

**Contact: Brad Berg**

**APPROVAL OF FY 2007 UNIVERSITY BUDGETS**

**Actions Requested:** Consider approval of the FY 2007 Regent University budgets as presented on pages 4-7.

**Executive Summary:** Consistent with the Board’s strategic plan to demonstrate public accountability and effective stewardship of resources, all institutional budgets are approved annually by the Board. The Board approved the FY 2007 budgets for the Special Schools and the Board Office at the June 2006 meeting.

The Regent institutions have two basic types of funds within the budgets:

- General operating funds include operational appropriations, federal funds, interest income, tuition and fee revenues, reimbursed indirect costs, and sales and services revenues. Some appropriations are designated for specific operating uses and cannot be used for other purposes.
- Restricted funds are specifically designated or restricted for a particular purpose or enterprise and include capital appropriations, tuition replacement, gifts, sponsored funding from federal and private sources, athletics, as well as other auxiliary or independent functions such as residence, parking, and utility systems.

The proposed FY 2007 Regent Enterprise budget exceeds \$3.4 billion. The table on page 7 includes budgeted revenues and expenditures from all funds for all Regent institutions.

**FY 2007 REGENT ENTERPRISE BUDGET**

(in millions)

	SUI	ISU	UNI	ISD	IBS	Total
General Operating	1,263.5	453.7	150.7	9.8	5.7	1,883.4
Restricted	838.0	541.1	138.4	0.9	1.9	1,520.3
Total	2,101.5	994.8	289.1	10.7	7.6	3,403.7

The final FY 2007 composite university general operating and restricted fund budgets illustrated in the following table represent a 4.5% increase from the FY 2006 university composite budget.

**UNIVERSITY BUDGETS**

(in millions)

	SUI		ISU		UNI		Total	
	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007
General Operating	1,191.8	1,263.5	439.7	453.7	145.3	150.7	1,776.8	1,867.9
Restricted	794.9	838.0	509.6	541.1	163.8	138.4	1,468.3	1,517.5
Total	1,986.7	2,101.5	949.3	994.8	309.1	289.1	3,245.1	3,385.4

The Regent Partnership for Transformation and Excellence (Transformation Plan) contains three key elements.

- Moderate tuition increases for Iowa students
- New incremental state funding
- Reallocated funds for strategic institutional transformation

The Board of Regents FY 2007 operating request was \$40 million in new incremental state funding. In exchange for the new incremental state operating funding, tuition increases would be kept at the rate of inflation. The Regent institutions committed to reallocate at least 50% of the incremental state funding amount to strategically strengthen core academic departments.

The General Assembly approved \$11 million of the \$40 million request in new incremental operating appropriations. The universities are required to reallocate a minimum of 50% (\$5.5 million) of state incremental operating funds. The proposed FY 2007 university operating budgets include an aggregate \$17.2 million in reallocated funds to support key strategic initiatives and fund other cost increases.

Of the total appropriations, \$9 million of non-recurring state funds are being utilized to fund on-going operational expenses.

The Board approved inflationary resident undergraduate tuition increases of 4.5% at SUI, and 4.0% at ISU and UNI at the December 2005 meeting. In December 2005, the tuition increase was expected to generate an additional \$18.7 million in gross tuition revenue. Based on current enrollment projections, the tuition increase is projected to generate \$26.1 in gross tuition revenue for FY 2007. The increase is primarily due to increased enrollment projections at the University of Iowa.

The one-time Energy/Environment Surcharge approved by the Board at the June 2006 meeting is expected to generate \$10.9 million in incremental revenue.

Primary uses of the incremental revenues include cost increases in salaries and related benefits, investment in students, and improving educational environments for learning and research.

Achieving the competitive salaries necessary to recruit and retain top faculty and staff members is one of the top FY 2007 university budget priorities. Faculty salaries continue to be at or near the bottom of SUI's and ISU's respective peer groups. The bargained faculty salaries at UNI are mid-range relative to their peers.

The university budgets include additional investment in students through increased financial aid, and enriching educational programs and instruction with smaller class sizes and new equipment.

Increased costs associated with improving educational environments for learning and research include operating and maintenance costs of academic facilities, library acquisitions, and operational support of new state-funded educational and research facilities.

Detailed general operating and restricted fund budgets are provided on pages 4-6. Additional information specific to each university is provided in Attachments A, B, & C beginning on page 8.

### Athletic Budgets

The athletic departments are independent entities and thus are included in the restricted fund budgets. However, each University provides some general university support to its athletic department, and student fees support either debt service or operations of the athletic departments. General university support for athletics is projected to decrease by 6% at SUI and increase by 4.3% at ISU and 2.8% at UNI when compared to the FY 2006 budget. The athletic departments anticipate providing \$14.1 million, \$12.7 million, and \$5.4 million at SUI, ISU, and UNI respectively in direct and indirect support to other departments and entities within the universities.

The proposed FY 2007 athletic department revenues are projected to increase 21.1% at SUI, 19.9% at ISU, and 5.2% at UNI from the FY 2006 budget. SUI's and ISU's intercollegiate athletic budgets reflect increased revenue projections in comparison to the FY 2006 final budget in large part from an additional home football game and new multi-media contracts. SUI also projects additional Foundation premium seat revenue of \$5.7 million linked to the sales of suites and club seats in Kinnick Stadium. UNI has increased ticket prices for football and men's basketball.

SUI's facility debt service is projected to increase by approximately \$5.2 million due to the Kinnick Stadium renovations. The debt service increase will be funded by new premium seat and suite revenues.

Mandatory student fees provide a portion of the athletic operating budget at ISU and UNI. SUI does not have a mandatory student fee for athletic department operations. However, the athletic department is responsible for the debt service related to intercollegiate athletics and a portion of the mandatory building fees at SUI is allocated to athletics. Student fee revenue is projected to remain flat at SUI, decrease by 5.0% at ISU, and increase by 14.6% at UNI when compared to FY 2006 budget.

FY 2007 Budgeted Athletic Revenues

	SUI	% of Total	ISU	% of Total	UNI	% of Total
Sports Income	\$21,046,000	37.53%	\$11,081,669	33.00%	\$1,799,790	18.99%
Alumni/Foundation/Corp. Support/Sponsorship	12,917,426	23.04%	5,015,600	14.94%	815,000	8.60%
Athletic Conference / NCAA Support	10,715,000	19.11%	7,547,650	22.48%	300,000	3.16%
Univ. Support General & Financial Aid	1,573,359	2.81%	2,974,067	8.86%	5,083,347	53.63%
Student Fees	1,513,683	2.70%	1,068,750	3.18%	1,280,943	13.51%
Other Income	8,308,000	14.82%	5,890,800	17.54%	200,000	2.11%
Total	\$56,073,468	100.0%	\$33,578,536	100.0%	\$9,479,080	100.0%

Residence System Budgets

Residence systems are independent entities within each University and are included in the restricted fund budgets. The Board received the FY 2007 residence system governance report which contained a five-year plan, preliminary budget, and proposed FY 2007 room and board rates for each of the Universities at the March 2006 meeting. The Board approved room and board rates at the May 2006 meeting.

SUI projects a net revenue increase from the preliminary budget to the proposed final budget due to an expected increase in the number of entering first-year students. ISU's revenue forecast remains constant with increasing first-year student contracts being offset by returning students moving from on-to-off campus. UNI's projected revenue increase is the result of an FY 2007 realignment moving operations of the retail outlet in the Maucker Union to the Department of Residence in order to improve operational efficiencies in purchasing, inventory management, and staffing.

FY 2007 Residence System Revenue Budgets

	Preliminary	Final
SUI	\$42,037,365	\$42,264,527
ISU	63,269,569	63,269,569
UNI	27,796,816	27,966,816
Total	\$133,103,750	\$133,500,912

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FY 2007 GENERAL FUND OPERATING BUDGETS

RESOURCES	University of Iowa									
	Gen. Univ.	Univ Hosp (UIHC)	Psych Hosp (UIHC Unit)	CDD (UIHC Unit)	Oakdale Campus	Hyg. Lab	Family Prac.	SCHS (UIHC Unit)	Special Purpose	Subtotal
APPROPRIATIONS										
General	\$230,843,903	\$27,284,584	\$7,043,056	\$6,363,265	\$2,657,335	\$3,849,461	\$2,075,948	\$649,066	\$2,176,510	\$282,943,128
Nonrecurring	3,712,500									3,712,500
Other										
RESOURCES										
Federal Support								2,500,735		2,500,735
Interest	1,180,597				2,000		10,000			1,192,597
Tuition and Fees	240,316,000									240,316,000
Reimb. Indirect Costs	39,422,000	2,237,900	1,203,800	182,500	500,000	37,900				43,584,100
Sales and Service		666,635,516	14,823,944	2,369,035		3,203,856		400,000		687,432,351
Other Income	125,000	421,200	-	-	75,000	-	-	1,175,499	-	1,796,699
Subtotal - Inst. Income	281,043,597	669,294,616	16,027,744	2,551,535	577,000	3,241,756	10,000	4,076,234	0	976,822,482
TOTAL RESOURCE BUDGET	\$515,600,000	\$696,579,200	\$23,070,800	\$8,914,800	\$3,234,335	\$7,091,217	\$2,085,948	\$4,725,300	\$2,176,510	\$1,263,478,110
EXPENDITURES										
Fac. & Inst. Off. Salaries	\$221,733,000	\$31,120,700	\$1,776,600	\$593,700			\$1,660,758	\$492,849	\$616,348	\$257,993,955
Prof. & Sci. Staff Salaries	82,801,000	251,426,100	11,155,600	4,258,800	86,113	4,365,420	308,638	2,390,920	734,888	357,527,479
General Service Staff Sal.	75,006,000	123,472,100	5,199,800	2,405,100	1,543,583	2,283,164	85,927	932,819	209,161	211,137,654
Hourly Wages	3,048,000	6,416,800	197,100	278,900	-	26,265	8,861	227,218	26,647	10,229,791
Subtotal - Salaries	382,588,000	412,435,700	18,329,100	7,536,500	1,629,696	6,674,849	2,064,184	4,043,806	1,587,044	836,888,879
Supplies and Services	36,612,000	246,243,100	3,353,600	1,084,800	340,424	366,368	21,764	569,494	396,224	288,987,774
Library Acquisitions	12,584,000									12,584,000
Rentals	1,500,000	4,824,500	17,800	66,400	20,000	50,000		102,000	170,000	6,750,700
Utilities	25,340,000	16,881,500	1,370,300	227,100	1,228,015					45,046,915
Bldg. Repairs	8,164,000	7,376,500								15,540,500
Auditor of State Reimb.	500,000									500,000
Equipment	6,503,000	8,817,900			16,200			10,000	23,242	15,370,342
Aid to Individuals	41,809,000	-	-	-	-	-	-	-	-	41,809,000
Subtotal - Other Expenses	133,012,000	284,143,500	4,741,700	1,378,300	1,604,639	416,368	21,764	681,494	589,466	426,589,231
TOTAL EXPENDITURES	\$515,600,000	\$696,579,200	\$23,070,800	\$8,914,800	\$3,234,335	\$7,091,217	\$2,085,948	\$4,725,300	\$2,176,510	\$1,263,478,110

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FY 2007 GENERAL FUND OPERATING BUDGETS

RESOURCES	Iowa State University								FY 2007 General Fund Total
	Gen. Univ.	Exp. Station	Coop. Ext.	Special Purpose	Subtotal	Univ. of Northern Iowa	ISD*	IBSSS	
APPROPRIATIONS									
General	\$180,198,164	\$32,984,653	\$21,232,579	\$4,148,584	\$238,563,980	\$83,274,212	\$9,162,890	\$5,127,507	\$619,071,717
Nonrecurring	3,600,000				3,600,000	1,687,500			9,000,000
Other							169,342	88,643	257,985
RESOURCES									
Federal Support		4,125,373	8,800,000		12,925,373		54,000	344,527	15,824,635
Interest	1,320,000				1,320,000	550,000	25,000	20,000	3,107,597
Tuition and Fees	177,511,980				177,511,980	62,444,000			480,271,980
Reimb. Indirect Costs	18,288,180				18,288,180	2,150,000		39,626	64,061,906
Sales and Service		5,000	5,000		10,000	595,000	323,274	65,406	688,426,031
Other Income	1,511,881	-	-	-	1,511,881	-	11,916	19,268	3,339,764
Subtotal - Inst. Income	198,632,041	4,130,373	8,805,000		211,567,414	65,739,000	414,190	488,827	1,255,031,913
TOTAL RESOURCE BUDGET	\$382,430,205	\$37,115,026	\$30,037,579	\$4,148,584	\$453,731,394	\$150,700,712	\$9,746,422	\$5,704,977	\$1,883,361,615
EXPENDITURES									
Fac. & Inst. Off. Salaries	\$158,121,735	\$19,800,990	\$6,555,076	\$696,226	\$185,174,027	\$66,532,447	\$3,599,119	\$1,782,294	\$515,081,842
Prof. & Sci. Staff Salaries	67,212,018	8,055,717	17,173,221	1,573,574	94,014,530	27,186,487	1,921,280	505,913	481,155,689
General Service Staff Sal.	44,102,497	3,493,678	2,234,574	286,083	50,116,832	23,255,704	2,325,448	2,201,221	289,036,859
Hourly Wages	4,363,096	430,500	117,417	75,927	4,986,940	1,773,273	-	-	16,990,004
Subtotal - Salaries	273,799,346	31,780,885	26,080,288	2,631,810	334,292,329	118,747,911	7,845,847	4,489,428	1,302,264,394
Supplies and Services	24,441,341	3,961,397	3,754,291	1,455,718	33,612,747	10,951,429	1,102,341	822,415	335,476,706
Library Acquisitions	8,897,981				8,897,981	2,021,423	8,226	7,212	23,518,842
Rentals	1,137,927	11,089	120,000		1,269,016	890,000			8,909,716
Utilities	23,476,629	159,552	15,000		23,651,181	4,826,872	381,619	198,165	74,104,752
Bldg. Repairs	6,589,018	341,842			6,930,860	1,162,500	296,193	110,257	24,040,310
Auditor of State Reimb.						250,000	40,000	22,000	812,000
Equipment	4,217,361	492,661	50,000	61,056	4,821,078	566,965	72,196	55,500	20,886,081
Aid to Individuals	39,870,602	367,600	18,000	-	40,256,202	11,283,612	-	-	93,348,814
Subtotal - Other Expenses	108,630,859	5,334,141	3,957,291	1,516,774	119,439,065	31,952,801	1,900,575	1,215,549	581,097,221
TOTAL EXPENDITURES	\$382,430,205	\$37,115,026	\$30,037,579	\$4,148,584	\$453,731,394	\$150,700,712	\$9,746,422	\$5,704,977	\$1,883,361,615

\*detailed line items modified slightly since June 2006 approval

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FY 2007 RESTRICTED FUNDS BUDGETS

REVENUES	SUI	ISU	UNI	ISD	IBSSS	FY 2007 Restricted Total
APPROPRIATIONS						
Battelle	\$8,410,000	\$8,410,000	\$3,180,000			\$20,000,000
Iowa Values Fund	1,925,000	1,925,000	950,000			4,800,000
Tuition Replacement	10,606,008	9,323,660	4,375,744			24,305,412
Capital	10,350,000	8,000,000	3,500,000			21,850,000
Water Quality		50,000				50,000
RESOURCES						
Federal Support	205,104,000	137,338,690	23,465,842	139,007	314,270	366,361,809
Interest		2,386,631	2,675,000	30,000		5,091,631
Tuition and Fees	40,730,000	16,933,335	12,308,000			69,971,335
Reimbursed Indirect Costs	19,723,000	7,610,096				27,333,096
Sales and Service	220,641,000	51,003,665	64,850,000	761,091	1,371,540	338,627,296
Other Income	<u>320,543,992</u>	<u>298,098,102</u>	<u>23,050,003</u>	<u>5,000</u>	<u>237,278</u>	<u>641,934,375</u>
Subtotal - Inst. Income	806,741,992	513,370,519	126,348,845	935,098	1,923,088	1,449,319,542
TOTAL REVENUES	\$838,033,000	\$541,079,179	\$138,354,589	\$935,098	\$1,923,088	\$1,520,324,954
EXPENDITURES						
Fac. & Inst. Off. Salaries	\$106,796,000	\$57,340,087	\$7,919,550	\$371,697	\$1,406,767	\$173,834,101
Prof. & Sci. Staff Salaries	143,486,000	79,046,694	14,226,810	176,732	5,000	236,941,236
General Service Staff Salaries	35,001,000	39,231,623	10,921,655	41,061	59,727	85,255,066
Hourly Wages	<u>20,753,000</u>	<u>19,521,385</u>	<u>6,086,640</u>	-	-	<u>46,361,025</u>
Subtotal - Salaries	306,036,000	195,139,789	39,154,655	589,490	1,471,494	542,391,428
Prof. and Scientific Supplies	202,197,000	197,600,000	46,000,000	193,407	370,354	446,360,761
Library Acquisitions			55,500	2,600	500	58,600
Rentals	16,641,000		1,000,000			17,641,000
Utilities	8,983,000	9,445,644	2,291,500	30,000		20,750,144
Building Repairs	4,256,000	9,000,000	3,950,000	100,000	65,740	17,371,740
Auditor of State				1,000		1,000
Equipment	10,295,000	7,000,000	3,700,000	18,601	15,000	21,028,601
Student Aid	41,958,000	36,633,493	12,190,000			90,781,493
Debt Service	46,900,000	31,000,000	11,714,011			89,614,011
Plant Capital	<u>200,767,000</u>	<u>55,260,253</u>	<u>18,298,923</u>	-	-	<u>274,326,176</u>
Subtotal - Other Expenses	531,997,000	345,939,390	99,199,934	345,608	451,594	977,933,526
TOTAL EXPENDITURES	\$838,033,000	\$541,079,179	\$138,354,589	\$935,098	\$1,923,088	\$1,520,324,954

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FY 2007 ALL FUNDS BUDGETS

RESOURCES						FY 2007
	SUI	ISU	UNI	ISD	IBSSS	All Funds Total
<b>APPROPRIATIONS</b>						
General	\$282,943,128	\$238,563,980	\$83,274,212	\$9,162,890	\$5,127,507	\$619,071,717
Nonrecurring	3,712,500	3,600,000	1,687,500			9,000,000
Battelle	8,410,000	8,410,000	3,180,000			20,000,000
Iowa Values Fund	1,925,000	1,925,000	950,000			4,800,000
Tuition Replacement	10,606,008	9,323,660	4,375,744			24,305,412
Capital	10,350,000	8,000,000	3,500,000			21,850,000
Other		50,000		169,342	88,643	307,985
<b>RESOURCES</b>						
Federal Support	207,604,735	150,264,063	23,465,842	193,007	658,797	382,186,444
Interest	1,192,597	3,706,631	3,225,000	55,000	20,000	8,199,228
Tuition and Fees	281,046,000	194,445,315	74,752,000			550,243,315
Reimb. Indirect Costs	63,307,100	25,898,276	2,150,000		39,626	91,395,002
Sales and Service	908,073,351	51,013,665	65,445,000	1,084,365	1,436,946	1,027,053,327
Other Income	322,340,691	299,609,983	23,050,003	16,916	256,546	645,274,139
Subtotal - Inst. Income	1,783,564,474	724,937,933	192,087,845	1,349,288	2,411,915	2,704,351,455
<b>TOTAL RESOURCE BUDGET</b>	<b>\$2,101,511,110</b>	<b>\$994,810,573</b>	<b>\$289,055,301</b>	<b>\$10,681,520</b>	<b>\$7,628,065</b>	<b>\$3,403,686,569</b>
<b>EXPENDITURES</b>						
Fac. & Inst. Off. Salaries	\$364,789,955	\$242,514,114	\$74,451,997	\$3,970,816	\$3,189,061	\$688,915,943
Prof. & Sci. Staff Salaries	501,013,479	173,061,224	41,413,297	2,098,012	510,913	718,096,925
General Service Staff Sal.	246,138,654	89,348,455	34,177,359	2,366,509	2,260,948	374,291,925
Hourly Wages	30,982,791	24,508,325	7,859,913	-	-	63,351,029
Subtotal - Salaries	1,142,924,879	529,432,118	157,902,566	8,435,337	5,960,922	1,844,655,822
Prof. and Scientific Supp.	491,184,774	231,212,747	56,951,429	1,295,748	1,192,769	781,837,467
Library Acquisitions	12,584,000	8,897,981	2,076,923	10,826	7,712	23,577,442
Rentals	23,391,700	1,269,016	1,890,000			26,550,716
Utilities	54,029,915	33,096,825	7,118,372	411,619	198,165	94,854,896
Bldg. Repairs	19,796,500	15,930,860	5,112,500	396,193	175,997	41,412,050
Auditor of State Reimb.	500,000	-	250,000	41,000	22,000	813,000
Equipment	25,665,342	11,821,078	4,266,965	90,797	70,500	41,914,682
Aid to Individuals	83,767,000	76,889,695	23,473,612			184,130,307
Debt Service	46,900,000	31,000,000	11,714,011			89,614,011
Plant Capital	200,767,000	55,260,253	18,298,923	-	-	274,326,176
Subtotal - Other Expenses	958,586,231	465,378,455	131,152,735	2,246,183	1,667,143	1,559,030,747
<b>TOTAL EXPENDITURES</b>	<b>\$2,101,511,110</b>	<b>\$994,810,573</b>	<b>\$289,055,301</b>	<b>\$10,681,520</b>	<b>\$7,628,065</b>	<b>\$3,403,686,569</b>

**FY 2007 BUDGETS – UNIVERSITY OF IOWA**

SUI FY 2007 General University Operating Budget

The FY 2007 General University budget was guided by The Iowa Promise: A Strategic Plan for the University of Iowa 2005-2010. SUI's proposed FY 2007 operating budget represents a 5.5% increase over FY 2006 and incorporates the following incremental revenues and reallocations when compared to the FY 2006 base budget:

• State Appropriation	\$ 4.5 million
• Tuition	21.2 million
• Energy/Environment Surcharge	4.7 million
• Other Income/Indirect Cost Recoveries	-3.5 million
• Reallocations	<u>8.6 million</u>
Total Incremental Revenues and Reallocations	\$ 35.5 million

SUI's allocation of the approved \$11 million in recurring operational appropriations totaled \$4.5 million.

The Board approved a tuition increase of 4.5% for residents and 6.5% for non-residents at the December 2005 meeting. Fall 2006 enrollments are projected to exceed fall 2005 enrollments. An increase in projected enrollment coupled with the higher tuition rates result in a projected \$21.2 million in new tuition revenues.

The one-time Energy/Environment Surcharge is expected to generate \$4.7 million in incremental revenue for SUI during FY 2007.

Indirect cost recoveries for FY 2007 are projected to decline by \$3.5 million when compared to FY 2006 due to funding reductions and delays imposed by the National Institute of Health, the agency providing a significant percentage of sponsored funding to the University.

The University is required to commit a minimum of \$2.25 million in reallocations for FY 2007. However, the need to improve the competitiveness of faculty salaries relative to peer institutions and to help cover other unavoidable cost increases, the University of Iowa is committing an additional \$6.4 million in reallocated dollars bringing the total in FY 2007 to \$8.6 million.

The incremental revenues and reallocations are budgeted to fund the following strategic initiatives:

• Core Salary/Benefit Increases	\$ 9.5 million
• Investment in Faculty	11.4 million
• Additional Investment in Students	8.6 million
• Renewing Environments for Learning and Research	<u>6.0 million</u>
Total Uses of Incremental Revenues and Reallocations	\$ 35.5 million

The University seeks to maintain competitive salaries for its staff. The average salary increase for non-union Professional and Scientific staff is targeted between 3.5% and 5%.

Investment in faculty is SUI's top academic budget priority for FY 2007. The University made competitive gains relative to its peers in FY 2006 and intends to continue that trend in FY 2007 by adopting a faculty salary policy resulting in an average 5% increase.

The investment in students initiative includes funding to ensure that undergraduate students have opportunities to interact with faculty in a smaller class setting.

Funding is budgeted for the projected cost increases of utilities, custodial services, information technology, and maintenance for general education facilities to renew environments for learning and research. The revenue generated by the energy/environment surcharge approved by the Board at the June 2006 meeting will be applied to costs associated with this initiative.

SUI's consolidated special purpose budget on page 4 includes Primary Health Care, State Cancer Registry, Substance Abuse, Biocatalysis, Iowa Registry for Congenital and Inherited Disorders, Advance Drug Development, Oakdale Research Park, and the Technology Innovation Center.

UIHC



In FY 2007, the strategic focus for the University of Iowa Hospitals and Clinics (UIHC) will continue to center on the offering of a broad spectrum of clinical services to all patients, serving as the primary teaching hospital for the University, and providing a base for innovative research to improve health care.

IowaCare funding is expected to remain flat, while inflation continues to drive costs upward. The Board approved an 8% rate increase effective July 1, 2006, at the May 2006 meeting. An average "all-in" salary increase of 4.6% is projected for FY 2007, medical and surgical supply costs are estimated to rise 4%, and increases in drug costs are projected to increase 7%.

The proposed FY 2007 UIHC budget of \$696.6 million reflects a 6.6% increase over the FY 2006 budget of \$653.2 million. The proposed FY 2007 UIHC budget is provided on page 4.

Other UIHC units include the Psychiatric Hospital, the Center for Disabilities and Development, and Specialized Child Health Services. The proposed combined FY 2007 budget of these units is \$36.7 million which represents a 2.8% increase over the FY 2006 budget.

#### SUI FY 2007 Restricted Fund Budget

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.

- Organized Activities Fund – includes continuing education, medicine and dentistry practice plan funds, sports camps, conferences and institutes, and various publications and workshops
- Auxiliary Enterprise Fund – includes athletics, residence halls, the Iowa Memorial Union, student health, recreational services, Hancher Auditorium, parking and transportation, Cambus, and various smaller enterprises
- Current Restricted Fund – includes sponsored activities, predominately research and student financial aid funded from federal and non-federal sources
- Plant Fund – includes bond proceeds and capital project receipts

The proposed FY 2007 Restricted Fund Budget includes the following state appropriations;

- Tuition Replacement \$10.6 million  
The Tuition Replacement appropriation funds the debt service on academic building revenue bond issues.
- Capital \$10.4 million  
A total of \$10.4 million of capital appropriations has been included in the Restricted budget for FY 2007. This includes \$8.4 million of a \$36 million three year capital appropriation for construction a new facility for the University Hygienic Laboratory and \$2 million in capital appropriation for planning a new facility for the College of Public Health.
- Battelle Funding \$8.4 million  
SUI's appropriation will be used to support the recommendations of the Battelle report. Of that amount, \$2.0 million is identified for endowed chairs, \$2.7 million for an Infrastructure Grants Program, and \$3.7 million for a Platform Projects Grants Program. The expenditures of endowment funds require a dollar for dollar match by the University with non-state revenues. The Economic Development Committee's Docket Items 2c and 2d contain details related to the Battelle funding.
- Grow Iowa Values Fund (GIVF) \$1.9 million  
FY 2007 GIVF funds will be used for continued support for I-START (\$1.4m) and I-GROW (\$.5m) as described in the attached Economic Development Committee's Docket Item 2e. The FY 2007 GIVF funds will be matched dollar for dollar by the University.

**FY 2007 BUDGETS – IOWA STATE UNIVERSITY**

ISU - FY 2007 General University Operating Budget

While the university is highly committed to the goals included in its strategic plan, *Forward Thinking*, as well as to those in the Board of Regent's strategic plan, the levels of new recurring revenues realized in recent years have inhibited significant progress. ISU's proposed FY 2007 general university operating budget represents a 3.1% increase over FY 2006.

The following incremental revenues and reallocations when compared to the FY 2006 base budget:

• State Appropriation	\$ 4.4 million
• Tuition	3.8 million
• Energy/Environment Surcharge	4.3 million
• Miscellaneous Revenue/Administrative Fee Assessment	0.9 million
• Reallocations	<u>6.6 million</u>
Total Incremental Revenues and Reallocations	\$ 20.0 million

ISU's allocation of the approved \$11 million in recurring incremental operational appropriations totaled \$4.4 million.

The Board approved a tuition increase of 4.0% for resident and non-resident students at the December 2005 meeting. The tuition increase and a projected slight decline in undergraduate and graduate enrollment result in additional tuition and fee revenue of \$3.8 million when compared to FY 2006.

The one-time Energy/Environment Surcharge is expected to generate \$4.3 million in incremental revenue for ISU during FY 2007.

Miscellaneous revenue (primarily interest income) and administrative fees charged to self-supporting units, auxiliary enterprises and other activities that generate external income not subject to indirect cost recovery are expected to increase \$0.9 million in FY 2007.

In accordance with legislative acts, the University is required to commit a minimum of \$2.2 million in reallocations for FY 2007. New revenues are inadequate to meet basic obligations and modest compensation increases for faculty and P&S staff. A series of permanent and one-time reallocations totaling \$6.6 million are being implemented to balance the FY 2007 budget.

The incremental revenues and reallocations are budgeted to fund the following strategic initiatives:

• Competitive Salaries	\$ 11.6 million
• Increase Student Success and Enhance Educational Programs	1.8 million
• Increase Excellence of Graduate, Professional, and Research Programs	3.0 million
• Improve Systems, Informational Infrastructure, and Facilities	<u>3.6 million</u>
Total Uses of Incremental Revenues and Reallocations	\$ 20.0 million

One of ISU's highest budget priorities is to reach the faculty salary levels necessary to recruit and retain faculty members who are among the very best in their fields of study. Faculty salaries at ISU are currently the lowest when compared to its peers. The FY 2007 budget funds salary increases of 2.5%-3.0% for faculty and professional and scientific staff.

Student success and enhanced undergraduate educational programs will be achieved through increased financial aid, smaller class sizes resulting from the hiring of additional lecturers and teaching assistants, redesigned courses, and new instructional equipment.

ISU's initiative to increase the excellence of graduate, professional, and research programs will be achieved as a result of attracting the very best graduate students with tuition scholarships, competitive stipends, and challenging research programs.

Cost increases of utilities, library acquisitions, information technology, and general education building maintenance and renovations are budgeted to improve systems, infrastructure, and facilities. The majority of the revenue generated by the energy/environment surcharge approved by the Board at the June 2006 meeting will be applied to costs associated with this initiative.

ISU's consolidated special purpose budget on page 5 includes the Institute for Physical Research and Technology, Small Business Development Center, Leopold Center, Livestock Disease Research, Research Park/ISIS, and the Veterinary Diagnostic Lab.

ISU - FY 2007 Restricted Budget

The Restricted Funds budget represents activities that receive targeted appropriations for specific strategic initiatives, including capital appropriations, and revenues and expenditures from university units and operations that do not receive direct state appropriations. Major restricted fund revenue categories include:

- Federal Support – receipts for both sponsored and student financial aid
- Endowment Income – earnings distributed from the University's endowment funds
- Auxiliary Enterprises – comprised primarily of bonded enterprises including athletics, University Bookstore, Department of Residence, Memorial Union, Parking Systems, Student Health Center, Reiman Gardens, and the Iowa State Center
- Private Gifts, Grants, and Contracts – includes nongovernmental sponsored programs from private industry, non-profit organizations, and individuals
- Plant Funds – includes bond proceeds and capital project funds

The proposed FY 2007 Restricted Fund Budget includes the following state appropriations;

- Tuition Replacement \$ 9.3 million  
The Tuition Replacement appropriation funds the debt service on academic building revenue bond issues.
- Capital \$10.9 million  
For FY 2007 capital appropriations include the Veterinary Diagnostic Laboratory (\$2.0m), the Protein Processing Plant (\$1.0m) and the Chemistry Facilities (\$5.0m).
- Battelle Funding \$8.4 million  
ISU's appropriation will be used to support the recommendations of the Battelle report. Of that amount, \$2.0 million is identified for endowed chairs, \$2.7 million for an Infrastructure Grants Program, and \$3.7 million for a Platform Projects Grants Program. The Economic Development Committee's Docket Items 2c and 2d contain details related to the Battelle funding.
- Grow Iowa Values Fund (GIVF) \$1.9 million  
FY 2007 GIVF funds will be used to support commercialization of research, assist Iowa industry and spur economic development. \$1.3 million is identified for competitive grants and \$0.6 million for infrastructure support as described in the attached Economic Development Committee's Docket Item 2e. Organizations and University units receiving funding will be required to provide matching funds on a one-to-one basis.

**FY 2007 BUDGETS – UNIVERSITY OF NORTHERN IOWA**

UNI - FY 2007 General University Operating Budget

UNI's Strategic Plan reinforces the philosophy of Students First. It emphasizes the need to provide a University environment that lets students experience a personalized learning environment. The plan also focuses on maintaining an excellent and diverse faculty that will continue to provide quality instruction. UNI's proposed FY 2007 general university operating budget represents a 3.7% increase over the FY 2006 budget and incorporates the following incremental revenues and reallocations when compared to the FY 2006 base budget.

• State Appropriation	\$ 2.1 million
• Tuition	1.4 million
• Energy/Environment Surcharge	1.9 million
• Reallocations	<u>2.0 million</u>
Total Incremental Revenues and Reallocations	\$ 7.4 million

UNI's allocation of the approved \$11 million in recurring operational appropriations totaled \$2.1 million.

The Board approved a tuition increase of 4.0% for resident and non-resident students at the December 2005 meeting. The tuition increase and a projected slight decline in undergraduate and graduate enrollment result in an additional tuition and fee revenue of \$1.4 million when compared to FY 2006.

The one-time Energy/Environment Surcharge is expected to generate \$1.9 million in incremental revenue for UNI during FY 2007.

In accordance with legislative acts, the University is required to commit a minimum of \$1.05 million in reallocations for FY 2007. The University has reallocated \$2.0 million to meet the budget shortfall for FY 2007.

The incremental revenues and reallocations are budgeted to fund the following strategic initiatives and unavoidable cost increases.

• Negotiated Salaries/Benefits	\$ 6.0 million
• Maintain Resources for Strategic Opportunities	0.4 million
• Maintain Student Aid	0.3 million
• Utilities/Energy Costs	0.5 million
• Increases for Insurance, Regents Support, Lakeside Labs	<u>0.2 million</u>
Total Uses of Incremental Revenues and Reallocations	\$ 7.4 million

Mandatory salary and related benefit increases from faculty and merit employee bargaining are included in the proposed FY 2007 budget. Merit employees will receive an average base salary increase of 3.9% from FY 2006 to FY 2007. The FY 2007 United Faculty pay plan calls for an average salary increase of 2% on July 1, 2006 and an additional 1.5% increase on January 1, 2007. Salary increases for professional and scientific staff typically follow the United Faculty pay increase.

Incremental revenues will be applied to other costs including maintaining resources for strategic opportunities, student aid, utilities, and insurance premiums.

UNI - FY 2007 Restricted Budget

UNI's restricted budget includes auxiliary enterprise, capital appropriations, and revenues and expenditures from university units and operations that do not receive direct state appropriations. Major auxiliary enterprise operations include the following:

- Residence System
- Intercollegiate Athletics
- Maucker Union
- Fieldhouse Operations (UNI-Dome/McLeod)
- Gallagher-Bluedorn Performing Arts Center
- Wellness Recreation Center
- Student Health Center

The proposed FY 2007 Restricted Fund Budget does include the following state appropriations;

- Tuition Replacement \$ 4.4 million  
The Tuition Replacement appropriation funds the debt service on academic building revenue bond issues.
- Capital \$3.5 million  
For FY 2007 capital appropriations include the FY 2007 budgeted amount for the Electrical Distribution System Upgrade (\$3.0 million) and Playground Safety (\$0.5 million).
- Battelle Funding \$3.2 million  
UNI's appropriation will be used to support the recommendations of the Battelle report. Of that amount, \$1.0 million is identified for endowed chairs, \$1.4 million for an Infrastructure Grants Program, and \$0.8 million for a Platform Projects Grants Program. The Economic Development Committee's Docket Items 2c and 2d contain details related to the Battelle funding.
- Grow Iowa Values Fund (GIVF) \$.9 million  
FY 2007 GIVF funds will be used to support UNI's technology transfer and business incubation projects, rural entrepreneurship, market research, Helping Regions Succeed, and the Ag-Based Lubricants Center as described in the attached Economic Development Committee's Docket Item 2e. One-to-one matching funds will be required of organizations and university units receiving the GIVF funding.