497,525 | 554,782 | 648,094 | 734,012 | 831,840 | 755,622 | 974,228 | 218,606 | 28.9% |
| Other Sports | 3,379,311 | 3,666,816 | 4,483,753 | 4,786,414 | 5,231,235 | 5,661,522 | 5,603,980 | 5,955,165 | 351,185 | 6.3% |
| Total Women's Sports | \$ 4,497,961 | \$ 5,193,165 | \$ 6,544,669 | \$ 7,200,110 | \$ 7,794,332 | \$ 8,550,401 | \$ 8,491,865 | \$ 9,139,495 | \$ 647,630 | 7.6% |
| Other Expenses | | | | | | | | | | |
| Training Room | \$ 650,000 | \$ 690,000 | \$ 733,745 | \$ 765,027 | \$ 778,735 | \$ 852,637 | \$ 852,637 | \$ 1,087,050 | \$ 234,413 | 27.5% |
| Sports Information | 491,144 | 488,938 | 585,297 | 604,309 | 625,882 | 573,969 | 573,969 | 548,719 | (25,250) | -4.4% |
| Medical Exp. - Women Athletes | 251,456 | 207,564 | | | | | | | | |
| Admin. & General Expenses | 5,151,738 | 5,303,743 | 5,549,160 | 6,136,651 | 7,210,907 | 7,267,220 | 7,583,583 | 7,407,116 | (176,467) | -2.3% |
| Fifth Year Scholarship | 67,403 | 105,757 | | | | | | | | |
| Debt Service | 1,154,472 | 1,186,010 | 1,746,218 | 1,765,944 | 1,701,944 | 819,419 | 819,419 | 825,000 | 5,581 | 0.7% |
| W. Campus Recreation / Ath. Proj | | | | | | 1,000,000 | 1,000,000 | 1,000,000 | | |
| Academic & Counseling | 1,174,631 | 1,199,307 | 1,140,903 | 1,239,796 | 1,272,738 | 1,340,649 | 1,340,649 | 1,292,958 | (47,691) | -3.6% |
| Buildings & Grounds | 3,777,998 | 4,112,551 | 4,121,862 | 4,625,140 | 4,429,644 | 4,287,872 | 4,354,022 | 4,911,265 | 557,243 | 12.8% |
| Total Other Expenses | \$ 12,718,842 | \$ 13,293,870 | \$ 13,877,185 | \$ 15,136,867 | \$ 16,019,850 | \$ 16,141,766 | \$ 16,524,279 | \$ 17,072,108 | \$ 547,829 | 3.3% |
| TOTAL OPER. EXPENSE | \$ 27,427,292 | \$ 29,622,223 | \$ 32,657,122 | \$ 36,669,689 | \$ 39,456,464 | \$ 45,478,479 | \$ 41,830,797 | \$ 43,398,874 | \$ 1,568,077 | 3.7% |
| Total Operating Balance | \$ (232,668) | \$ (395,398) | \$ (1,341,738) | \$ (50,195) | \$ 582,595 | | \$ 100,000 | | \$ (100,000) | |

**The University of Iowa
Residence System Proposed Final Budget
2005-06**

The University is proposing the attached annual budget for the residence system for fiscal 2005-06. Estimated revenues total \$39,287,892 and proposed expenses for operations total \$29,039,246, leaving \$10,248,646 net revenue available for debt service, mandatory transfers, and transfers to voluntary reserves. These projected net revenues are \$851,546 lower than the preliminary budget submitted to the Board in March.

The decreased net revenue projection is due primarily to lower projected contract revenues resulting from an expected smaller number of entering first-year students and anticipated smaller retention of upper class students in the Residence System. Occupancy projections for fall 2005 have been reduced to 5,403 beds from 5,524 at the time of the current budget, due to the projected drop in entering first-year students, of which the residence hall system has traditionally housed 90% of the market.

Voluntary reserve balances at June 30, 2006 are projected to be \$9,379,996. This amount is \$478,671 lower than projected in March, due primarily to the lower projected net revenues, offset somewhat by a reduction in projected capital expenditures from the voluntary reserves.

Projected revenues are based on rates approved by the Board at its meeting of May 5, 2005, fall residence hall occupancy of 5,403, residence hall board contracts numbering 5,176, and 660 apartments occupied.

**The University of Iowa
Residence System Proposed Final Budget 2005-06**

| | Actual 2003-04 | Revised Estimate 2004-05 | Preliminary Budget 2005-06 | Proposed Final Budget 2005-06 |
|---|---------------------------|---|---|--|
| OPERATIONS (Modified Cash Basis) | | | | |
| Revenues | \$ 37,759,658 | \$ 38,903,545 | \$ 40,427,958 | \$ 39,287,892 |
| Expenditures for Operations | 26,907,055 | 27,852,846 | 29,327,766 | 29,039,246 |
| Net Revenues | <u>10,852,603</u> | <u>11,050,699</u> | <u>11,100,192</u> | <u>10,248,646</u> |
| % of Revenues | 28.7% | 28.4% | 27.5% | 26.1% |
| Debt Service (due July 1) | 5,040,259 | 6,024,733 | 6,029,008 | 6,029,008 |
| 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>\$ 5,212,344</u> | <u>\$ 4,425,966</u> | <u>\$ 4,471,184</u> | <u>\$ 3,619,638</u> |
| % of Revenues | 13.8% | 11.4% | 11.1% | 9.2% |
| Debt Service Coverage Ratio | 215% | 183% | 184% | 170% |
| University Overhead Payment From Surplus | \$ 373,032 | \$ 372,456 | \$ 399,108 | \$ 399,108 |
| FUND BALANCES (June 30) | | | | |
| Revenue Fund | \$ | \$ | \$ | \$ |
| Operation & Maintenance Fund | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Improvement Fund | 4,834,808 | 8,173,330 | 6,875,000 | 6,900,000 |
| Surplus Fund | 7,698,632 | 4,559,466 | 1,983,667 | 1,479,996 |
| Subtotal--Voluntary Reserves | <u>13,533,440</u> | <u>13,732,796</u> | <u>9,858,667</u> | <u>9,379,996</u> |
| Sinking Fund | 0 | 0 | 0 | 0 |
| Bond Reserve Fund | 6,348,855 | 6,348,855 | 6,348,855 | 6,348,855 |
| Bond Construction Fund | 1,775,076 | 0 | 0 | 0 |
| Subtotal--Mandatory Reserves | <u>8,123,931</u> | <u>6,348,855</u> | <u>6,348,855</u> | <u>6,348,855</u> |
| Total Fund Balances (June 30) | <u>\$ 21,657,371</u> | <u>\$ 20,081,651</u> | <u>\$ 16,207,522</u> | <u>\$ 15,728,851</u> |
| REVENUES AND EXPENDITURES DETAIL | | | | |
| Revenues | | | | |
| Contracts | \$ 33,640,537 | \$ 34,826,169 | \$ 36,361,604 | \$ 35,359,266 |
| Interest | 603,974 | 672,031 | 601,809 | 656,270 |
| Other Income | 3,515,147 | 3,405,345 | 3,464,545 | 3,272,356 |
| Total Revenues | <u>\$ 37,759,658</u> | <u>\$ 38,903,545</u> | <u>\$ 40,427,958</u> | <u>\$ 39,287,892</u> |
| Expenditures for Operations | | | | |
| Salaries, Wages & Benefits | 10,541,528 | 10,754,372 | 11,494,589 | 11,315,329 |
| Cost of Food or Goods Sold | 3,091,619 | 3,506,252 | 3,724,190 | 3,664,033 |
| Other Operating Expense | 5,889,275 | 5,908,549 | 6,126,680 | 6,054,596 |
| Utilities | 4,158,170 | 4,460,871 | 4,648,826 | 4,684,902 |
| Repairs & Maintenance | 3,226,463 | 3,222,802 | 3,333,481 | 3,320,386 |
| Total Expenditures | <u>\$ 26,907,055</u> | <u>\$ 27,852,846</u> | <u>\$ 29,327,766</u> | <u>\$ 29,039,246</u> |
| Departmental FTE | 355 | 352 | 357 | 357 |

