
FISCAL UPDATE Article

Fiscal Services Division

July 31, 2020



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

BOARD OF REGENTS APPROVES THE FY 2021 BUDGETS OF INSTITUTIONS

Meeting. The Board of Regents met virtually on July 29, 2020. The agenda, docket items, and a video of the meeting can be found [here](#). The Board approved a series of budget-related items, as well as consent items and the sale and award of refunding bonds.

Early Retirement Package for ISU. Among the approved consent items was a proposal to establish a retirement incentive program for FY 2021 at Iowa State University (ISU). The proposal offers three options for eligible employees. The decision to approve requests to participate will be at the discretion of divisional cabinet leadership. It is estimated that approximately 1,200 faculty and staff will meet the eligibility requirements to participate.

Based on current health insurance premiums and retirement plan contributions, the university estimates the cost of the incentive will be \$18,000 annually. The average salary cost for the eligible group is \$86,000, with average fringe benefit costs of \$27,000. The proposal directed the university to submit a report detailing the participation and cost savings of the program at the Board's August 2021 meeting.

Allocation of State Funding Reduction. Also among the approved consent items was the Board's allocation of the \$8.0 million reduction in General Fund appropriations within the Regents' budget. House File [2643](#) specified the reduction in funding and authorized the Board to use its discretion to allocate the reduction among individual appropriations. The Board allocated the reduction among both general university and special purpose appropriations, as well as the Board Office, the regional study centers, and Iowa Public Radio (IPR). The approved allocations can be found [here](#) and in more detail in the [docket item](#) on the FY 2021 budget.

Approval of FY 2021 Budgets. The Board approved the FY 2021 budgets for the universities, special schools, IPR, and the Board Office as presented in the [docket item](#). For FY 2021, the general operating budget totals \$3.477 billion and the restricted budget totals \$2.550 billion.

General operating revenue includes State appropriations, tuition revenue, interest income, reimbursed indirect costs, and income generated from sales and services. In addition to the reduction in State appropriations, the Board in June 2020 froze tuition for FY 2021 at FY 2020 levels. The disruptions related to the COVID-19 pandemic are expected to result in reduced tuition revenue for FY 2021. As a result of the changes in anticipated revenue, the general operating budgets approved for the universities for FY 2021 are \$65.4 million lower than the FY 2020 budgets.

The proposal for the restricted budget included State appropriated funding for capital projects and the allocation of a \$28.3 million State appropriation to replace the tuition revenue pledged on Academic Building Revenue Bonds. The restricted budget also addresses the budgets for athletics and residence systems at the universities.

Federal [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) funding from the Higher Education Emergency Relief Fund is also included in the budget proposal and identifies the amounts awarded to each university in FY 2020 and FY 2021. The federal legislation requires that at least 50.0% of the funds awarded to each university must be used to provide emergency financial aid grants to students. The remainder must be used to cover costs related to the COVID-19 pandemic.

The FY 2021 budgets for the Iowa School for the Deaf and the Iowa Braille and Sight Saving School were included in the budget proposal, at a total of \$23.6 million. The schools rely heavily on State appropriations, which were increased by \$337,000 (2.3%) for FY 2021.

IPR's FY 2021 budget represents a reduction of \$1.2 million in operating income, which consists of university support, State appropriations, federal support, and fundraising revenue. Beginning in FY 2021, the Board of Regents eliminated university support for IPR, which totaled \$874,000 in FY 2020. The Board also allocated \$5,000 of the \$8.0 million reduction in State appropriations to the IPR budget. The operating budget also anticipates a reduction in fundraising revenue of \$585,000 and the addition of \$262,000 in CARES Act funding.

The Board allocated \$11,000 of the \$8.0 million reduction in State appropriations to the FY 2021 Board Office budget. The Board Office budget also includes \$3.6 million in reimbursements from the universities, similar to FY 2020.

Compensation Adjustments for Institutional Heads and Executive Director. The Board approved the following actions:

Special Schools Superintendent Steve Gettel — Awarded a performance incentive of \$5,000 and established a new performance incentive for FY 2021 of \$20,000.

Board of Regents Executive Director Mark Braun — Established a new deferred compensation plan for FY 2021 and FY 2022, with annual contributions of \$145,000.

University of Northern Iowa President Mark Nook — Beginning August 1, 2020, implement a reduction in salary for the remainder of FY 2021 of \$42,000; and implement a reduction in annual contributions to his 2018 deferred compensation plan for FY 2021 and FY 2022 from \$100,000 to \$50,000.

Iowa State University President Wendy Wintersteen — Beginning August 1, 2020, implement a reduction in salary for the remainder of FY 2021 of \$59,000.

University of Iowa President Bruce Harreld — Beginning August 1, 2020, implement a reduction in salary for the remainder of FY 2021 of \$270,000.

Board President Michael Richards thanked the university leaders for their shared sacrifice in agreeing to the salary and benefit reductions.

Next Meeting. The next meeting of the Board of Regents is scheduled for September 23 and 24, 2020, at the Iowa School for the Deaf in Council Bluffs, Iowa.

LSA Staff Contact: Robin Madison (515.281.5270) robin.madison@legis.iowa.gov