

An Analysis of Revenues and Expenditures at the University of  
Northern Iowa

Prepared by

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# An Analysis of Revenues and Expenditures at the University of Northern Iowa

This study examines revenues and expenditures at the University of Northern Iowa (UNI) using data obtained from the U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS), the University of Northern Iowa's Supplement to the Comprehensive Annual Financial Report (Supplement Reports) for various years, and selected Board of Regents reports. IPEDS is the most reliable source of data for comparing multiple institutions of higher education, because this data is certified by the reporting institutions as being complete and accurate. Also, the UNI Supplement Reports are certified by the Controller and Vice President for Administration and Finance at UNI to be in conformance with the highest standards of financial accountability. Similarly, the data contained in Board of Regents reports is regarded as being accurate. In short, there are no sources of revenue and expenditure data more accurate than those used in this study.

A comparison of UNI revenues and expenses with those at similar universities is performed using the ten peer institutions used by the Board of Regents to study faculty salaries at UNI. The Board of Regents also has compiled similar lists of peer institutions for the other two Regents Universities in Iowa. The institutions in the UNI peer list represent the Board's best effort at identifying universities that are comparable to UNI.

Comparison of UNI to its peers is performed using ratios of major IPEDS revenue and expense categories. Ratios are preferable to dollar amounts, because the ratios tend

not to fluctuate with the size or scale of the institutions being compared. Expense ratios (expenditures on a particular item divided by total expenditures) can be interpreted as measures of the priority or importance of each expense category within the institution, while revenue ratios (revenues on a particular item divided by total revenues) can be interpreted as measures of the extent to which a university depends upon a particular revenue source. Comparing UNI to its peer's ratios reveals the differences in the priority or importance of each expense/revenue category to the institutions. For example, if UNI spends a larger proportion of its funds in some particular area than any of its peers, then UNI places a higher priority or greater importance on that area than its peers. Similarly, if UNI has a higher ratio for a particular revenue category, then UNI depends more on that source than do its peers. However, the data cannot explain why any particular area has a higher priority or greater importance than another.

Unfortunately, the IPEDS data does not shed much light on expenses/revenues within any particular category. So, in order to study some of the expense categories with greater detail, other data is necessary. This study singles out a few of the more interesting expenses areas for further study using UNI Supplement Financial and Board of Regents Reports.

### Analysis of IPEDS Data

IPEDS collects expenditure data in twelve categories. Two of these categories (hospital services and independent operations) have zero dollar expenditures reported for UNI and all of its ten peer institutions, while the "other" category contains too little detail

to be of interest. Therefore, the analysis will focus on the remaining nine IPEDS categories that are defined in Table 1.

Figure 1 shows the distribution of expenditures at UNI among the IPEDS categories, including the “other” category for completeness. As expected, instructional expenditures is the largest category. The spending on auxiliary enterprises (18%) ranks second. The share of total spending of the other categories is also show in Figure 1.

Table 2 reports the ratio of each of the eight expenditure categories divided by total operating expenses (the sum of all of the major categories) for the latest year for which IPEDS data is available (2004-05). Within each category the institutions are arranged in rank order, from largest to smallest, with UNI in bold print. The data reveals that UNI places a relatively high priority/importance on public service, institutional support, and auxiliary enterprise expenditures, while placing a relatively low priority/importance on instructional, research, student services, and scholarships and fellowships expenditures. Expenditures at UNI on plant operations and maintenance rank close to the middle of its peers. Analysis of previous years IPEDS data (1996-97 thru 2003-04) shows that the priorities revealed in Table 2 for the 2004-05 fiscal year have been in place for at least the past ten years.<sup>1</sup>

Table 3 summarizes the items (taken from Table 1) included in the expenditure categories in which UNI ranks either very high or very low by listing the expenditure items included within each major category. If the central administration at UNI wishes to adjust the allocation of resources at UNI such that these resources more closely reflect the allocations at UNI’s peer institutions, then the information in Table 3 should prove

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<sup>1</sup> In order to save space, these historical data are not included in this report, but are available from the author upon request.

useful. This information also helps to understand better the nature of these IPEDS expenditure categories.

Table 4 reports similar rankings of the ratio of two key revenue categories to the sum of these two sources of revenue. Other sources of revenue, such as grants and contracts, are not included in this analysis, because most of these revenues are restricted in how they can be spent. Two of the most important sources of revenue for any university are tuition and fees and state appropriations. The ratio of tuition and fees and state appropriations to the sum of these two items represents the extent to which the institution depends on these sources of revenue. UNI ranks eighth among its ten peers in terms of its dependence upon tuition and fees as a source of revenue; it ranks fifth in terms of its dependence upon state appropriations. Although there is not a whole lot that the university can do to increase state appropriations, the Board of Regents has complete control over tuition and fees. For example, the Board of Regents could decrease its dependence upon state appropriations by increasing tuition and fees, but it could not unilaterally do the opposite. Over the past few years, the Board of Regents has been forced to increase tuition and fees in response to dwelling state appropriations, but so have its peer institution. But, as the data reveal, UNI depends less on tuition and fees revenues than do nearly all of its peers.

#### Analysis of UNI Financial and Board of Regents Reports

The auxiliary enterprises IPEDS expenditure category is worthy of further analysis for three reasons: First, UNI ranks second only to the University of Minnesota – Duluth in terms of the share of its total operating expenditures devoted to auxiliary

enterprise activities. Second, UNI's auxiliary enterprise expenditures represent a significant share (18%) of its total operating costs. Third, many auxiliary enterprise activities are not critical to the educational mission of a university. For example, there are many universities more renowned than UNI that do not compete in intercollegiate football, that do not operate wellness centers, or that do not operate a performing arts center. Indeed, it is not uncommon for the auxiliary enterprise areas of some universities to be completely self-sustaining, or even to produce an operating revenue surplus. The question of how much of its resources UNI should devote to these auxiliary activities is a normative question that cannot be answered by this study. However, the amount of resources that UNI devotes to these activities can be examined. Unfortunately, IPEDS data does not contain sufficient detail to make an analysis of expenditures within the auxiliary enterprises category. However, UNI financial and some Board of Regents reports do contain this detail.

Table 5 presents an overview of the major areas of auxiliary enterprise expenditures at UNI as reported in the university's most recent (2005-06) Annual Financial Report. The residence halls represent the largest area within auxiliary enterprises at UNI, followed by intercollegiate athletics and miscellaneous. It is not uncommon for residence halls to be a large operation at a non-urban university, such as UNI, where many students live on campus. Also, Iowa law requires that all revenues generated by residence halls be devoted to its residence halls; the university cannot divert excess revenues generated from the operations of residence halls to subsidize other areas within the university. Figure 2 contains a bar chart of the revenues and expenses for all of the auxiliary enterprise areas except residence halls; the residence halls are omitted,

because excess revenues in this area are required by state law to remain in the area.

Figure 2 reveals the extent to which intercollegiate athletics dominates auxiliary expenditures at UNI.

The rather large level of revenues/expenditures in the miscellaneous area deserves further mention. The major items included in this area are parking operations, new student programs, registration services, football playoffs, apple resale operating account, dramatic arts, PLS hot lunch program, rental properties, plus many small items related to intercollegiate athletics. The football playoffs item, of course, will vary from year to year, depending upon the success of the football team. The field house area represents UNI Dome operations.

Some areas within auxiliary enterprises receive support from the General Education Fund (primarily state appropriations, tuition and some fees) over and above any student fees dedicated to these areas. Table 6 presents the amount of General Education Funds allocated to subsidize the operations of these three areas in 2005-06. Each of these areas generates revenues. But, the revenues generated (earmarked student fees, ticket sales, etc.) are not sufficient to pay all of the expenses in some of these areas. Currently, UNI takes nearly nine million dollars out of its state appropriations and tuition and fees revenues to subsidize various auxiliary enterprise operations. The largest subsidy goes to support intercollegiate athletics. Figure 3 shows the General Education Fund subsidies paid to intercollegiate athletics, the Gallagher-Bluedorn PAC, the wellness and recreation center, and Mauker Union for the past seven years. Clearly, the size of the subsidy paid to intercollegiate athletics has been growing more dramatically than the other areas.

It is difficult to judge the extent to which any particular operation within the university should be subsidized. One way to assess these subsidies is to compare them to subsidies at other universities. Unfortunately, IPEDS data does not contain sufficient detail to perform this comparison. But, the Board of Regents singles out one of these areas, namely intercollegiate athletics, for comparison across the three Regents Universities. Table 7 shows the dollar amount of General Education Funds and percent of total revenues that each university has budgeted in 2006-07 for the support of athletics. The percent of total revenues in athletics that comes from the General Education Fund varies widely among the three universities, with the UNI General Education Fund support of athletics representing over half of the total revenues going into this area. At SUI and ISU, the subsidy amounts to 2.81% and 8.86%, respectively, of their total revenues. Table 7 also reveals that the dollar amount of the subsidy paid to intercollegiate athletics at UNI is nearly double that paid to ISU and over three times the subsidy paid to SUI.

### Summary

Examination of IPEDS data reveals that relative to its ten peer institutions, UNI places a higher priority on public services, institutional support, and auxiliary enterprises, while placing a lower priority on instructional support, research, student services, and scholarships and fellowships. Whether these priorities are appropriate or not is not addressed in this study. But, one possible guide for determining the appropriate priorities is the priorities at UNI's peer institutions reported in this study. The IPEDS data also reveals that UNI depends on state appropriations more than tuition and fees revenues relative to its peer institutions.

Examination of UNI's Financial Reports reveals that several areas within auxiliary enterprises receive substantial subsidies paid from the General Education Fund (primarily state appropriations and tuition and fees income). Intercollegiate athletics receives the largest subsidy, and the amount of this subsidy has been growing dramatically over time. In addition, intercollegiate athletics at UNI depends much more heavily on General Education Fund subsidies than do intercollegiate athletics at the other two Regents universities. Certainly, intercollegiate athletics represents an important dimension of any university. But, the extent to which a university subsidizes intercollegiate athletics deserves careful study. The data reported in this study suggests that UNI places an extraordinarily high priority on, and diverts a substantially large amount of its state appropriations and tuition and fees income to support intercollegiate athletics at the expense of support to the instructional activities of the university. This practice deserves more careful scrutiny and evaluation.

The data also reveals that UNI places a relatively high priority on public service and institutional support activities. Unfortunately, detailed data regarding these two areas is not reported in the UNI Financial Reports similar to the data for auxiliary enterprises and intercollegiate athletics. But, simply because more detailed data is not readily available for these two areas, they too represent expenditures that deserve closer attention. Indeed, the fact that the expenditures in the areas of public service and institutional support are not easily identifiable in the standard UNI Financial Reports, suggests that these expenditures are probably not being scrutinized to the same degree as expenditures in the auxiliary enterprises area.

Similarly, the relatively low priority that UNI places on instruction might be a matter of grave concern for some. A reasonable person might regard instruction as the major mission of a university such as UNI. Yet, according to the data, instruction is given a relatively low priority at UNI. Unfortunately, UNI's Financial Reports do not report instructional expenditures in the same manner as auxiliary enterprises. A more detailed examination of the instructional expenditures at UNI might reveal valuable insight into the most important operations of the university.

Table 1

Definitions of the Major IPEDS Expense Categories

Instruction - total expenses is the sum of all operating expenses associated with the colleges, schools, departments, and other instructional divisions of the institution and for departmental research and public service that are not separately budgeted. This would include compensation for academic instruction, occupational and vocational instruction, community education, preparatory and adult basic education, and remedial and tutorial instruction conducted by the teaching faculty for the institution's students.

Research - total expenses is the sum of all operating expenses associated with activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution. The category includes institutes and research centers and individual and project research. This function does not include non-research sponsored programs (e.g., training programs).

Public service - total expenses is the sum of all operating expenses associated with activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. Examples are conferences, institutes, general advisory services, reference bureaus, and similar services provided to particular sectors of the community. This function includes expenses for community services, cooperative extension services, and public broadcasting services.

Student services - total expenses is the sum of all operating expenses associated with admissions, registrar activities, and activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instructional program. Examples include student activities, cultural events, student newspapers, intramural athletics, student organizations, supplemental instruction outside the normal academic program (remedial instruction for example), career guidance, counseling, financial aid administration, and student records.

Institutional support - total expenses is the sum of all operating expenses associated with the day-to-day operational support of the institution. Includes expenses for general administrative services, central executive-level activities concerned with management and long range planning, legal and fiscal operations, space management, employee personnel and records, logistical services such as purchasing and printing, and public relations and development.

Table 1  
(Continued)

Operation and maintenance of plant - total expenses is the sum of all operating expenses associated with operations established to provide service and maintenance related to campus grounds and facilities used for educational and general purposes.

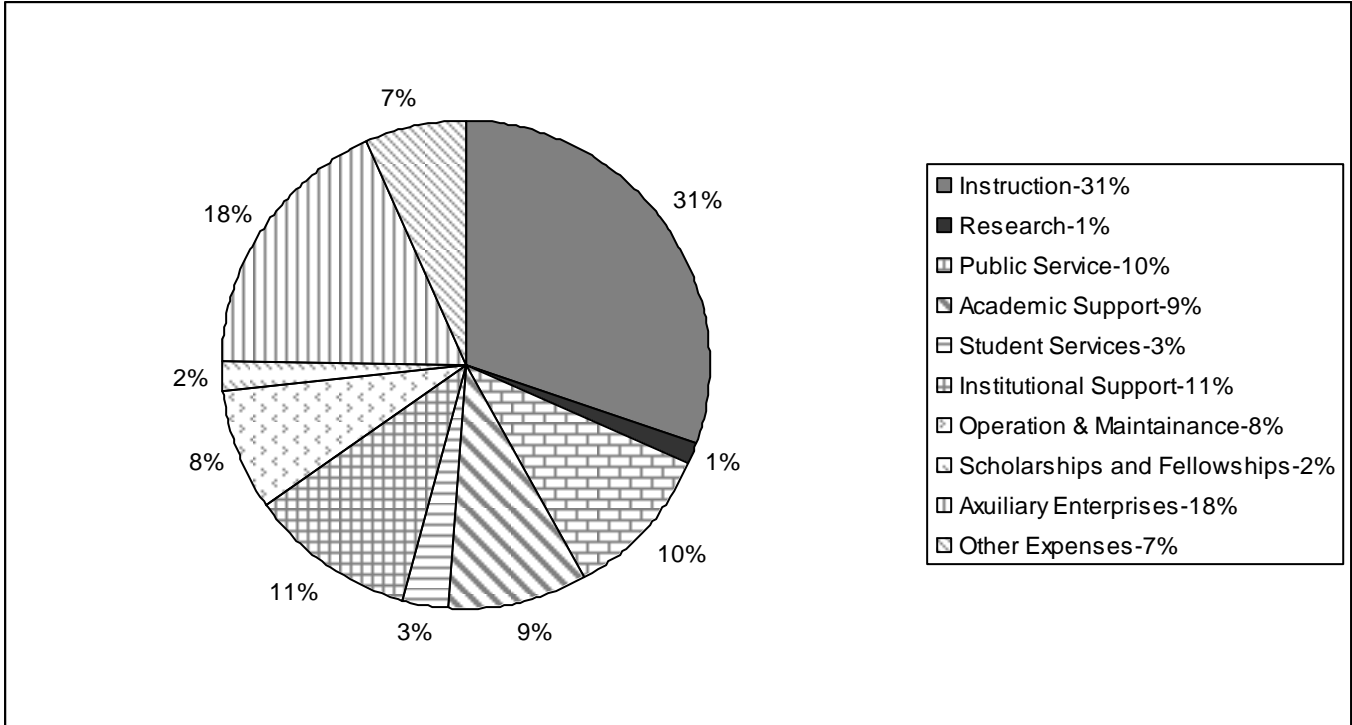
Academic support - total expenses is the sum of all operating expenses associated with activities and services that support the institution's primary missions of instruction, research, and public service.

Scholarships and fellowships - total expenses is the sum of all operating expenses associated with scholarships and fellowships treated as expenses because the institution incurs an incremental expense in the provision of a good or service. Thus, payments, made to students or third parties in support of the total cost of education are expenses if those payments are made for goods and services not provided by the institution. Examples include payments for services to third parties (including students) for off-campus housing or for the cost of board provided by institutional contract meal plans. The amount of expense in this function is the total of all institutional scholarships reduced by the amount that is classified as discounts and allowances.

Auxiliary enterprises - total expenses is the sum of all operating expenses associated with essentially self-supporting operations of the institution that exist to furnish a service to students, faculty, or staff, and that charge a fee that is directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services, student health services, intercollegiate athletics (only if essentially self-supporting), college unions, college stores, faculty and staff parking, and faculty housing.

Source: U.S. Department of Education, IPEDS.

Figure 1  
Distribution of Expenditures at UNI  
(2004-05)



Source: U.S. Department of Education, IPEDS.

Table 2

UNI's Rank Among Peers for Major IPEDS Expense Ratios  
(2004-05)

Institution	Instructional
University of Wisconsin-Eau Claire	0.39286127
Central Michigan University	0.39212313
California State University-Fresno	0.39008628
University of North Texas	0.37334505
Ohio University-Main Campus	0.36626645
Indiana State University	0.36319928
University of North Carolina at Greensboro	0.3571988
Illinois State University	0.35289677
Northern Arizona University	0.35185357
<b>University of Northern Iowa</b>	<b>0.30377836</b>
University of Minnesota-Duluth	0.29232376
	Research
University of Minnesota-Duluth	0.09019273
Ohio University-Main Campus	0.07956061
Northern Arizona University	0.07032724
Indiana State University	0.06239633
Illinois State University	0.05174134
University of North Carolina at Greensboro	0.04711121
University of North Texas	0.03617994
Central Michigan University	0.02129854
<b>University of Northern Iowa</b>	<b>0.01187553</b>
University of Wisconsin-Eau Claire	0.00762597
California State University-Fresno	0
	Public Service
<b>University of Northern Iowa</b>	<b>0.10452653</b>
Northern Arizona University	0.07953912
University of North Carolina at Greensboro	0.05138592
Central Michigan University	0.04984298
Illinois State University	0.04421976
Ohio University-Main Campus	0.04309402
University of Wisconsin-Eau Claire	0.02450165
University of Minnesota-Duluth	0.02346638
University of North Texas	0.01839902
Indiana State University	0.0070374
California State University-Fresno	0.00702865

Academic Support

California State University-Fresno	0.14011723
University of Wisconsin-Eau Claire	0.11593961
University of North Carolina at Greensboro	0.10752263
<b>University of Northern Iowa</b>	<b>0.09149064</b>
University of North Texas	0.09088654
Ohio University-Main Campus	0.08882866
University of Minnesota-Duluth	0.08141414
Central Michigan University	0.07603541
Indiana State University	0.07493887
Northern Arizona University	0.07372881
Illinois State University	0.04043322

Student Services

University of Wisconsin-Eau Claire	0.13680118
University of North Texas	0.11588868
Illinois State University	0.10603227
California State University-Fresno	0.09369675
Northern Arizona University	0.07181911
Indiana State University	0.05092874
Central Michigan University	0.05014622
University of Minnesota-Duluth	0.04772624
University of North Carolina at Greensboro	0.04707512
Ohio University-Main Campus	0.04033162
<b>University of Northern Iowa</b>	<b>0.03046178</b>

Institutional Support

<b>University of Northern Iowa</b>	<b>0.11111119</b>
Northern Arizona University	0.09754772
Indiana State University	0.09636994
Illinois State University	0.09116114
University of North Carolina at Greensboro	0.08923104
Ohio University-Main Campus	0.07925605
Central Michigan University	0.07752482
University of North Texas	0.06871413
University of Wisconsin-Eau Claire	0.065871
California State University-Fresno	0.06412188
University of Minnesota-Duluth	0.05834004

	Physical Plant
Indiana State University	0.11883012
University of North Carolina at Greensboro	0.10823103
University of Minnesota-Duluth	0.10632062
University of North Texas	0.08197918
<b>University of Northern Iowa</b>	<b>0.07894256</b>
Ohio University-Main Campus	0.07801092
University of Wisconsin-Eau Claire	0.07548
Illinois State University	0.07362811
California State University-Fresno	0.06546137
Northern Arizona University	0.0589233
Central Michigan University	0.0437099

	Scholarship and Fellowships
California State University-Fresno	0.16589627
University of North Texas	0.08498957
Illinois State University	0.05480159
Central Michigan University	0.05099979
University of Minnesota-Duluth	0.05025561
University of North Carolina at Greensboro	0.04739447
Northern Arizona University	0.03810325
University of Wisconsin-Eau Claire	0.03118773
Indiana State University	0.02960443
<b>University of Northern Iowa</b>	<b>0.02154489</b>
Ohio University-Main Campus	0.00951007

	Auxiliary Enterprises
University of Minnesota-Duluth	0.19217746
<b>University of Northern Iowa</b>	<b>0.18023466</b>
Central Michigan University	0.17472986
Ohio University-Main Campus	0.14849244
Indiana State University	0.13890983
Illinois State University	0.13637416
University of North Carolina at Greensboro	0.10830394
University of Wisconsin-Eau Claire	0.10604091
Northern Arizona University	0.09997783
University of North Texas	0.08689801
California State University-Fresno	0.03502724

Source: U.S. Department of Education, IPEDS.

Table 3

Summary of Items Included in Critical Expenditure Categories at UNI

A. Categories in Which UNI Ranks Very High

Category (Rank)	UNI Items Included
Public Service (First)	conferences, institutes, general advisory services, reference bureaus, community services, cooperative extension services, public broadcasting services
Institutional Support (First)	administrative services (president, vice-presidents, deans, etc.), central executive-level, legal and fiscal operations, space management, employee personnel and records, purchasing and printing, public relations and development
Auxiliary Enterprise (Second)	residence halls, food services, student health, intercollegiate athletics, college unions, college stores, faculty and staff parking, wellness center, performing arts center

B. Categories in Which UNI Ranks Very Low

Category (Rank)	UNI Items Included
Instructional Support (Tenth - Next to Last)	all operating expenses (salaries, benefits, supplies & services) within the colleges, schools, departments, and other instructional divisions of the institution (primarily faculty salaries and benefits), departmental research and public service that are not separately budgeted
Research (Tenth – Next to Last)	institutes and research centers, individual and project research, does not included non-research sponsored programs (e.g. training)
Student Services (Last)	admissions, registrar activities, student activities, cultural events, student newspapers, intramural athletics, student organizations career guidance, counseling, financial aid administration, student records
Scholarships & Fellowships	all institutional scholarships and fellowships reduced by the amount that is classified as discounts and allowances (e.g. for tuition & fees)

Table 4

UNI's Rank among Peers for Two Key IPEDS Revenue Categories  
(2004-05)

Institution Name	Tuition & Fees/Total Revenues
Central Michigan University	0.387714013
Ohio University-Main Campus	0.384646023
University of North Texas	0.373630354
University of Minnesota-Duluth	0.359366583
University of Wisconsin-Eau Claire	0.299240444
Illinois State University	0.254716466
Northern Arizona University	0.238650546
California State University-Fresno	0.229774765
<b>University of Northern Iowa</b>	<b>0.224290099</b>
University of North Carolina at Greensboro	0.192633585
Indiana State University	0.189391416

Institution Name	State Appropriations/Total Revenues
California State University-Fresno	0.568667571
Indiana State University	0.450445996
Northern Arizona University	0.378752436
University of North Carolina at Greensboro	0.362577901
<b>University of Northern Iowa</b>	<b>0.342087692</b>
University of Wisconsin-Eau Claire	0.313617972
University of North Texas	0.285516649
Ohio University-Main Campus	0.258187815
Illinois State University	0.254748909
Central Michigan University	0.250513905
University of Minnesota-Duluth	0.215048272

Source: U.S. Department of Education, IPEDS.

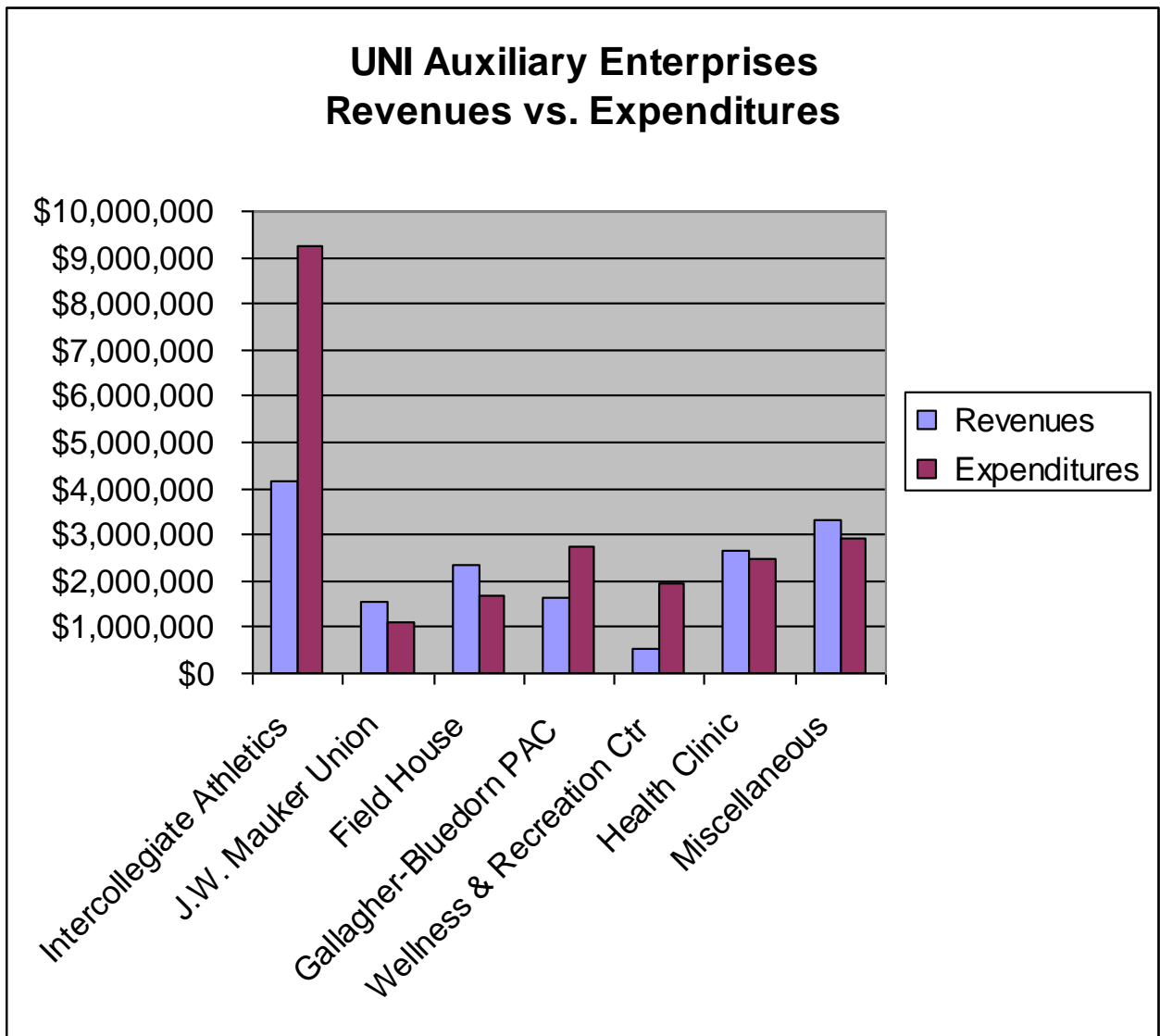
Table 5

Summary of Auxiliary Enterprise Revenues and Expenditures at UNI  
(2005-06)

Area	Revenues	Expenditures
Residence System	\$27,343,895	\$21,164,769
Intercollegiate Athletics	\$4,172,916	\$9,260,964
J.W. Mauker Union	\$1,560,743	\$1,121,446
Field House	\$2,353,994	\$1,700,875
Gallagher-Bluedorn PAC	\$1,619,195	\$2,735,877
Wellness & Recreation Ctr	\$529,076	\$1,930,989
Health Clinic	\$2,670,545	\$2,493,100
Miscellaneous	\$3,299,268	\$2,902,197
Total Auxiliary Enterprises	\$43,549,632	\$43,310,217

Source: 2005-06 Supplement to the Comprehensive Annual Financial Report, University of Northern Iowa.

Figure 2



Source: UNI Supplement to the Comprehensive Annual Financial Report, 2005-06.

Table 6

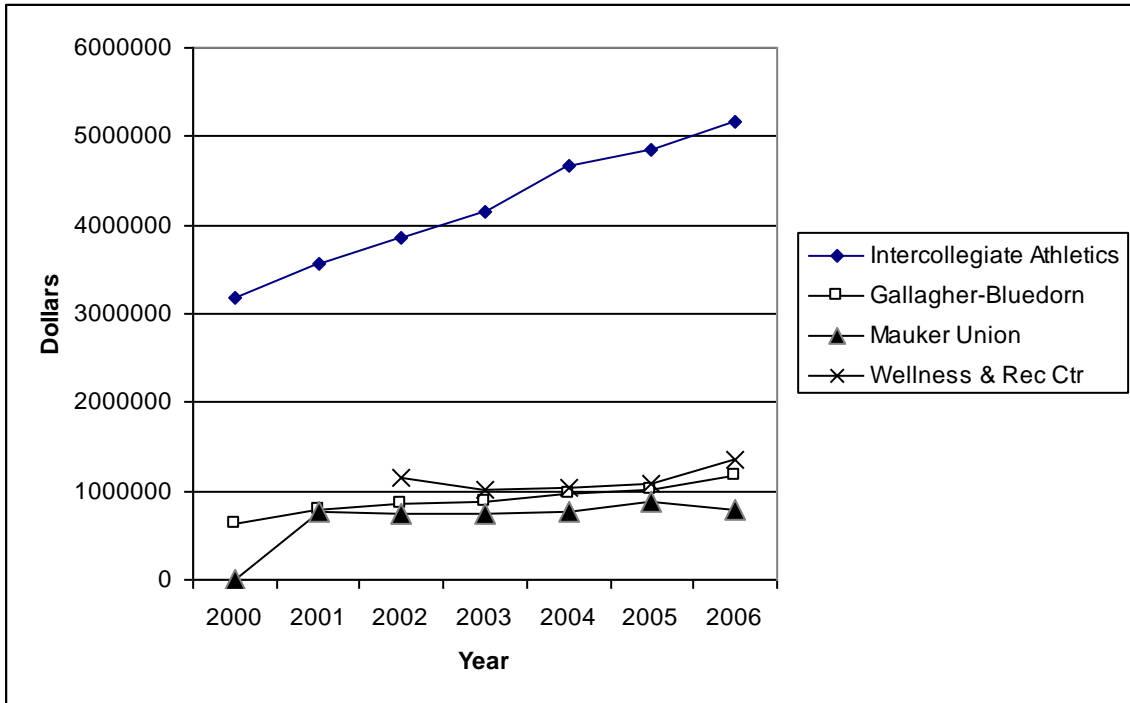
General Education Funds Diverted to Subsidize Auxiliary Enterprise Areas  
(2005-06)

Area	Amount
Intercollegiate Athletics	\$5,156,086
Gallagher-Bluedorn PAC	\$1,164,205
Wellness & Recreation Ctr	\$1,351,482
J.W. Mauker Union	\$796,277
Health Clinic	\$389,040
Total	\$8,857,090

Source: 2005-06 Supplement to the Comprehensive Annual Financial Report, University of Northern Iowa

Figure 3

Intercollegiate Athletics, Gallagher-Bluedorn PAC, Mauker Union, and Wellness & Recreation Center General Education Fund Subsidies  
(2000 thru 2006)



Source: UNI Supplement to Annual Financial Report, 2000 thru 2006.

Table 7

Comparison of General Education Funds Allocated to Intercollegiate Athletics at UNI,  
SUI, and ISU

Area	SUI		ISU		UNI	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
General Education Fund Support	\$1,573,359	2.81%	\$2,974,067	8.86%	\$5,083,347	53.63%

Source: “Approval of FY 2007 University Budgets, Agenda Item 7, August 8-9, 2006”  
Board of Regents, State of Iowa.