

Budget Unit Brief

FY 2017



Board of Regents Tuition Replacement

Purpose and History

During the 1969 Legislative Session, the 63rd General Assembly enacted SF 537 (Regents Long-Range Building Plan), now codified in Iowa Code chapter [262A](#), authorizing the sale of revenue bonds for capital projects related to academic and administrative buildings and facilities at the state universities. The first academic revenue bonds were issued in 1970, and provided the primary source of funds for construction of academic facilities at the universities for several decades. The academic revenue bonds issued by the Board of Regents are secured by student tuition and fees and are considered to be independent and not part of state obligations. However, the state provides an annual appropriation to the Board of Regents to pay most of the debt service on the academic revenue bonds. The appropriation is not mandatory by statute, but the Board of Regents has previously indicated that without an appropriation, an aggregate increase in tuition across the universities will be required to pay the debt service, thus the name “tuition replacement” appropriation. The General Assembly provides an appropriation, referred to as tuition replacement, to keep tuition costs lower for students. The tuition replacement appropriation provides most of the annual debt service, but a portion of the debt service is paid from reserve fund interest.

Recent Bond Authorizations

Recent authorizations for the Board of Regents to issue academic revenue bonds for construction, reconstruction, and renovation of facilities at the three state universities were enacted during the 2004, 2007, and 2009 Legislative Sessions. The total amount of net proceeds authorized was \$120.0 million, \$131.4 million, and \$115.0 million, respectively. Typically, the Board of Regents issues the bonds in \$25.0 million increments, rather than the entire authorization amount all at once.

Funding

Until FY 2002, the tuition replacement appropriation was made solely from the General Fund. After FY 2002, funding of the appropriation was divided between the General Fund and infrastructure-related funds, such as the Rebuild Iowa Infrastructure Fund (RIIF) and the Restricted Capital Fund. For FY 2007 and FY 2008, funding for the tuition replacement appropriation was divided between the General Fund and the RIIF. Beginning in FY 2009, the entire appropriation was made from the RIIF. The level of funding remained the same for several years, but beginning in FY 2013 the amount increased due to the additional academic revenue bonds issued in accordance with the authorization provided by the 2009 Legislative Session in [SF 474](#) (Regents Bonding Act). Based on projections for the remaining issuances authorized, the appropriation will be increased as additional bonds are issued from the 2009 authorization and will peak in FY 2019.

In prior years, the tuition replacement appropriation required "notwithstanding" language to be funded from the RIIF because it did not meet the definition of vertical infrastructure in Iowa Code section [8.57](#). [House File 648](#) (FY 2012 Infrastructure Appropriations Act) expanded the definition of vertical infrastructure to include the debt service for academic revenue bonds beginning in FY 2012. Academic revenue bonds are issued and used for capital projects that meet the definition of vertical infrastructure.

More Information

Board of Regents: <http://www.regents.iowa.gov/>

Iowa General Assembly: <https://www.legis.iowa.gov/>

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Infrastructure Budget – Board of Regents Tuition Replacement

Projects Funded With Academic Revenue Bonds

Projects authorized in the 2004, 2007, and 2009 legislation provided for all or part of several capital projects at the universities. The following are some of the projects designated in the legislation:

- [Iowa State University \(ISU\)](#)
 - College of Veterinary Medicine facilities – Diagnostic Laboratory and Small Animal Teaching Hospital
 - Departments of Electrical and Computer Engineering – Coover Hall renovation and building addition
 - Department of Chemistry – new Chemistry Building (Hach Hall)
 - Fire safety and deferred maintenance projects
- [University of Iowa \(UI\)](#)
 - Department of Chemistry – Chemistry Building renovation
 - Department of Art – 2005 renovation of existing Art Building and development of new Art Facility
 - College of Public Health – Academic Building
 - Department of Psychology – Old Music Building renovation (now Stuit Hall)
 - Pentacrest – HVAC renewal modernization
 - Flood recovery – repair and restoration of facilities and buildings damaged during flooding in June 2008, including Hancher Auditorium, Art Building, Memorial Union, Theatre Building, and other facilities
 - Fire safety and deferred maintenance projects
- [University of Northern Iowa \(UNI\)](#)
 - Russell Hall renovation
 - Science Buildings renovation (Physics Building, Greenhouse, McCollum Science Hall)
 - Electrical distribution loop system
 - Sabin Hall renovation
 - Fire safety and deferred maintenance projects

Related Statutes

Iowa Code chapter [262A](#)

Revised September 7, 2016