

Prepared Remarks for Delivery to the Iowa Board of Regents

by

Professor Hans Isakson
President
UNI United Faculty/AAUP
University of Northern Iowa

on

October 28, 2010

at

Cedar Falls, IA

Thank you, President Miles for your invitation to speak to the Board today. I appreciate the Board's willingness to hear from United Faculty. As President of United Faculty, we are committed to working with you and President Allen in a good faith effort to resolve the current budget crisis. United Faculty shares your frustrations and concerns regarding the impact of this crisis on the quality of higher education in Iowa in general and at the University of Northern Iowa in particular.

I would like to begin my remarks by stating that my our goal is to protect the short and long-term integrity of the academic programs at UNI, and to protect the jobs, wages, and benefits of UNI faculty. I am especially concerned that solutions which reduce funding for our faculty and academic programs will drive away our brightest and best faculty, while lowering the morale of the remaining faculty. Low morale worries United Faculty, because it leads to lower faculty productivity, thus possibly reducing the quality of higher education.

Given the urgency of this crisis, United Faculty is prepared to explore with you ways to deal with the budget situation while achieving the above goals. In this spirit, I wish to provide the following perspectives.

Speaking as an economist, I urge the Board and President Allen to implement strategic spending cuts, rather than across-the-board cuts, such as furloughs. Furloughs are especially difficult to implement with faculty, because the work that a faculty member is expected to complete is never taken over by another worker, while that faculty member is on furlough. At an All Faculty meeting yesterday afternoon, there was overwhelming opposition to the concept of staggered furloughs. Given the choice between contrived furloughs and a salary cut, the faculty at this meeting found salary cuts to be more transparent and the lesser evil.

Across-the-board spending cuts, such as furloughs or salary cuts, will invariably erode the core competencies of this university, while strategic cuts can be crafted to protect those parts of the university that contribute most to the university's value added. I understand that across-the-board cuts are easier and faster to implement than strategic cuts, but the damage these across-the-board cuts can do far outweigh their merits. Across-the-board cuts falsely appear more equitable, when in fact they are simply consistent. The notion that "everyone shares the pain" is somehow equitable is misguided, in my opinion. I also recognize that UNI has been able to largely protect its core competencies during the last few rounds of spending cuts, mostly by using non-reoccurring funds. Yet, now is not the time to embrace across-the-board cuts simply because they are convenient. The key question is whether there are opportunities within the university where strategic cuts could be made this fiscal year. In my opinion, these opportunities exist, but they represent bigger ticket items than a university would normally consider cutting. Enacting these types of strategic cuts will be difficult and unpopular decisions. Just ask President about the heat he endured after eliminating the baseball program at UNI. But, if these decisions are not made now, when will they be made? Let me share with you some of the opportunities for strategic cuts at UNI.

Last spring, the UNI University Faculty Senate approved a recommendation that the university reduce the share of General Education Funds allocated to the university's non-academic auxiliary activities in order to increase the share allocated to instruction. Examples of these non-academic activities include Intercollegiate Athletics, GBPAC, Student Health Center, Wellness Center, and Maucker Union. The accompanying chart illustrates the growth in General Education Funds allocated to these activities over the previous nine years for which audited data is available. Given the urgency of the current situation, I recommend that the process of

reallocating General Education Funds into the university's instructional activities be accelerated to the fullest extent possible.

Another area worth investigating is the growth in the non-academic components of the university. According to UNI's Fact Book, the number of tenured and tenure-track faculty at UNI has increased by 17 faculty members over the past five years, while over the same time period, an additional 79 non-academic positions were added to the university payroll. Overall, as shown in the attached table, during the past five years, enrollments declined, total revenues increased 7.2 percent, tuition and fee revenues increased 18.2 percent, yet tenured and tenure track positions increased by only 3.2 percent. Another way to view this data is in terms of the number of non-academic positions for each tenured and tenure track position. In 2004, there were 2.17 non-academic positions for each tenured and tenured track faculty member. In 2008, this number increased to 2.25. If the university got by in 2004 with far fewer non-academic personnel, perhaps it could get by today, with the same number as in 2004.

This past year, President Allen wisely formed two taskforces to generate suggestions to enhance revenues and contain costs. These recommendations have already been shared with the Board. I feel that these recommendations are well reasoned and many of them could be implemented now rather than later. All it really takes is the political will to make the difficult decisions necessary to preserve the integrity of academic programs at UNI while simultaneously protecting faculty positions, salaries, and benefits.

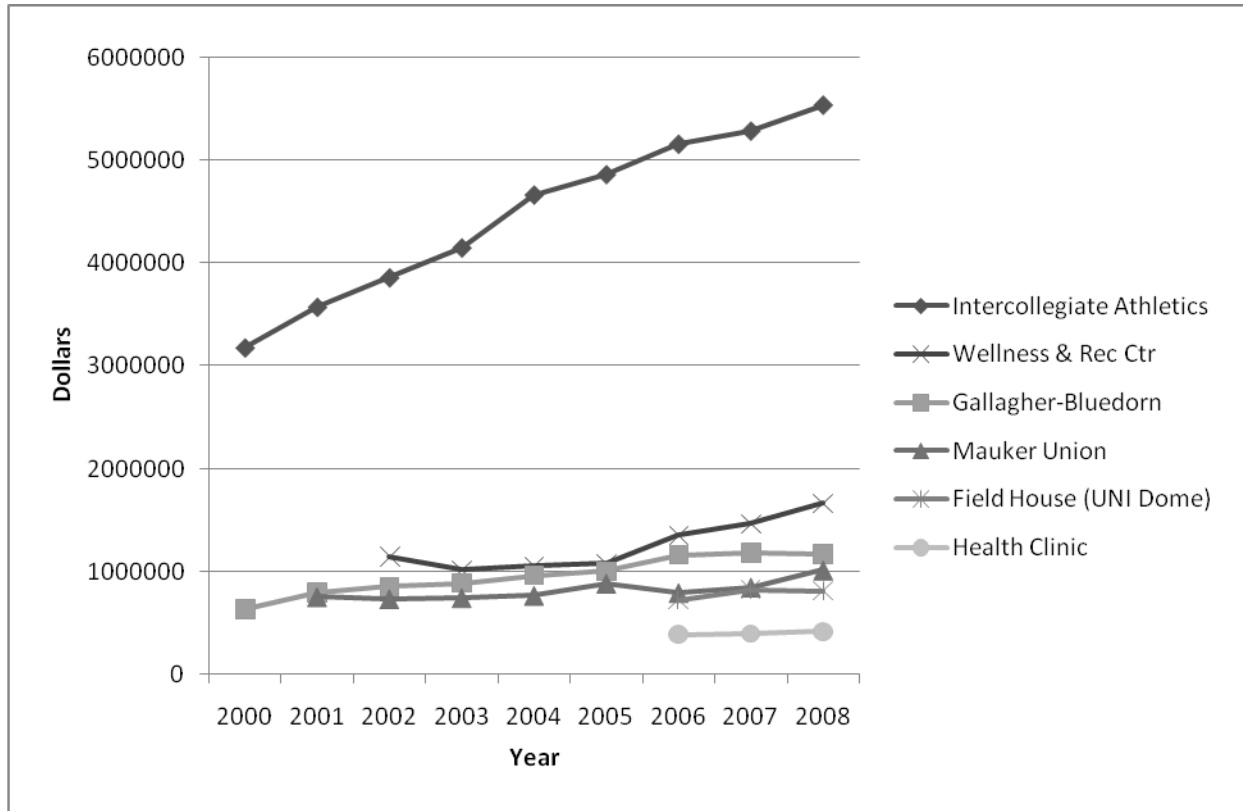
Another area where more strategic cuts could be made is in the faculty health benefits plan. As you know, the faculty health benefits plan at UNI is self-funded. This plan has built up a considerable surplus, some \$6 million, over the past few years. This surplus represents nearly six months of claims, far more than what is needed to keep the plan actuarially sound. Because

the university contributes much more to this plan than faculty, by reducing the premiums in this plan, the university could save several million dollars without jeopardizing the integrity of the plan.

As you can see from my remarks, there is opportunity for strategic spending cuts at UNI which would go a long way toward achieving the goals I stated earlier.

I wish to thank the Board of Regents and President Allen for this opportunity to address the Board regarding the current budget crisis. I hope that the Board and the UNI administration can give serious consideration to the use of strategic rather than across-the-board spending cuts in order to maintain the quality of education at UNI.

General Education Funds Allocated to Non-Academic Auxiliary Activities at UNI



Source: Supplement to the UNI Comprehensive Annual Financial Report, various years.

Trends in Enrollments, Revenues, Tuition & Fee Income, Academic and Non-Academic

Positions at UNI

Item	2004	2005	2006	2007	2008	% Change
FTE Enrollments	11477	11351	10969	10783	10979	-4.34%
Total Revenues*	239576	231310	239105	255306	256846	7.21%
Tuition & Fees Income*	62130	65569	65855	70721	73394	18.13%
Tenured & Probationary Faculty	533	547	542	536	550	3.19%
Executive/Managerial	98	92	94	102	110	12.24%
P&S	509	521	529	541	570	11.98%
Secretarial/Clerical	293	285	281	277	275	-6.14%
Technical/Paraprofessional	25	33	31	31	30	20.00%
Service/Maintenance	233	230	236	240	252	8.15%
Total Non-Academic	1158	1161	1171	1191	1237	6.82%
Non-Academic/T&P Faculty	2.17	2.12	2.16	2.22	2.25	3.52%

* In \$1000

Sources: Supplement to the UNI Comprehensive Annual Financial Report, various years and

UNI Fact Book

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October 21, 2009

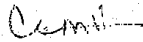
***Actuarial Opinion Regarding
University of Northern Iowa Health Care Plan for the
Period Ending July 31, 2009***

I, Carl M. Harris, Consulting Actuary, am associated with Insurance Strategies Consulting, L.L.C. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I have been retained by the University of Northern Iowa Health Care Plan to attest to the adequacy of reserves, rates and financial condition of that Plan to satisfy a requirement of Section 509A.15 of the Iowa Code.

I have examined the assumptions and methods used in determining the reserves held for claims that have been incurred but not yet presented for payment, reserves held for fluctuation in claim payments and monthly accrual rates to provide funds to cover all claims, reserves and expenses to operate the Plan. I relied upon underlying records and summaries prepared by those persons and organizations administering the Plan. In other respects, my examination included such review of the assumptions and methods used and such tests of the calculations as I considered necessary.

For the plan year ending July 31, 2009 the reserves necessary for incurred but not yet paid is \$2,342,944.

In my opinion, the reserves held at the end of the Plan year, July 2009 and the accrual rates established for use in the Plan year beginning August 2009 are in accordance with accepted actuarial standards consistently applied, are based on actuarial requirements of the State of Iowa, make good and sufficient provisions for all unpaid claims and other actuarial liabilities under the terms of the Plan and include appropriate provision for all actuarial items which ought to be established.



Carl M. Harris, FSA, MAAA
Consulting Actuary

Des Moines

St. Petersburg

Chicago

Financial Analysis

Plan Name	UNI	
Plan Year	08/01/08 - 07/31/09	
Funds on hand (prior year's A - B)		8,231,695
Total contributions (current year)		16,617,332
Interest earned on funds (current year)		29,070
Specific "stop-loss recoveries" (current year)		0
Aggregate "stop loss recoveries" (current year)		0
Other sources of revenue (current year)		39,220
Total (A)		24,917,307
Claims paid (current year)		15,619,626
Third party administrator charge (current year)		861,356
Aggregate stop-loss premiums (current year)		69,249
Specific stop-loss premiums (current year)		0
Bonding expenses (current year)		0
Actuarial fees (current year)		0
Surplus Lines Tax (if applicable)		0
Other permitted expenses (IAC 35.20) (current year)		0
Total (B)		16,550,231
Funds on hand (current year's A - B)		8,367,076
Third party administrator expenses due and unpaid (current year)		0
Reinsurance premiums due and unpaid (current year)		0
Third party administrator claims due and unpaid (current year)		0
Reserve for incurred but unpaid claims (current year) *		2,342,944
Claims fluctuation reserve (included in Grand Total) (current year)		0
Estimated reinsurance stop-loss recoveries due and unpaid (current year)		0
Total (C)		2,342,944
Grand Total (A-B-C)		6,024,132
* Should include incurred but not reported, and reported claims not yet paid		

