Resource Allocation Principles

At the January 2004 Board of Curators meeting, the Board reviewed a draft set of Resource Allocation Principles that grew out of discussions with the Board, the General Officers and the Vice Chancellors for Academic Affairs and Finance and Administration. Since that time we have shared the draft principles with various campus groups including the Intercampus Faculty Council and the Intercampus Student Council. Building on the input received and working with the Vice Chancellors and the General Officers, we have further refined the principles and are seeking Board approval.

The revised principles continue to use the System and campus missions and strategic plans as the context for decision making under the Resource Allocation Principles. The principles embrace responsibility management and, thus, explicitly delegate responsibility to the campuses for generating resources through such activities as enrollment management, research, and fund raising and for wise stewardship through controlling expenses. The principles implicitly reflect a commitment to the campuses to protect existing base funding. However, they provide for the allocation of new state resources to support (1) increases in the base using comparator institution data, (2) strategic investments, and (3) performance funding.
University of Missouri  
Resource Allocation Principles  

In September 2003, a “Framework for Identifying Resource Allocation Principles” was developed and shared with the Board of Curators. Based on the discussion with the Board, and subsequent discussions with the General Officers, the Intercampus Faculty Council, and other senior campus administrators, the principles that would be used in annual budgeting and resource allocation are presented below. The goal is to provide the tools that will be used to allocate resources to support (a) existing programs that will continue into the future, (b) investment in new activities, and (c) incentives for achieving quality and planned change. Judgment will inform all decisions.

1. Each campus will retain all resources, such as tuition and fees, gifts, sales and services, that it generates through its own activities. Each campus will retain resources that it generates through cost reductions.  
   A. The recommendations sent to the Board of Curators regarding setting tuition and fees among the campuses should be decoupled to allow market demand and the differential costs of programs to drive price. This would enhance the ability of an individual campus to generate additional fee revenue.  
   B. Within the shared responsibility among the University, the State government, and the Federal government, each campus will manage its financial aid relative to its recommended tuition increases and its student demographics in order to maintain financial access and affordability.

2. Resource allocation for base funding will factor in the different missions and unique nature of each campus with funding based on enrollments, programs and levels of students (undergraduates versus graduates and professionals).  
   A. Resource allocation for base funding will be benchmarked against peer institutions.  
   B. Funding for the University’s fiduciary responsibilities (e.g., the Missouri Endowed chair program) should be prioritized in the allocation process.

3. The Board of Curators has full discretion in the annual allocation of state appropriations.  
   A. To avoid major disruptions in campus operations due to changes in base funding, the allocation of state appropriations in any year should include a “floor” so that no campus’ base will be reduced below existing base funding due to the Board’s allocation process.
B. Annual increases to recurring base funding will be made from increases in state appropriations not dedicated to strategic investments and performance based allocations.

C. Within the parameters of the Board approved campus strategic plan, the campus will have the flexibility to make allocation decisions. Each campus will determine subsidies and cross-subsidies for its academic programs and other operations.

4. In addition to base funding, the Board may make strategic investments and performance based allocations. Funding for these investments will come from new state dollars and will not exceed 1% of recurring state dollars.

A. The strategic investments may include allocations for specific purposes, unique resource needs, and mission based initiatives (including funding for system-wide cooperative programs).

B. Performance-based allocation provides the Board the opportunity to link resources with the priorities in the Board approved strategic plans. The performance-based allocations are one-time, non-recurring “bonuses.” This does not preclude the possibility of a campus receiving a performance-based allocation for high performance in the same area in successive years.

1. Performance measures such as graduation rates, student and faculty achievement, quality of academic programs, cost savings, collaboration among campuses, innovation in teaching methods, increase in externally funded (e.g. restricted) research, growth in gifts and development results, and retention rates that are tied to system and campus strategic plans would be identified.

2. The total performance-based portion will be added to the total university base in subsequent years for allocation as either part of the base or for investment in new initiatives.

5. As a land grant university, University Outreach and Extension is an integral part of the University’s mission. University Outreach and Extension has been funded primarily by county, state and federal appropriations in compliance with Smith-Lever Act regulations and state and federal grants. As federal and state support shrink, program offerings will need to be adjusted to match county, state, and federal resources or other sources of funding will need to be identified.

6. System administration, which provides unduplicated services in finance, human resources, information technology, government relations, and
legal counsel, has been funded primarily by state appropriations and investment income.

A. The costs for providing services must continue to be controlled and/or reduced to the extent possible without jeopardizing service quality.

B. A budget stabilization fund will be built to smooth the fluctuations in resources provided from investment income.

C. To the extent that other actions or the budget stabilization fund do not cover the shortfall from a decline in state appropriations and investment income, the campuses may need to be assessed to make up the difference.