

# FISCAL UPDATE Article

Fiscal Services Division

October 16, 2023



Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## BOARD OF REGENTS SEPTEMBER 2023 MEETING

**Board Meeting.** The Board of Regents met on September 27-28, 2023, at the University of Iowa (SUI) Levitt Center in Iowa City.

**FY 2025 General Fund Operating and Other Appropriations Requests.** The Board approved \$620.0 million in operating and other appropriations requests for FY 2025. This includes \$1.0 million that was introduced during the meeting by Regent Abby Crow to support the three universities' efforts for expanded mental health resources. The full report is available on the Board's [website](#). **Figure 1** outlines the Board's General Fund appropriation request changes for FY 2025 compared to FY 2024.

**Figure 1 — General Fund Appropriation Request Changes for FY 2025**

Higher Education	FY 2024 Estimated	FY 2025 Request	FY 2025 vs FY 2024
<u>University of Iowa</u>			
SUI — General University	\$ 218,045,224	\$ 222,545,224	\$ 4,500,000
Hygienic Laboratory	4,822,610	5,322,610	500,000
Rural Iowa Healthcare	-	10,000,000	10,000,000
<u>Iowa State University</u>			
ISU — General University	\$ 174,092,719	\$ 178,592,719	\$ 4,500,000
STEM Workforce	2,800,000	12,800,000	10,000,000
<u>University of Northern Iowa</u>			
UNI — General University	\$ 99,408,923	\$ 105,208,923	\$ 5,800,000
Educators for Iowa	1,500,000	4,000,000	2,500,000
UNI @ IACC	-	500,000	500,000
<b>Total</b>	<b>\$ 500,669,476</b>	<b>\$ 538,969,476</b>	<b>\$ 38,300,000</b>

- **State University of Iowa (SUI) — Hygienic Laboratory.** The increased appropriation request of \$500,000 would address technology upgrades and higher maintenance contracts for facility equipment.
- **SUI — Rural Iowa Health Care Partnership.** This new \$10.0 million program would expand Iowa's rural health care workforce, delivery, and outcomes. Of those funds, \$4.1 million would be directed toward mental health, \$3.8 million to maternal health and primary care, and \$2.2 million to substance abuse.
- **Iowa State University (ISU) — Science, Technology, Engineering, and Math (STEM) Workforce.** This \$10.0 million increased appropriation request would target programs supporting economic development and fuel manufacturing and would attract and retain rural workforce talent. Funds will be used to expand programs tied to Iowa's top 50 jobs in STEM fields and provide outreach opportunities and internship funding for Iowa's manufacturing industry and rural communities.

- **University of Northern Iowa (UNI) — Educators for Iowa.** This \$2.5 million increased appropriation request would expand efforts to support teachers who have completed training and recruit new talent to pursue education through the teacher licensure program by providing stipends for student teachers and rural teachers.
- **UNI — UNI @ Iowa Community Colleges (IACC).** UNI received \$4.2 million from the federal American Rescue Plan Act (ARPA) to develop the UNI @ IACC program, which assists students who have completed their associate degree to finish their bachelor's degree online through UNI. This new \$500,000 appropriation request would allow for the continuation of the program's scholarship opportunities once federal funding is no longer available in the spring 2025 semester.

**Annual Facilities Report.** The Board approved the Five-Year Capital Plans and the Institutional Roads Program and reviewed the Facilities Governance Report. The Board requested an amendment to Iowa Code chapter [262A](#) to allow the Board to bond for academic buildings without specific authorization from the General Assembly or Governor. The Board also requested a \$30.0 million annual capital commitment from the Rebuild Iowa Infrastructure Fund (RIIF) to be used for General Education Fund (GEF) facilities and an additional \$30.0 million to meet existing annual debt service obligations. Additional projects and the full report can be found [here](#).

**Property and Facilities Committee.** The Board received updates concerning building renewal commitments and two tuition replacement appropriations. The full report is available [here](#).

- SUI reported \$442.0 million in current deferred renewal backlog. The presenter did acknowledge that individual items or facilities with the proper maintenance may exceed their expected lifespan. The currently Deferred Renewal Budget is \$8.8 million per year. SUI ongoing building projects include the Wrestling Training Facility (April 2024), North Liberty Hospital (mid-2025), and the Health Sciences Academic Building (Fall 2025).
- ISU reported \$755.3 million in current deferred renewal backlog. This includes \$716.9 million in General Fund Facilities backlog, \$38.4 million in Utilities backlog, and \$2.5 million in Fire Safety backlog. Planned FY 2024 projects include \$17.2 million in General Fund Facilities, \$2.4 million in Utilities, and \$1.2 million in Fire Safety.
- UNI reported \$230.1 million in current deferred renewal backlog and maintains a \$1.5 million facilities repair budget. Planned FY 2024 Projects include \$26.6 million in renewal projects in General Fund Facilities and Utilities.

**Bond Sales.** The Board approved the sale of University of Iowa Facilities Revenue Bonds totaling \$28.7 million for construction of a Health Sciences Academic Building Project. The bid was awarded to Morgan Stanley at 4.523% with debts being satisfied in 2048. A full breakdown of the bond issuance can be found [here](#).

**Governance, Evaluation, and Human Resources Committee.** The Board received the following updates from Mike Richards with SUI, Sherry Bates with ISU, and David Barker with UNI:

- **Personnel Appointments** — The Board approved the appointment of David Spalding as Vice President for Economic Development and Industry Relations with an annual salary of \$528,000 effective September 1, 2023.
- Health and dental insurance rate adjustments for employees and students were approved for FY 2024. Additional information can be found [here](#).
- The Iowa State Specialized Retirement Incentive Program Report was presented outlining the participation and cost savings of the program, which intends to address College of Liberal Arts and Sciences personnel costs. The program offers two options for early retirement: 1) two years of retirement contributions plus health and dental coverage, or 2) three years of retirement contributions. Eligible employees need to meet the rule of 70 and be a minimum age of 60 years or older at the time of retirement. **Figure 2** shows the annual net savings, split between the General Fund and other funding types based on cost allocations at the time of retirement provided in the Iowa State University Specialized Retirement Incentive Program [Report](#).

**Figure 2 — Estimated Net Specialized Retirement Incentive Program Savings Per Fiscal Year**

Year	Legislative	Restricted	Total
FY 2023	\$ 104,196	\$ 20,834	\$ 125,030
FY 2024	2,161,963	160,296	2,322,259
FY 2025	2,311,516	175,586	2,487,102
FY 2026	2,650,814	199,345	2,850,159
<b>Total</b>	<b>\$ 7,228,489</b>	<b>\$ 556,061</b>	<b>\$ 7,784,550</b>

\*This is savings per year, not incremental from year to year

**Free Speech and Student Affairs Committee.** The Board received updates on the review of the First Amendment training, free speech policies and procedures, and the 2022-2023 Free Speech Survey.

**Academic Affair Committee.** The Board received the following updates on the termination of various degree programs and the annual accreditation report:

- ISU recommended the termination of the Bachelor of Arts in Speech Communication. The department estimates a savings of \$76,000 and has implemented a plan to allow students currently enrolled to finish their degrees within three years.
- SUI recommended the termination of three Master's programs — Executive Master of Business Administration, Master of Arts in Asian Civilizations, and Master of Arts in German. Currently enrolled students are expected to graduate in December 2023, and current resources would be redeployed to other programs.
- The three universities presented their Annual Accreditation Report, which can be found [here](#).

**Audit and Compliance Committee.** The Office of the Auditor of State presented the status of the annual audit plan for FY 2023. The Board reviewed and approved the annual Office of Internal Audit [Charter](#). The full annual audit report is expected to be released December 2023 or January 2024. Prior FY 2022 audits and recommendations can be found [here](#). The Board reviewed the FY 2023 Audit Progress, which is currently 55.0% completed, and approved the FY 2024 Audit Plan, which includes 66 total audits and 27,353 budgeted hours. The full report can be found [here](#). The FY 2022 report identified the following two financial findings at ISU:

- The report identified potential gaps in the segregation of duties concerning accounting journal entries and recommended that ISU should implement new procedures to ensure all entries are supported and independently reviewed and approved.
- The report identified deficiencies in management of employees to prevent, detect, or correct any misstatement of financial statements on a timely basis and recommended new procedures to ensure the proper preparation of financial statements and adherence to the Generally Accepted Accounting Principles (GAAP).

**Investment and Finance Committee.** The Board received its quarterly report from Marquette Associates, which reviews and evaluates investment policy, strategy, and performance. The Board reviewed the Investment and Cash Management Report for the Second Quarter ending June 30, 2023. The report can be found [here](#). Marquette Associates also presented the SUI and ISU Endowment Fund performance in comparison to their academic peers. Over a 10-year evaluation, SUI received an 8.5% return and ISU received an 8.3% return compared to the 6.6% median return.

**SUI Hospitals and Clinics Committee.** The Board received updates on current programs and a financial update from Denise Jamieson, Vice President for Medical Affairs, and Mark Henrichs, Associate Vice President and Chief Financial Officer. The full report can be found [here](#).

LSA Staff Contact: Michael Peters (515.281.6934) [michael.peters@legis.iowa.gov](mailto:michael.peters@legis.iowa.gov)

Doc ID 1386431