

As of 11/4/01

The University of Iowa
FY 2002 4.3% Appropriations Reduction
Preliminary Report on Reduction Measures
October 2001

The University of Iowa's share of the across-the-board 4.3% FY 2002 appropriations reduction is \$13.5million. Of this amount, \$10.9 million or approximately 81% is attributed to the General Education Fund. The attached table (Exhibit 1) shows the portion of the reduction that has been allocated to each appropriated unit. Revised Form 2's are also attached.

All appropriated units are currently working to identify the measures that will be necessary and are being guided by the strategic plan and the President's Principles for Addressing FY 2002 Budget Reductions. A copy of these principles is attached as Exhibit II. Central to the process of accomplishing these reductions will be a focus on preserving academic strength and supporting the most vital missions of the University. As a result, the 4-year graduation plan, library acquisitions and student financial aid are being protected and a substantial differential has been made in reductions among administrative and collegiate units as well as among collegiate units.

Although the process of identifying how reductions will be accomplished in both the short and long term is ongoing, the following is information received from appropriated units regarding measures that have been implemented or are currently under consideration.

General Education Fund

\$10,865,976

Deferring expenditures from centrally allocated pools (\$4 M) was accomplished with the remaining General Education Fund reduction being allocated to Administrative and Academic units in the same manner as the July 1, 2001 appropriations reduction with Administrative units receiving an average reduction of 2.26% and academic units receiving an average of 1.59% of budgets. Student Financial Aid and Library acquisitions were shielded from reduction, as cited above. If the overall General Education Fund reductions were to yield employment elimination in proportion to the budget approximately 190 fte's would be eliminated in addition to the 107 fte's resulting from budget cuts made July 1.

Central Pools

\$4,000,000

The Office of the Vice President for Research suspended six of its seven internal seed grant programs for a total savings of \$1.2 million. Strategic Planning Goals #1, 2, 3 and 4 are impacted by these reductions:

- Central Investment Fund for Research Enhancement
- Biosciences Initiative Multidisciplinary Pilot Grants
- Collaborative Interdisciplinary Projects
- Iowa Informatics Initiative
- Social Sciences Initiative
- Iowa Research Experiences for Undergraduates

The Office of the Provost (OP) will reduce by \$1.1M the allocations for Instructional Equipment, Faculty Start-up, and the new Writing Initiative. These reductions will seriously impair the

University's progress towards modernization of classrooms and laboratories, the renovation and equipping of research labs for newly hired faculty, and the recent initiative to improve student writing skills. These reductions will have the largest impact on Strategic Planning Goals # 1 and 2.

Approximately \$1.7 million in building renewal projects will be deferred in FY 2002. Examples of likely deferrals include selected fire and environmental safety projects, classroom/laboratory renovations, faculty start-up projects, the Seashore Hall/Spence Laboratory Remodeling Project and the Trowbridge Hall Clean Room Renovation Project. It should be emphasized that these deferrals are temporary FY 2002 measures. With these reductions the FY 2002 Building Renewal budget will be less than half of the objective cited in the University's Strategic Plan targets and indicators. These must be restored in FY 2003. Strategic Planning Goals # 1,2,3 and 5 will be impacted.

Office of the President

\$144,800

Internal Audit

The University of Iowa Internal Audit department is charged with reviewing and advising on appropriate internal control processes that will minimize risk to the University. As expense budgets are reduced, the office will be challenged to have the resources to provide adequate coverage to the auditing/consulting needs of the University. Internal Auditors must follow the standards set by the Institute of Internal Auditors. With reduced funding professional development opportunities will be diminished and at least one position will remain unfilled. We would hope to see a parallel reduction in cost passed on by the State Auditor but that is not anticipated.

Affirmative Action

The Office of Affirmative Action will absorb the permanent reduction through the following reductions in General Expense. These reductions will have an impact on the ability of the office to address strategic planning Goal #5.

- Travel- Out of State
- Office Supplies
- Books/Periodicals/Subscriptions
- Publication Costs
- Other Services not statutorily required

The President has decided to leave vacant the Affirmative Action director position and to continue using an interim director.

General Counsel

During the remainder of this year, requests for new equipment and travel to professional meetings will be reviewed by the General Counsel. In addition, expected retirement from a P & S position may generate small savings in personnel cost. A law student intern hired for the fall semester will not be renewed in the spring.

Department of Athletics

The University General Education Fund has supported Women's Athletics and expansion of women student athletes opportunities to participate. It represents approximately 8 % of the departments overall budget. Because revenue forecasts are necessarily contingent on future events and because these forecasts are intended to be conservative, it is possible that enhanced revenues may meet some of the reduction in General Fund dollars. To the extent they do not, the reductions will be achieved primarily by reduced personnel costs. Four positions are currently being held open. Additional positions will remain unfilled through anticipated retirements and a selective hiring freeze. Finally the Department is reviewing current travel budgets for possible savings. These reductions will be done so as not to harm the recent gains in opportunities for women student athletes.

Reductions within the President's Office will primarily impact Strategic Planning Goal # 5.

Office of the Provost/Colleges

\$4,714,601

The Office of the Provost and the collegiate units have carefully reviewed and reexamined their FY02 General Fund budgets to identify reductions that meet the intent of the recently adopted budget principles of which maintaining a strategic direction was an important focal point. However, given the magnitude of the two FY02 budget reductions (\$11M), the academic units will not be able to fully pursue the strategic goals they set for themselves. The academic units have identified temporary actions that will lower their General Fund spending in FY02 and areas that they will consider permanently reducing. The Office of the Provost is currently reviewing the collegiate budget plans to ensure that important University level strategic planning priorities continue to be pursued (i.e. improvement in the four-year graduation rate). The reductions assigned to the colleges ranged from 1.07% to 2.96%. Examples of the impact of these reductions are listed below:

- The two budget reductions (the July 1 reduction and the current mid-year reduction) will cause the elimination of approximately 165 General Fund supported positions in the academic units. Some units will attempt to find non-General Fund sources of budget support to replace the lost General Funds (e.g. clinical earnings). Others have immediately recast their hiring plans so as to lower the number of positions they will have in future periods. Strategic Planning Goals # 1,2,3 and 4 will be impacted.
- The loss of positions due to the budget reductions will force the academic units to reexamine their teaching, research, and service missions. Beginning in the spring of 2002, the colleges will reduce the number of courses being offered, increase minimum class size requirements, work with faculty to rearrange teaching schedules, and reexamine the mix of faculty they can support (tenured, tenure-track, visitors, adjunct, student assistants). These measures, as they unfold, could potentially impact all Strategic Planning Goals.
- Academic units are closely examining each of the programs that receive General Fund support to determine if such support is warranted given the recent budget reductions. Academic units will selectively identify programs for significant reduction of General Fund support. These programs will need to seek out new sources of support for their continued existence. These measures, as they unfold, could potentially impact all Strategic Planning Goals.

- A number of new strategic initiatives will be put on hold. The recently allocated tuition displacement proceeds were to have made a significant improvement in the University's ability to equip classrooms and laboratories with modern technology, build the new Writing Program across campus, and improve service levels in the Libraries through the addition of new professional staff. The Office of the Provost was able to protect these programs in the first FY02 budget reduction. However, it will not be possible to shield these programs from the impact of the mid-year reductions. It has not been determined if these reductions are permanent. These measures will primarily impact Strategic Planning Goals 3 1 and 2.

Office of the VP for Research

\$427,949

Proposed actions for the VP for Research budget reductions in FY2002

- Reductions in staffing; leave vacancies open
(Goal #3 Reduced service to state in archaeological matters; reduced research contributions, less capacity to conduct research marketing and to support technology transfer and economic development; Goal #5 Reduction in organizational productivity and efficiency)
- Reduction in graduate student subventions to Central Research Support Facilities (CRSFs) (Goal #3 Reduce grants to graduate students to pay for use of research instruments at CRSFs)
- Goal #4 reduction in number of conferences and workshops in support for interdisciplinary research activities
- Reductions in travel, publications, recruitment costs and events (Goal #2 Reduce support for faculty start-up expenditures, Goal #3 reduced ability to supply bridge funding)

Information Technology Services

Salary Savings through attrition

Goals #3 & 5 – reduction in IT services used to support research and teaching; reduced organizational capacity to provide University-wide services that are increasingly important to administrative efficiency in academic and non-academic units alike.

Finance and University Services

\$1,612,157

The division of Finance and University Services is addressing the mid year budget reduction evermindful of its stewardship responsibility for the many services provided to the entire University, not just General Education supported units, which include Human Resources, Business Services, Financial Services, Risk Management, Public Safety, Facilities Services and a 40 million dollar utility enterprise. Given the division's charge to provide support and service to the entire campus, the following measures will impact all areas of the strategic plan.

- Many units will be able to absorb a portion of this reduction through attrition as staff members opt for retirement or the early retirement incentive program. Although this will likely involve significant permanent reductions in staff, it is hoped that layoffs can be avoided. If higher reductions are imposed layoffs will likely be unavoidable.
- Travel budgets have been carefully reviewed and have either been totally eliminated or greatly reduced. These cuts can not be sustained long term.

- Reorganizations are contemplated in an attempt to further consolidate activities as opportunities arise.
- Staff tuition grants have been reduced.
- Property leases are being reviewed with the objective of reducing leased space to the greatest extent possible.
- Three interim directors continue to serve dual roles balancing the functions of two positions while allowing the salary savings to accumulate.
- The deferral of projects for the repair and improvement of utility delivery systems will be necessary.
- Progress on the implementation of new and improved financial and administrative systems will be delayed.
- The Associate Vice President positions for the two largest units, Human Resources and Facilities Services will be held vacant while existing staff will be asked to serve in an interim capacity.

Impacts

Although every effort is being made to limit the affect and magnitude of these reductions on the support role with which FUS is charged the following impacts will likely result.

- A diminished ability of the division to respond in a timely manner to the service needs of the entire University as a result of staffing reductions, the doubling up in duties by managerial staff filling interim positions and delays in needed enhancements to administrative and financial systems.
- Opportunities for staff development will be reduced.
- Remaining employees will be called upon to assume additional workload, which will give rise to concerns regarding employee morale, as well as difficulties with recruitment and retention.
- With a reduced workforce it will be necessary to make difficult decisions regarding priorities and redeploy remaining resources accordingly.
- Public Safety will be protected from these reductions creating a greater negative impact on other FUS units. Indeed it will likely be necessary to increase financial support of Public Safety as a result of the added burden of security and terrorism concerns.
- We will maintain the necessary level of funding to the utilities enterprise continuing to provide the campus with the greatest level of reliability and support. Every effort will be made to reduce costs by keeping work environment temperatures cooler in winter and warmer in summer and a variety of other energy conservation strategies. There will be workplace implications and, should the energy conservation targets not be achieved due

to fuel prices or environmental conditions, reallocation will need to occur to support campus utilities.

- If this reduction of \$1.3 million were to be resolved solely through General Fund positions, approximately 35 FTEs would be eliminated within FUS.

VP University Relations

\$88,887

Goals #2 & 5 – Reducing general expense funds also reduces flexibility to respond to opportunities that would enhance ability to maintain strong ties with external constituencies; loss of graduate assistant position in Health Science Relations will have a negative effect on Goal #2

This unit will continue operating with the salary savings from President Coleman's decision to leave the Vice President position vacant with Vice President Skorton in an interim capacity.

Student Services

\$179,925

During the remainder of this year, General Fund positions will be reviewed by the vice president and held open to meet the reduction for the short term. Ongoing departmental functional analysis as it relates to strategic planning and the University principles for reductions will be used to determine permanent reductions and to insure that division-wide and institutional strategic planning objectives are met. Each department is continually reviewing office operations (travel, equipment purchases, hours of operation, etc.) for long term solutions for reducing costs. It is anticipated that graduate assistant positions may also be reduced. The final reduction categories may be reflected differently than those listed below after this analysis has been completed over the next few months.

Reallocation to other funding sources (Strategic Plan Goal #1, #5)

| | |
|-------------------------|----------|
| P&S (includes fringe) | \$82,387 |
| Merit (includes fringe) | \$18,500 |
| General Expense | \$25,951 |

Leave positions open – short term (Strategic Planning Goal #5)

| | |
|-------------------------|----------|
| Merit (includes fringe) | \$18,725 |
| P&S (includes fringe) | \$24,362 |

General Expense (Strategic Plan Goal # 1, #5)

| | |
|--|----------|
| Reduce staff travel, conference attendance, and the Weeks Of Welcome program | \$10,000 |
|--|----------|

Total

\$179,925

University Hospital, Psychiatric Hospital, Center for Disabilities & Development, and SCHS

\$2,066,168

Base Budget Reductions

The University of Iowa Hospitals and Clinics' plans for adjusting to a mid-year deappropriation of 4.3% to the University Hospital Indigent Patient Care Program, the Psychiatric Hospital, the Center for Disabilities and Development, and Specialized Child Health Services will focus on curtailing certain services while continuing to serve the same number of patients.

For example, we are taking the following steps with respect to the Indigent Patient Care Program:

- 1) Limit availability of services to patients with verified state papers. In the past, we sometimes rendered services to individuals who had applied but were not yet verified by the county to be eligible for the program with the expectation papers would be issued.
- 2) A pharmacy formulary comparable to that used by the Medicaid program has been adopted and medical staff will be informed about the appropriate use.
- 3) Certain items that are not covered by Medicaid, such as eyeglasses, hearing aids and replacement prosthetics, will only be available under this program on a very limited basis.
- 4) Only medically necessary services will be provided.
- 5) Van transportation schedules are being revised to minimize the number of overnight stays and meals required. The number of vans operated may be reduced.
- 6) Talks with the Department of Corrections have begun to triage that population earlier and coordinate appointments better to minimize visits to the University of Iowa Hospitals and Clinics.

In addition to the cost saving steps we are taking to serve the Indigent Patients, we are also looking at reducing administrative costs by:

- Delaying hiring or not replacing staff in non-patient care areas
- Further standardization of operating room trays and supplies
- Eliminating duplicative services

Services offered by the Psychiatric Hospital, the Center for Disabilities and Development, and Specialized Child Health Services are also being assessed.

These examples are the beginning, not the end, of evaluating all of our programs and services. While curtailing certain services is inevitable, we remain committed to our mission which includes providing medically necessary services to Iowans, regardless of ability to pay.

| <u>Summary of 4.3% Deappropriations</u> | | |
|---|----------------------------------|-------------------------------------|
| <u>Budget Unit</u> | FY 2002 Appropriation | De-Appropriation Of 4.3% |
| University Hospital Indigent Patient Care Program | 31,835,415 | 1,368,923 |
| Psychiatric Hospital | 8,160,402 | 350,897 |
| Center for Disabilities & Development | 7,332,202 | 315,285 |
| Specialized Child Health Services | 722,395 | 31,063 |
| TOTAL University of Iowa Hospitals and Clinics | | \$2,066,168 |

Possible Budget Ceiling Increase Request

There are two major uncertainties that may cause the University of Iowa Hospitals and Clinics to request a budget ceiling increase later during this fiscal year.

The first uncertainty is how a deappropriation to the Iowa Department of Human Services may result in lower payments to providers, including the University of Iowa Hospitals and Clinics, for services rendered to Medicaid beneficiaries. Should the Department of Human Services reduce Medicaid payment levels, the University of Iowa Hospitals and Clinics would be adversely affected. The University of Iowa Hospitals and Clinics has received no official notice from the Department of Human Services as of this submission.

The second uncertainty is the effect that continued patient volume growth during FY 2002 would have on paying patient revenues and resources consumption at the University of Iowa Hospitals and Clinics.

Growth at the University of Iowa Hospitals and Clinics continued during the first quarter of FY 2002. Specifically, University of Iowa Hospitals and Clinics' acute inpatient admissions for the first quarter of FY2002 was 2.3% over last year's activity and outpatient activity was 7.8% over budget as measured in charges accrued. This growth resulted in higher than expected usage of certain expensive pharmaceuticals, medical/surgical supplies and nursing personnel costs.

It is not possible to predict whether or not patient volumes experienced in the first quarter will continue for the remainder of the fiscal year. If the volumes continue to remain high, or the mix of services rendered involves more complex, resource-intense patient care, there may be a need for a budget ceiling increase request. However, it is not possible to predict the remainder of the fiscal year at this time.

Given these uncertainties around Medicaid funding and volume patterns over the course of the year, University of Iowa Hospitals and Clinics may be requesting a budget ceiling increase prior to the end of fiscal year 2002.

Revised Form 2s

Revised budget worksheets are attached to clarify the effects of the deappropriations, as well as the patient volumes.
attachments

Oakdale Campus

\$132,490

In the short term, the Oakdale Campus will be forced to curtail expenditures from an already insufficient general expense budget. In the longer term, reductions in the workforce through attrition will be necessary. These measures will diminish support and maintenance for the Oakdale Campus which includes the states public health laboratory (The University Hygienic Laboratory). Goal # 5

State Hygienic Laboratory

On October 15, 2001, President Coleman wrote to Governor Vilsack requesting forbearance regarding the proposed reduction in appropriation for the State Hygienic laboratory. This petition was based on the Laboratory's central statutory mission particularly given its role in the war against infectious disease and bioterrorism. It is the University's understanding that the Governor and Legislative leadership are sympathetic to this request. No change in this budget is proposed at this time pending actions of the Governor and the General Assembly. Goal # 5

Family Practice

\$103,578

The 4.3% reduction in the current year's appropriation decreases faculty salary support by \$82,862 across the seven community-based family practice residency programs. The loss of salary support must be made up from additional support from sponsoring hospitals at each site, or from reallocations using funds currently budgeted for teaching conferences, faculty development, and capital replacement. Some sites may have to suspend faculty and staff recruitment efforts if there are additional reductions in state support.

The College of Medicine will make up its share of the reduction (\$20,716) by decreasing its programmatic support of the statewide network of residencies. This level of reduction will result in a substantial curtailment of central support activities, including visiting professor trips to the training sites; UI faculty development activities for community-based faculty; technical and administrative visits to the training sites; meetings at the University for community-based faculty; and University-sponsored trainee recruitment events.

Primary Health Care

\$38,151

As a result of the 4.3% budget reversion, the Primary Care Initiative cuts will present challenges to the promotion, training and provision of Primary Care. The majority of the cuts will be made in the Department of Family Medicine and the Regional Medical Education Center Grants. The Department of Family Medicine will once again be called upon to use patient care revenues to subsidize this educational mission. As downward pressure on these reimbursements continues, we find it increasingly difficult to continue this cross-subsidization. The Regional Medical Education Center Grants will be decreased to each site. This will mean reduced support of faculty and professional salaries. This could mean a reduction in training opportunities statewide.

Special Purpose

\$84,644

Special Purpose units report the following measures and impacts associated with appropriation reductions.

| Appropriated Unit | 4.3% reduction | Category |
|---|----------------|----------------------------|
| Statewide Cancer Registry Goal #4 Provide fewer services to constituents | \$ 8,976 | General expense reduction |
| Substance Abuse Goal #4 Provide fewer services to constituents | 3,240 | General expense reduction |
| Biocatalysis Goal #3 Reduced capacity and efficiency in development of biocatalysis and bioprocessing technologies | 44,557 | General expense reduction |
| Advanced Drug Development Goal #3 Decrease in number of projects and inability to expand the capabilities of CADD by attracting qualified personnel | 11,450 | P&S position open |
| TIC/ORP Goal #3 reduction in ability to support technology transfer and economic development | 14,188 | Reduce general expense |
| Iowa Birth Defects Registry Goal #3 & 4 Reduction in ability to conduct and compete for future projects and reduction in education and outreach service the Registry provides to state | 2,233 | Reduced P&S salary support |

THE UNIVERSITY OF IOWA
FY 2002 Appropriated Units

| <u>Budget Unit</u> | <u>Total Budget</u> | <u>Appropriation</u> | <u>4.3% of Appropriation</u> |
|------------------------------------|---------------------|----------------------|------------------------------|
| General University | 426,934,130 | 252,697,120 | 10,865,976 |
| University Hospital | 497,813,900 | 31,835,415 | 1,368,923 |
| Psychiatric Hospital | 18,760,200 | 8,160,402 | 350,897 |
| Ctr for Disabilities & Development | 9,013,400 | 7,332,202 | 315,285 |
| Oakdale Campus | 3,512,157 | 3,081,157 | 132,490 |
| Hygienic Laboratory | 6,537,414 | 4,158,633 | 0 - |
| Family Practice | 2,440,790 | 2,408,790 | 103,578 |
| SCHS | 4,801,426 | 722,395 | 31,063 |
| Primary Health Care | 887,221 | 887,221 | 38,151 |
| Statewide Cancer Registry | 208,738 | 208,738 | 8,976 |
| Substance Abuse | 75,348 | 75,348 | 3,240 |
| Biocatalysis | 1,036,208 | 1,036,208 | 44,557 |
| Advanced Drug Development | 266,272 | 266,272 | 11,450 |
| Oakdale Research Park | 224,109 | 224,109 | 9,637 |
| Technology Innovation Center | 105,834 | 105,834 | 4,551 |
| Iowa Birth Defects Registry | <u>51,935</u> | <u>51,935</u> | <u>2,233</u> |
| Total | 972,669,082 | 313,251,779 | 13,291,007 |

Principles for Addressing FY-2002
General Education Fund Budget Reductions

1. The 2000-2005 University of Iowa strategic plan and core values will provide the framework for developing the university's response to the proposed deappropriations from the state. The focus should be on preserving academic strength and supporting the most vital missions of the university.

2. The president and university administrators will seek input from faculty, staff and student leaders on budget reductions and the allocation of reductions across units as well as in identifying potential cost savings.

- Communication with internal and external constituencies by the president, UI administrators and collegiate administrators will be timely and on-going.

3. Vice presidents and deans must assure that all faculty and staff contribute to meeting the objectives of these principles.

4. Budget reduction strategies must protect the university's ability to recruit and retain students and to meet four-year graduation plan obligations.

5. Budgeted financial aid will not be diminished.

6. Essential support to research programs and research support units will be maintained at a level that does not unduly jeopardize critical scholarly programs and the continuation or growth of external funding.

7. The allocation to resource pools such as building repair, equipment and classroom improvements will be scrutinized to determine where deferrals can occur or where investments must be continued, consistent with our stewardship responsibilities.

8. Vice presidents, deans and unit directors will be given flexibility in achieving savings within a framework that includes these principles:

- Budget reductions must achieve net savings to the General Education Fund.
- Decisions about cost reductions must always consider the impact on revenue generation.
- Budget reductions must produce required savings in FY2002, and savings must be sustainable or alternative reductions made in FY2003.
- Units should review existing programs in light of university, collegiate and departmental missions and goals, including the university's diversity goals. Based upon centrality and quality, selected programs should be subject to increased reductions or elimination.
- Units should explore enhanced efficiencies, including consolidation of programs and services within and across units.
- Vice presidents and deans should maximize savings from current and upcoming position vacancies by scrutinizing the filling of every General Education Fund-supported position.
- Temporary and permanent layoffs will be utilized to the degree necessary with all unit layoff plans, temporary or permanent, reviewed in advance by university administration and authorized before proceeding.