

**REPORT AND RECOMMENDATIONS OF UMKC
BUDGET MODEL REVIEW SUBCOMMITTEE**

January 28, 2015

I. PURPOSE AND COMPOSITION OF SUBCOMMITTEE

UMKC's University Budget Committee ("UBC") was formed in the summer of 2006 and charged by then Chancellor Guy Bailey with developing a "responsibility center management" ("RCM") type of budget model for allocating operating revenues among the various UMKC units (the "Budget Model"). The UBC generated a first draft of the Budget Model in late 2006, and vetted that and a subsequent draft across UMKC over the next approximately 18 months. The resulting UBC Budget Model recommendation was finalized in 2008 and is posted on the UBC website.¹

Phase-in of the Budget Model, as approved by Chancellor Bailey, began in FY 2009. The Budget Model has still not been completely phased-in, but has been substantially implemented, with annual strategic adjustments. During the five fiscal years completed since phase-in began several modifications have been made to the Budget Model with the approval of Chancellor Bailey or Chancellor Leo Morton.²

The Budget Model Review Subcommittee (the "Subcommittee") was created by the UBC, as a subcommittee thereof, in the fall of 2013. It was tasked with reviewing the operation and effects of the Budget Model as implemented for FY 2009 through FY 2014 and making recommendations to the UBC as to whether revisions to the Budget Model may be in order to meet the objectives of equity, transparency, promoting sound management, and allocating revenues in ways consistent with UMKC's strategic planning and missions. This comprehensive review is in line with the text of the Budget Model which from inception called for such a review to be undertaken sometime between FY 2012 and FY 2014 "with a view toward identifying any modifications of the Model that might be in order to keep it well aligned with UMKC strategic planning."³ Because the phase-in of the Budget Model was relatively minor in FY 2009 and 2010 the UBC waited until the latter end of the target period to launch the comprehensive review.

The members of the Subcommittee are:

- Provost Gail Hackett (Subcommittee Chair)
- Mel Tyler, Vice Chancellor of Student Affairs
- Sharon Lindenbaum, Vice Chancellor of Administration & Finance

¹ See text of Budget Model recommendations at <http://www.umkc.edu/provost/committees/university-budget/FY%202009%20docs/committee-recommendations-2009.pdf> and related appendixes in other links at <http://www.umkc.edu/provost/committees/university-budget/default.asp> (hereinafter Budget Model Text).

² For example, changes to some "SCH costs of instruction weighting factors" used in apportioning the bulk of the State Appropriation across the principal academic units; changes in the attribution of unfunded undergraduate scholarships; and changes in various aspects of how the "General Overhead Assessment" is charged to and among the principal academic units.

³ Budget Model Text, *supra* note 1, at 10-11.

- Karen Wilkerson, Director of Planning & Budgeting
- Marsha Pyle, Dean of the School of Dentistry
- Kevin Truman, Dean of the School of Computing & Engineering
- Wayne Vaught, Dean of the College of Arts & Sciences
- Peggy Ward-Smith, Chair of Faculty Senate
- Tony Luppino, Chair of Faculty Senate Budget Committee (Subcommittee Secretary)

II. SUBCOMMITTEE PROCESS

The Subcommittee had two preliminary organizational meetings:

- A September 17, 2013 meeting devoted to (i) reviewing the original goals of the Budget Model as a type or RCM model; (ii) discussion of RCM-type models generally;⁴ (iii) reviewing an initial list possible Budget Model issues for Subcommittee exploration; and (iv) deciding on a process for next steps in information gathering for the Subcommittee's substantive work.
- An October 29, 2013 meeting to set the agenda for future, substantive meetings of the Subcommittee—which resulted in the decision to sequence the agenda items for such substantive meeting in the sequence of the major Budget Model components: attribution of tuition and unfunded scholarships (net tuition); allocation of the State Appropriation; setting and sharing of the General Overhead Assessment; and Current Fund Balance (Reserves) policy.

Following those two preliminary meetings, information regarding suggestions on specific Budget Model questions and issues for the Subcommittee to address was gathered from the Deans' Council, the Staff Council and the Faculty Senate Budget Committee. That information (the "Collected Input") was circulated to the Subcommittee at its first substantive meeting, on December 3, 2013.

⁴ This included circulation by Vice Chancellor Lindenbaum to Subcommittee members of a recent book on RCM budgeting written by, among others, two noted RCM commentators whose work had also been studied, along with the work of other RCM commentators, by the UBC in 2006 (as reflected in a memo Tony Luppino had written for the UBC in 2006, which he also made available to the Subcommittee members in October of 2013).

Prior to its issuance of this Report and Recommendations document the Subcommittee held ten substantive meetings, on the following dates:⁵

- December 3, 2013
- December 16, 2013
- January 21, 2014
- January 28, 2014
- February 27, 2012
- March 13, 2014
- April 14, 2014
- May 8, 2014
- July 29, 2014
- September 12, 2014
- December 3, 2014

The Subcommittee has prepared this document to report on its deliberations and to set forth specific recommendations to the UBC it has developed, or, for issues on which the Subcommittee thought it best to refrain from making a recommendation, frame questions for UBC consideration (with “pros” and “cons” and/or other observations stated).

We note that a working draft of this document was circulated to the Administrative Council, Faculty Senate, and Faculty Senate Budget Committee for review and comment by their members. Comments were submitted by several faculty members, as compiled verbatim in Appendix B hereto, and by one Vice Provost (whose comment is discussed on page 17 below). The discussion below reflects the Subcommittee’s consideration of and responses to several specific questions raised in the initial Collected Input and in comments/questions submitted in response to the circulation of our working draft.

The vetting process taken with respect to this Report and Recommendation document mirrors the approach taken when initial drafts of the Budget Model were rolled out for comment during its development in 2006-2007, as reflected in the “Feedback Memo” posted on the UBC’s website.⁶ In addition, this document is being posted on the UBC website an email sent out letting all UMKC faculty and staff know that they can access it on the UBC website and pass any comments/questions they have about it to UBC Secretary Tony Luppino at luppinoa@umkc.edu by February 9 for him to pass on to the UBC prior to its first meeting to deliberate on this report.

⁵ The minutes of those eleven Subcommittee meetings are attached as Appendix A hereto.

⁶ See <http://www.umkc.edu/provost/committees/university-budget/FY-2008/feedback-memo-2008.pdf>.

Before proceeding to our discussion of specific issues within the Budget Model we note that some of the input we received during our feedback-gathering processes evidenced what we feel are four general misconceptions some observers apparently have regarding the nature of the Budget Model and the efforts of the UBC and the Chancellor to use it in a manner aligned to UMKC's strategic missions and objectives. We hope the following general points will help eliminate those misconceptions:

- First, the Budget Model does not directly govern the expense side of unit-level budgeting. Nor does it allocate revenues other than the General Revenues—"General Revenues" meaning the State Appropriation and tuition (net of scholarships). Rather it is merely a management tool for allocation of the General Revenues. And it should be noted that the General Revenue Allocations for 8 of the 11 principal academic unit were larger for FY 2014 than for the year before Budget Model phase-in began, despite the fact that in recent years the State Appropriation has been substantially reduced and the General Overhead Assessment (discussed below) substantially increased. So, while the revenue side remains important, expense side management—which is outside of the Budget Model—is equally important.
- Second, the Budget Model formulae do not necessarily result in the ultimate General Revenue Allocations; in fact, in every fiscal year since Budget Model phase-in began the Chancellor has made "strategic adjustments" that caused the GRA apportionment to differ for all or some units from what strict adherence to the Model formulae would have produced.
- Third, several significant modifications to the Budget Model have in fact been made during its phase-in, including changes to: the handling of actual versus budgeted net tuition; the allocation of undergraduate scholarships; the special allocations off the top of the State Appropriation; some of the SCH weighting factors for apportionment of the bulk of the State Appropriation; and the metrics under which the General Overhead Assessment is shared among the eleven principal academic units.
- Fourth, the UBC recommended from inception, and Chancellors Bailey and Morton both agreed that the operation of the Budget Model should be constantly monitored with UMKC's strategic plans in mind and, as noted above, the Budget Model Text expressly provides for periodic comprehensive review to check for alignment with UMKC's core missions and strategic priorities. The Budget Model review the Subcommittee has undertaken is the first such contemplated comprehensive review and is timely.

III. SUBCOMMITTEE RECOMMENDATIONS/ISSUES FRAMING

Regarding Net Tuition Attribution:

Recommendations:

Question 1: Should the core policy of the Budget Model that the academic units get 100% of their attributed net tuition allocated to them in the operation of the Budget Model be changed?

- **Subcommittee recommendation:** No, this element of the Budget Model should not be changed. This core principal of the Budget Model hasn't drawn much criticism at all, and should be retained, especially in view of uncertainty of State funding and the need to incentivize SCH production through increased enrollment and retention.

Question 2: Should a special Budget Model rule on cross-unit instruction be created for the General Education Program?

- **Subcommittee recommendation:** Not at this time. It was noted in initial Subcommittee discussions that Gen Ed courses are courses that can be handled under the Budget Model once we get them going; i.e., revenues will be coming back to the originating units and shared courses can be handled through cross listing or special arrangements (as contemplated by the provisions of Appendix 2 to the Budget Model regarding cross-unit/interdisciplinary courses). However, at the July 29 meeting it was reported that: Discussion and review of this item are currently taking place to evaluate the mechanisms of general education courses. Any recommendation on this issues should be held until it is determined what is needed.

Question 3: Should the basic 80% to instructional unit /20% to home unit "default rule" split on cross-unit instruction in the mainstream situation in which the generally applicable tuition rate applies be revisited?

- **Subcommittee recommendation:** No. The split in tuition seems appropriate and consistent with practices in other RCM budget models and should generally continue, with monitoring to make sure it is being implemented as contemplated. It was observed that an 80/20 split seems to have been used by many other universities with RCM-type approaches to budgeting looking to allocate a fair portion to the originating/home unit in view of its recruiting and advising costs. Although one Subcommittee member noted experience with Washington University in St. Louis using 75/25, and, in the other direction, the Subcommittee was made aware of a dean questioning whether 20% might be more than needed to address home unit recruiting and advising costs, the general consensus on the Subcommittee was that there has not

been widespread concern expressed about the 80/20 default rule in the mainstream situations described in this Question 3. We note that Input received from one faculty member questioned whether the 80/20 approach is being consistently implemented. The Subcommittee has asked the Budgeting office to discuss a specific instance to which that faculty member alluded to determine if there was an accounting problem requiring attention and to generally review the accounting processes to make sure the splits are being implemented per the Budget Model and that academic unit fiscal officers are well informed of and comfortable with those processes.

Question 4: Should the default rule that the instructional unit gets 80% at the undergraduate rate and the home unit gets the rest of actual tuition charged even if higher than the general rate (essentially the teaching by A&S and SBS of Medical School undergraduate students situation) be revisited?

- **Subcommittee recommendation:** The Subcommittee recommends that units teaching Medical students, especially the College of A&S and the School of Biological Sciences, receive an appropriately higher rate (less than the Medical student tuition rate, but higher than the general undergraduate rate) to be determined by the Chancellor. We note for purposes of the Chancellor's review of this recommendation that discussions with both the Dean of A&S and the Dean of SBS, and input from some faculty, indicate that SOM undergraduate students tend to be more demanding on faculty time and resources than other undergraduate students. However, some faculty input disputed that proposition. That disagreement should be addressed by rigorous study of the facts and circumstances involved. Moreover, the time and resources issue was not the only matter the Subcommittee considered in developing its recommendation. En route to our recommendation the Subcommittee also considered the following pros and cons:

Pro:

--A study of one fiscal year done a few years ago showed that the School of Medicine's "origination fee" on instruction to its undergraduate students provided by A&S and SBS worked out to approximately 55% (because the actual tuition rate is much higher than the standard undergraduate rate). A sharing of that premium tuition closer to the 80% instructional/20% home unit default rule might be more consistent with a one university/partnership approach to this revenue production.

--There may be some added cost of specialized teaching to the Medical students (but, again, that needs to be explored further before a final determination is made by the Chancellor on this issue).

Con:

--The first argument under “Pro” was previously presented to and rejected by both Chancellor Bailey and Chancellor Morton. They argued (1) it doesn’t seem that the cost of the instruction should vary with the type of student in the room; and (2) asking the Medical School to pay over part of its premium tuition might incentivize it to create its own courses to teach its undergraduates, which might not best from an overall academic perspective.

--With respect to instruction by SBS this issue may be moot at the Budget Model level (i.e., if SBS is merged with SOM).

Question 5: Should semesters of SCH used in the net tuition (and State Appropriation) components of the Budget Model be altered to provide more current figures?

- **Subcommittee recommendation: Yes. The Subcommittee recommends using the most current semesters available.** For example, the FY2015 Budget Model would be based on the student credit hours generated in SS13, FS13 and the SP14 semesters. This would mean that the Budget Model would not be calculated until after the census date of the spring semester (the 20th day of class).

Question 6: Should any of the special tuition-generating programs listed in Appendix 2 of the Budget Model as excluded from the net tuition attribution provisions of the Model be instead *included* in those net tuition attribution provisions?

- **Subcommittee recommendation: Yes. The Subcommittee acknowledged that there are some courses that are currently coded as continuing education courses which are truly part of the main campus curriculum and that the former definition of continuing education is no longer applicable. The Provost’s office will be reviewing the continuing education program in the next few months. Any changes to the Budget Model regarding this will be put on hold pending the findings of this review. Furthermore, the subcommittee recommends that if appropriate, any changes in these exclusions (including other exclusions beyond continuing education) will be evaluated and may require a transition period.** The Subcommittee also suggests that in addition to making sure tuition and scholarships/tuition discounts are appropriately attributed, care should be taken to make sure each program also gets considered appropriately (but neither double-counted nor not counted) with respect to the General Overhead Assessment and the Institutional Offset (also known as “Full Costing”).

Question 7: Should the full net tuition “true up” contemplated by the Budget Model be calculated, and any consequent adjustments the Chancellor decides to implement (taking into account such financial and other circumstances as he deems relevant) be made in the first

quarter following the end of FY 2014 (and in the first quarter following each subsequent fiscal year)?⁷

- **Subcommittee Recommendation:** The Subcommittee did not reach consensus on a recommendation on this question and is accordingly not offering a recommendation, but suggests the UBC consider it taking into account the following pro and con observations and arguments made by various members of the Subcommittee during Subcommittee discussions:

Subcommittee members who tended to oppose the “true up” observed/argued:

--The complexity and associated time needed to compute the net tuition true up is substantial. If the Subcommittee’s recommendation on Question 5—to use the most current semesters SCH available in budgeting net tuition under the Budget Model—is adopted then variances between budgeted and actual net tuition should be reduced in comparison to prior years where there was greater “lag” potential; accordingly, on a cost-benefit basis the complexity and time involved in calculating the true-up should be weighed against the likely magnitude of variances from budgeted to actual net tuition.

--If true-up adjustments were implemented some units would have to deal with reduced funding after the faculty hiring decisions have already been made, making any real financial adjustments difficult.

--Additionally, there are no central campus resources available to alleviate reduced funding for many units which are already struggling financially.

--If a true up pertains to just net tuition, then it would seem necessary (to avoid mismatching) to also do a true up (to actual data on SCH and student, faculty and staff headcount) for the State Appropriation and the General Overhead Assessment, and that would add to the complexity and associate time burdens involved.

--Many universities do not do this kind of reconciliation to actual (and post-year adjustments) but rely on budgeted being close enough to live with some lag in a unit getting credit for/charges for increases in revenues and expense they actually generate. It should also be noted that the Budget Model expressly contemplates (in Appendix 2)

⁷ It was noted that the same question can be posed regarding the provisions of the Budget Model calling for such an annual “true up” of the portion of the State Appropriation allocation based on weighted SCH (instead of the modification thereto previously made by the UBC). In the current Budget Model, state appropriation is calculated on weighted SCH, using a three-year rolling average to mitigate steep declines or increases year over year. There is no recalculation based on actual SCH or actual state appropriation received.

that although recent semesters SCH will be the source of data for budgeting: “However, adjustments may be made to these figures consistent with a specific new program or enrollment growth plan presented by a Dean, to the extent projected increases are based on reasonable assumptions. Thus, Deans have an opportunity to demonstrate that enrollment growth initiatives call for an upward adjustment in budgeted net tuition upon a showing of projections based on clear evidence of a reasonably projected increase in net tuition (taking into account all associated scholarships).

Subcommittee members who tended to support the “true up” observed/argued:

--Assigning **actual** net tuition to each principal academic unit was a linchpin principle in the Budget Model, and not delivering on that principle erodes the credibility of the Model and understandably makes units that produced greater actual net tuition than budgeted feel that a promise to them is being breached and that there may be insufficient financial incentives to justify the costs associated with enrollment and retention growth initiatives.

--Full implementation of the “true up” for FY 2014 was recommended by the UBC and approved by the Chancellor at the April 2, 2013 UBC meeting.

--At least tentatively computing the true up is a management tool. If some units are found to have produced less actual tuition than budgeted a study should be made of why that is occurring (which may be reasonable downsizing or may have other causes), and, as contemplated in the April 2, 2013 approval of the true up for FY 2014, if charging such a unit for the “deficit” would cause undue financial hardship on the unit the Chancellor can make an overriding strategic adjustment (as has been done as override of formula results of Budget Model throughout the years it has been phasing in).⁸ One should not assume that a unit with less actual than budgeted net tuition is necessarily one that needs or merits a strategic adjustment, but instead that the true up should be run and then each affected unit studied in the context of its overall financial circumstances.

--Even if strategic adjustments are made to protect some units from undue financial burdens, it still may make sense to take the approach taken a few years ago that credited units with more actual than budgeted net tuition with some portion of that excess—but

⁸ The minutes of the 4-2-13 UBC meeting state in pertinent part: “The complete “true up” of net tuition, as contemplated by the Budget Model text will be implemented for FY 2014 (with resulting positive or negative fund balance adjustments made in the first quarter of FY 2015); provided, that it was understood that if the effects of implementing this true up fall harshly on particular units in the short term the Chancellor can of course use strategic adjustments along the lines he has been implementing to avoid precipitous adverse financial effects to such units.”

payable only out of an overall UMKC-wide pool represented by the overall excess of actual over budgeted net tuition. Otherwise that excess net tuition doesn't go to the academic units as contemplated by a core principal of the Budget Model but instead lands in a hard to track/not particularly transparent "campus-wide" account.

--The point is well taken that mismatching of revenues of expenses within a given period should be minimized. So, if the net tuition true up is done (with fund balance adjustments in the first quarter following the fiscal year end), the same should be done with the formula part of the State Appropriation allocation and with the General Overhead Assessment. Moreover, not doing the true up involves itself creates a very substantial mismatching potential as a unit with an excess of actual over budgeted net tuition for a fiscal year would not get credit for that excess, but would get charged with its internal actual expenses for such fiscal year (which might include increases in faculty payroll to accommodate increased enrollment).

--The complexity and time associated with the true up are justified to preserve the integrity of the Budget Model and follow through on its core principles, *subject to strategic adjustments by the Chancellor (as has been the case right along)*. Such proponents of that position note that one faculty commenter suggested selective use of the true up to assist some units with necessary salary commitments, but believe that the full true up should be computed for all units, and then any strategic adjustments made by the Chancellor after that management step to address priority situations.

Question 8: Should some or all of the "automatic" scholarships be paid centrally—i.e., as one of the special allocations off the top of the State Appropriation?

- **Subcommittee recommendation: No.** The Budget Model policies regarding scholarships have been reviewed and changed to appropriately match expenses to revenue generation. Having seen some questions about the attribution of scholarships in faculty input on a draft of this Report, the Subcommittee does, however, believe that prior efforts to make faculty aware of key facts about steps already taken should be renewed. Specifically:
 - First, the Budget Model handling of undergraduate scholarship attribution was modified starting in fiscal year 2012. Beginning with the FY2012 budget model, the method of attributing scholarships was amended to more accurately match the scholarship expense with the revenue generated. Underclassmen are generally fulfilling general education requirements, thus are not taking the majority of the course work in their home unit. The scholarships allocation is based on an overall percentage of student credit hours taken in various academic units. For example, if 15% of Education students take classes in A&S, the College

is allocated 15% of the scholarships awarded to freshmen and sophomore Education majors. This method is applied to scholarships categorized as University Initiatives or University Agreements, as designated by Student Affairs. Scholarships for juniors and seniors, and scholarships designated as Academic Unit Selection are borne 100% by the home unit of the student. Athletic scholarships continue to be a part of the support tax, and are not allocated to the home unit of the students.

- Second, it appears there may be some misconceptions about the degrees to which scholarships charged to academic units are matters of discretion exercised by the units themselves. The Subcommittee suggested that Vice Chancellors Tyler work with the UBC and the Faculty Senate to promote clear understanding of the realities of automatic and unit-discretionary scholarships to promote fully-informed discussions of whether any modifications to either may be in order.

Regarding Allocation of the State Appropriation:

Initial Observations by the Subcommittee:

- The items listed as Salary Increase Support and Global Grading Salary Adjustments in the special allocations in FY 2014 budgeting were “one-time” allocations and there is no current plan to take those items off the top of the FY 2015 State Appropriation.
- At this juncture, no new Chancellor Designated special allocations from the State Appropriation have been proposed for FY 2015. However, the Subcommittee has been apprised of concern about the growing amount of student bad debts.⁹ So, the UBC may need to consider making recommendations to the Chancellor on options to address this concern.
- It is unclear whether (and in what amount) UM System President Wolfe may hold back any of the FY 2015 core State Appropriation (as opposed to increases in the State Appropriation) for strategic initiatives per his prior statement of intent to do that.

⁹ On average, the campus writes off \$2.1 million in bad debt expense from student accounts each year. (This is a five-year average from 2010 to 2014). The current balance in the bad debt account is a deficit \$2.6 million.

Recommendations:

Question 9: Should the SCH weighting factors used in apportioning the bulk of the State Appropriation under Appendix 4 of the Budget Model be adjusted to reflect service and/or research missions of the academic units?

Subcommittee recommendation: No—but the UBC should be open to suggestions on other ways the Budget Model might be modified, perhaps with a new special allocation off of the top of the State Appropriation, to deliver special financial incentives for research. The Subcommittee believes the answer to the weighting factors question is question remains “no” for the same basic reasons reflected in the “Feedback Memo” to UMKC constituencies circulated by the UBC when the Budget Model drafts were initially vetted (including common service missions, and the desire to fund special research missions from sources of funding other than the State Appropriation, such as external grants, and the reality that a primary component of the costs of instruction weighting of SCH is salaries of tenured and tenure-track faculty whose research work is part of job for which they receive their salaries). However, the Subcommittee does recognize the merit in the position of several commenters that external grants have been becoming increasingly difficult to obtain, and that if there are some extraordinary research obligations being placed on certain faculty or units for strategic reasons some corresponding special funding from General Revenues may be in order. Accordingly the Subcommittee suggests that the UBC put out a call for suggestions on how a pool of funds from the General Revenues might be applied to incentive such extraordinary research, considering for example the pros and cons of such possibilities as an open competition for internal grants; or comparison of the quantity, quality and impacts of the publications of each unit (if appropriate and reliable means of measurement can be fashioned).

Question 10: Should the SCH weighting factors used in apportioning the bulk of the State Appropriation under Appendix 4 of the Budget Model be revisited for other reasons?

- **Subcommittee recommendation:** The Subcommittee did not reach consensus on a recommendation on this question and is accordingly not offering a recommendation, but suggests the UBC consider it taking into account the following observations made by various members of the Subcommittee during Subcommittee discussions:

--The current formula raises an issue to be considered with respect to the implications on academic units that cannot reasonably be asked to significantly increase enrollment if other units do have significant enrollment increases but the State doesn't increase UMKC's State Appropriation to reflect an overall enrollment increase.

--At a minimum it seems appropriate to review and perhaps modify some of the weighting factors currently used, perhaps taking into account new data bases. It was

noted that the two approaches currently blended under Appendix 4 of the Budget Model would independently yield dramatically different weighting factors for some units. The UBC and Chancellor previously agreed to a review of the weighting factors for the School of Medicine, but a broader review seems in order. Information should be gathered and presented to the UBC regarding potentially relevant databases on discipline-specific costs of instruction which might be taken into account in addition to or in place of the two approaches to the SCH weighting factors currently blended in Appendix 4 of the Budget Model. This might include new database information for national benchmarking and also an approach that more closely matches the campus cost structure (but with due regard to not merely continuing payroll or other spending on an historic basis that may not be strategically desirable). Some initial analysis has been done in both respects and a preliminary report thereon made to the Subcommittee by Vice Chancellor Lindenbaum; such analysis should be continued and refined and then be presented to the UBC for discussion with additional information included for context—such additional information being comparative studies of comparable academic disciplines of peer institutions (such as the Urban 21) on faculty salaries and faculty workload (the latter based on student contact hours).¹⁰

--Some members of the Subcommittee expressed concern that the UBC has not yet undertaken a full analysis of the financial and other circumstances of the School of Biological Sciences—a matter which had been identified as an important task for UBC consideration in view of the result of the application of the Budget Model to SBS, but had been deferred pending completion of the SBS-SOM possible partnership discussions and the report of the consultants engaged to identify options. These concerns were strongly echoed in comments on the circulated draft of this Report submitted by several SBS faculty members. The Subcommittee notes that some significant special relief from what would have been the results of the Budget Model formulae if strictly applied to SBS has been delivered to SBS through exercises of Chancellor discretion with UBC support.¹¹ At this juncture the Subcommittee assumes the financial circumstances of both SBS and Medicine will be studied in detail by the groups from each unit exploring the details of a merger of the two units, as well as by the Provost and Chancellor, and that the UBC will be provided with the opportunity to provide input on any resulting budgeting-related proposals.

--Some thought might be given to establishing a base amount of the State Appropriation for each academic unit, and applying the formula (or even a new strategically-designed formula other than weighted SCH) to only the amount left after subtracting the sum of those base amounts—but there was uncertainty as to how that would be determined

¹⁰ This will also provide data on relative salaries and contact hours for comparison among UMKC units.

¹¹ Some SBS-favorable changes in its cost of instruction weighting factors regarding teaching health sciences students early on during Budget Model phase-in. More recently, In addition to revenue allocated through the budget model, SBS received \$1.2 million in additional campus support in FY2013 and \$600,000 in FY2014.

and how it would work, so much more discussion of pros and cons would have to be undertaken before putting such a proposal on the table for consideration.

Regarding the General Overhead Assessment:

Initial Observations:

- The Subcommittee first addressed the overall dollar amount of the General Overhead Assessment in the context of the UMKC-wide initiative to reduce expenses through shared services initiatives or otherwise. It was noted that administrative and support units are, as with the academic units, working on this challenge, but the effort is ongoing and the ultimate results for FY 2015 budgeting not yet determinable.

Recommendations:

Question 11: Can the dollar figures on the components of the General Overhead Assessment (and thus the total of the Assessment) be given to the deans earlier than has been the case in recent years (i.e., earlier than late April or early May)? (Note question is not asking about a computation based on the sharing metrics of how much each academic unit would pay as its share of the General Overhead Assessment; rather, it is asking about circulation of the total dollar amount of the Assessment to eventually be shared, but with the principal components and corresponding dollar amounts comprising it shown).

- **Subcommittee recommendation:** Probably not with respect to hard figures; but (i) a preliminary estimate, conservatively made, should be circulated by March 31 to assist the deans with preliminary planning, (ii) the shared services initiative should be renewed with vigor, and with open sharing of information among the Central Administration and the COSCO and Budget Committees of the Faculty Senate, including sharing of functional organizational charts showing administrative and support costs and functions of associated personnel in both central units and in academic units; and (iii) information should be circulated to the faculty as to the **funding of the Honors College, University College, and Emeritus College.** --For various reasons the goal of getting final figures for the various components of the General Overhead Assessment to unit leaders earlier than in recent years may well not be achievable. However, a conservative estimate (i.e., one that doesn't assume reductions not yet verified) should be circulated to the unit leaders by March 31, but with clear notation that it is subject to change. As for the shared services initiative and transparency with respect to administrative and support operations and organizational charts, and taking into account input received from the Faculty Senate and several individual faculty members, the Subcommittee believe that wide dissemination of

information and collaborative analysis of such information is in the best interest of all UMKC constituencies. As for the funding of the Honors College, University College, and Emeritus College, the information circulation suggestion is also in direct response to an information request received as part of the faculty input on the circulated draft of this Report.

--Also, the UBC should study the expenses of Intercollegiate Athletics, with input from the Chancellor, to explore in more detail potential means to cut the amount of General Revenues assigned to Intercollegiate Athletics by 50% within five years per the goal announced by the Chancellor. Again, the Faculty Senate and several individual faculty members expressed concern about the size of the investment in Athletics from General Revenues, suggesting that the UBC should make working with the Chancellor on the specifics of the plan to reduce that expenditure a priority matter for 2015.

--Apart from budgeting for the General Overhead Assessment, and as an important aside, the Subcommittee notes that it also discussed unit-based operating expense budgeting in connection with its review of unit-by-unit reports comparing budgeted to actual operating revenues and operating expenses over the fiscal years since partial phase-in of the Budget Model commenced in FY 2009. At the April 14, 2014 Subcommittee meeting it was observed that some academic units had large differences between budgeted and actual operating expenses (several with very significant excesses of actual over budgeted and one with very significant excesses of budgeted over actual). As reflected in the minutes of that April 14 meeting, Vice Chancellor Lindenbaum noted that improvements have been made (and continue to be made) to tighten up unit-level budgeting and eliminate such large differences between budgeted and actual operating expenses). There was consensus on the Subcommittee that those efforts are important and should be vigorously pursued.

Question 12: For purposes of determining each principal academic unit's share of the General Overhead Assessment, should any of the line items in the current approach be moved from the current "metric" governing its apportionment to one of the other existing metrics?

- **Subcommittee recommendation: Generally No. It is the subcommittee's recommendation that the general overhead categories and metrics should generally be left as is. However, it was also suggested that for predictability purposes, consideration be given to calculating the general overhead assessment only every three years. Under that approach each of the principal academic units would be charged a flat percentage of the total general overhead assessment for that time period. While the total dollar amount of the overhead assessment (and its components) may change, each unit's share of the total would be consistent during this time period. However, if there are major financial events that warrant a recalculation, the overhead assessment would be recalculated. It was noted, though,**

that this three-year percentage approach should be implemented only if the Chancellor concludes it will not create significant erosion of the principles of determining shares of the assessment based on consumption of corresponding support services and of matching revenues with associated expenses during each fiscal year. Also, the Subcommittee did identify just a few specific items that might be misplaced within the existing General Overhead Assessment metrics (i.e., might be more appropriately placed under another of the existing metrics, but without creating any new metric):

--It might be appropriate to move the Miller Nichols Library "Robot" debt service item from the Total Current Funds Expenditures sharing metric to the metric used for University Libraries (Faculty/Student Headcount). **Pro:** Seems consistent with treatment of Miller Nichols Libraries expense generally. **Con:** Subcommittee uncertain as to why the debt service item was placed in Total Current Funds metric, so more study may be in order in that regard.

--It might be appropriate for the Miller Nichols Library new classrooms debt service item to be apportioned in accordance with the usage of the classrooms (based on fall and spring semester figures). **Pro:** This seems consistent with prior UBC discussions with the Chancellor on moving to a usage-based approach on this item when usage data is available, and equitable to units making no use of the new classrooms. **Con:** Some units who might have to pay significant portions of this item based on usage data might argue two semesters of data is not a sufficient basis for fixing usage percentages.

--Discussions might be undertaken as to whether the System IT Chargebacks (formerly PeopleSoft Administration) item is properly included in the Total Current Funds Expenditures metric or should perhaps be moved to another metric (such as the space-based metric used for Information Services). **Pro:** Total Current Funds Expenditures heavily weighted toward faculty salaries, which involve market compensation considerations that don't necessarily have a logical connection to use of PeopleSoft technology. **Con:** The other measures may not be much better on this item, so perhaps the "default" category is in order.

--Following a presentation of a draft of this Report to the Administrative Council Vice Provost and Chief Information Officer Mary Lou Fritts questioned the change to the handling of IS/IT in the General Overhead Assessment made in the April, 2013 adoption of a reduced number of metrics used to apportion the Assessment across the eleven principal academic units. She expressed the opinion that the prior approach (charging IT/IS based on combined faculty-student-staff headcount) is a better measurement than the space-based approach to charging IT/IS adopted in April 2013. The Subcommittee suggests that the UBC invite Vice Provost Fritts to a UBC meeting to discuss this matter.

--The Athletics Investment item might be moved from the Total Current Funds Expenditures metric to the metric used for Athletics scholarships (Faculty/Student

Headcount). **Pro:** While there seems to be consensus that charging expenses of Intercollegiate Athletics based on the actual numbers of Student Athletes from each academic unit would inappropriately ignore benefits shared by all units from a vibrant Intercollegiate Athletics program, the Total Current Funds Expenditures approach may swing too far in the other direction (imposing large shares of the cost on professional schools due to their faculty compensation market-driven higher pay scale than other units)—so, the Faculty/Student Headcount metric that was apparently a compromise on Athletics Scholarships may be an equally appropriate compromise for the Athletics Investment item. **Con:** If viewed as a general marketing expense, the “default” category may be in order.

Regarding Current Expendable Fund Balances/Reserves:

Question 13: Should the UBC consider changes to the Budget Model’s provisions on guidelines for reallocating funds in Current Expendable Fund Balances/Reserves?

- **Subcommittee recommendation: No.** In view of current circumstances there is no need at this time to revisit the Budget Model’s provisions on guidelines for reallocating funds in Current Expendable Fund Balances/Reserves.

The Subcommittee would be happy to address any questions any UBC member or other UMKC constituent has regarding this report and the Subcommittee recommendations set forth herein.

Appendix A

Minutes of Subcommittee's Substantive Meetings

UNIVERSITY BUDGET COMMITTEE'S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF DECEMBER 3, 2013 MEETING

I. Time, Location and Attendance:

- 1:00PM, Provost's Conference Room at Administrative Center
- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Kevin Truman, Mel Tyler, Wayne Vaught. Peggy Ward-Smith, and Karen Wilkerson.

II. Preliminary Administrative Matters

- It was agreed that since in preliminary meetings the Subcommittee had agreed that its agenda would start with reviewing in sequence the major components of the UMKC Budget Model—attribution of tuition and scholarships, allocation of the State Appropriation, setting and sharing of the General Overhead Assessment, and Current Fund Balances Policy—there is no need to circulate a formal agenda in advance of each Subcommittee meeting.
- It was agreed that UBC Secretary and Subcommittee member Tony Luppino would draft minutes of Subcommittee meetings, starting with the December 3 meeting.
- Provost Hackett, Vice Chancellor Lindenbaum, and Karen Wilkerson circulated at the meeting (i) an agenda of discussion items for the December 3 meeting and subsequent meetings, following the main topics above with discussions of seeing the whole picture, getting units in the black and improving predictability, reports to the UBC, Deans' Council and Faculty Senate, and then development of recommendations with input from such constituencies. A list compiled by Tony Luppino of issues relating to tuition and scholarships attribution gleaned from input from Deans, Staff Council and the Faculty Senate Budget Committee was also circulated, and it was agreed that list would also be taken into account by the Subcommittee.

III. Discussion of Substantive Topics at December 3 Meeting

- Karen Wilkerson handed out and reviewed a relevant list/summary of the various types of automatic and unit-discretionary UMKC unfunded scholarships. After some related questions and answers, the consensus of the subcommittee was that (i) the approach developed by a UBC subcommittee a few years ago to use averaging to better match up tuition and unfunded automatic scholarships in situations in which undergraduates take a lot of courses outside of their “home unit” seems to be working reasonably well; and (ii) scholarship attribution concerns expressed by Dean Blanchett and others seem to be largely tied to unit-discretionary scholarships, so individualized discussion of unit-level scholarship management with deans seems in order, as opposed to a change in the scholarship attribution policies being applied in the current operation of the Budget Model.

- The other three other substantive questions addressed at the December 3 Subcommittee Meeting were:
 - (1) Should the core policy of the Budget Model that the academic units get 100% of their attributed net tuition allocated to them in the operation of the Budget Model be changed?;

 - (2) Should the basic 80% to instructional unit /20% to home unit “default rule” split on cross-unit instruction in the mainstream situation in which the generally applicable tuition rate applies be revisited?; and

 - (3) Should the default rule that the instructional unit gets 80% at the undergraduate rate and the home unit gets the rest of actual tuition charged even if higher than the general rate (essentially the teaching by A&S and SBS of Medical School undergraduate students situation) be revisited?

- On (1) the consensus of the Subcommittee was that this core principal of the Budget Model hasn’t drawn much criticism at all, and should be retained, especially in view of uncertainty of State funding and the need to incentivize SCH production through increased enrollment and retention. On (2) and (3) there was discussion of various pros and cons of revisiting and possibly modifying these policies. It was decided that the Subcommittee would refrain from making any recommendations on them at this time and instead frame the questions for input by the UBC and other constituencies, but with notation of the pros and cons discussed by the Subcommittee. A first draft of that approach to questions (2) and (3) is attached to these minutes as Appendix A. It was also agreed that no special Budget Model rule on cross-unit instruction needs to be created for the General Education Program—Gen Ed courses are courses and can be handled under the Budget Model once we get them going, i.e.,

revenues will be coming back to the originating units and shared courses can be handled through cross listing or special arrangements.

IV. Next Steps: The meeting ended before all of the tuition and scholarships issues on the Subcommittee's lists had been addressed—so the remaining issues in that subject area will be taken up at the next Subcommittee meeting.

Appendix A

First draft of framing of two open questions for Subcommittee's report

Question #1: Should the basic 80% to instructional unit /20% to home unit “default rule” split on cross-unit instruction in the mainstream situation in which the generally applicable tuition rate applies be revisited?

“Pro”:

--One dean has questioned whether there is really clear support for the proposition that the costs of recruiting, advising, and other student support by the “home unit” justify that 20% “origination fee”. That dean has asked that the UBC consider a lowering of the 20% or the placement of a dollar amount cap on what the home unit gets from such origination fees (i.e., designed to cover but not significantly exceed the costs involved).

“Con”:

--There has not been widespread complaint about the 20%.
--RCM budgeting literature indicates that the 20% is a figure used by many RCM institutions to cover home unit recruiting and advising costs.
--A dean on the Subcommittee observed that 20% might even be a bit low, noting that Washington University in St. Louis assigns 25% to the home unit.

Question #2: Should the default rule that the instructional unit gets 80% at the undergraduate rate and the home unit gets the rest of actual tuition charged even if higher than the general rate (essentially the teaching by A&S and SBS of Medical School undergraduate students situation) be revisited?

“Pro”:

--A study done a few years ago showed that the School of Medicine's “origination fee” on instruction to its undergraduate students provided by A&S and SBS worked out to approximately 55% (because the actual tuition rate is much higher than the standard undergraduate rate). A sharing of that premium tuition closer to the 80% instructional//20% home unit default rule might be more consistent with a one university/partnership approach to this revenue production.

--There may be some added cost of specialized teaching to the Medical students (but that needs to be explored further).

“Con”:

--The argument under “Pro” was presented to and rejected by both Chancellor Bailey and Chancellor Morton. They argued (1) it doesn’t seem that the cost of the instruction should vary with the type of student in the room; and (2) asking the Medical School to pay over part of its premium tuition might incentivize it to create its own courses to teach its undergraduates, which might not best from an overall academic perspective.

UNIVERSITY BUDGET COMMITTEE’S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF DECEMBER 16, 2013 MEETING

I. Time, Location and Attendance:

- 11:00AM, Hyde Park Room at Administrative Center
- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Kevin Truman, Mel Tyler, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson.

II. Preliminary Administrative Matters

- The minutes of the December 3, 2013 Subcommittee meeting, in the form last circulated before the meeting, were approved.

III. Discussion of Substantive Topics

- The Subcommittee continued its examination of issues relating to attribution of tuition and scholarships/tuition discounts, addressing in this meeting: (i) the current approach (data used) to budget net tuition; (ii) the pros and cons of full implementation of the net tuition “true up” contemplated by the UMKC Budget Model; (iii) the handling of “automatic” scholarships; and (iv) the current list of express “exclusions” from the Budget Model of

certain programs generating tuition or tuition-like revenues (as set forth in Appendix 2 of the Model). The results of discussion of those four topics were:

- ***Data for Budgeting Net Tuition.*** It was first noted that the Model (in Appendix 2) already contemplates that while the core data for budgeting (usually in March or April) net tuition for an upcoming fiscal year is student credit hours for the last completed three semesters (e.g., for FY 2014, was SCH for spring 2012, summer 2012 and fall 2012), “adjustments may be made to those figures consistent with a specific new program or enrollment growth plan presented by a Dean, to the extent projected increases are based on reasonable assumptions.” While arguments were made for changing the current approach to instead use SCH for the spring semester in which budgeting for the upcoming fiscal year (e.g., for FY 2015 budgeting of net tuition would use SCH from summer 2013, fall 2013 and spring 2014), the Subcommittee did reach a definite consensus recommendation in that regard. Instead, it encouraged further dialogue among deans advocating that change, Vice Chancellor Lindenbaum, and Director of Planning and Budgeting Karen Wilkerson. There was a consensus that it makes sense to explore reasonable ways to make budgeted net tuition closer to actual—both as good general practice and to make the “true up” issue discussed below less controversial/less potentially disruptive—whether that is done by taking advantage of the above-quoted “adjustments” possibility, change in which spring semester SCH is used in budgeting, or other means based on review of how close the budgeted to actual results have been for each academic unit.

- ***Net Tuition “True Up.”*** While there was pretty good consensus that it is important to endeavor to follow through on the principle of delivering the financial net tuition benefit of enrollment and retention increases to the units generating them, there was not complete consensus on whether or not to recommend altering the decision previously made to implement for FY 2014 and subsequent years the full net tuition “true up” contemplated by the Budget Model. Accordingly, in keeping with the Subcommittee’s operating practice that question is being framed, with a discussion of pros and cons, in Appendix A to these minutes for presentation to the full University Budget Committee (UBC) in due course.

- ***Handling of Automatic Scholarships.*** Although discussion at the December 3, 2013 Subcommittee meeting reflected the feeling that no change need be made to the current approaches to attribution of automatic and discretionary scholarships under the Budget Model (just more unit level discussions with deans about managing discretionary scholarships), Vice Chancellor Tyler requested and the Subcommittee agreed that the Subcommittee frame for discussion with the full UBC the possibility of central funding of automatic scholarships, as he understands is done at some other schools that have RCM or RCM-like budget models. A question for presentation to the UBC in that regard is also included in Appendix A to these minutes.

- ***Exclusion of Certain Programs from Budget Model Net Tuition.*** Karen Wilkerson and Tony Luppino helped take the Subcommittee through the list of several specific programs excluded from the Budget Model’s net tuition attribution mechanisms per Appendix 2 of the Model, even though they generate tuition or tuition-like revenues. The Subcommittee reasoned that it seems programs on the list that offer degrees should be subject to the Budget Model mechanisms, while others on the list should be studied for possible inclusion—with the general feeling being that, in addition to making sure tuition and scholarships/tuition discounts are appropriately attributed, care should be taken to make sure each program also gets considered appropriately (but neither double-counted nor not counted) with respect to the General Overhead Assessment and the Institutional Offset (also known as “Full Costing”). The Subcommittee decided that Vice Chancellor Lindenbaum and Karen Wilkerson should collaborate on a recommendation regarding the handling of each program on the subject list for presentation to the full UBC.

Appendix A

First draft of framing of two additional questions for Subcommittee’s Report

Note: As Questions 1 and 2 for Subcommittee presentation in its ultimate report to the full UBC were set forth in Appendix A to the minutes of the Subcommittee’s December 3, 2013 meeting, the following two questions from the December 16, 2013 Subcommittee meeting are listed as Questions 3 and 4.

Question #3: Should the full net tuition “true up” contemplated by the Budget Model be done in the first quarter following the end of FY 2014 (and in the first quarter following each subsequent fiscal year)?

“Pro”:

--Assigning ***actual*** net tuition to each principal academic unit was a linchpin principle in the Budget Model. Proponents of implementing the true up argue that not delivering on that principle erodes the credibility of the Model and understandably makes units that produced greater actual net tuition than budgeted feel that a promise to them is being breached and that there may be insufficient financial incentives to justify the costs associated with enrollment and retention growth initiatives. Also, proponents of the full true up note that if some units produce less actual tuition than budgeted a study should be made of why that is occurring (which may be reasonable downsizing or may have other causes), but that if charging such a unit for the “deficit” would cause undue financial hardship on the

unit the Chancellor can make an overriding strategic adjustment (as has been done for the last several years at the end of the Budget Model run—but would have to be done in the first quarter of the just completed fiscal year). They add that one should not assume that a unit with less actual than budgeted net tuition is necessarily one that needs or merits a strategic adjustment, but instead that the true up should be run and then each affected unit studied in the context of its overall financial circumstances.

“Con”:

--Opponents of the full true up argue that some units already struggling financially under the phase-in of the Budget Model are likely units that are generating less actual net tuition than budgeted, so that the true up would make their financial hardship more severe. They would be more inclined to follow the approach taken a few years ago that credited units with more actual than budgeted net tuition with some portion of that excess—but payable only out of an overall UMKC-wide pool represented by the overall excess of actual over budgeted net tuition.

Question #4: Should some or all of the “automatic” scholarships be paid centrally—i.e., as one of the special allocations off the top of the State Appropriation?

“Pro”:

--Vice Chancellor Tyler has noted his understanding that some other schools with RCM or RCM-like budget models do this. The central funding might lessen arguments by units that they are being inappropriately charged such scholarships for students that are treated as having their unit as their “home unit” even though they take many courses in other academic units.

“Con”:

--Opponents of central funding of automatic scholarships argue that it could create a significant mismatching of revenues and expenses, eroding core principles of the Budget Model. Among other things, where the scholarships are partial the units who in effect pay the expense under central funding (i.e., those who otherwise would have shared in larger shares of that State money) may vary quite a bit from the units that get attributed the partial tuition. Also, as discussed at the December 3, 2013 Subcommittee meeting, and again at the December 16, 2013 Subcommittee meeting, the approximation

approach to scholarships attribution developed by a UBC subcommittee assigned to that matter a few years ago seems to be working acceptably, and resulting in a reasonable matching of attribution of the scholarships with attribution of corresponding SCH and tuition.

UNIVERSITY BUDGET COMMITTEE'S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF JANUARY 21, 2014 MEETING

I. Time, Location and Attendance:

- 2:00PM, Provost's Conference Room at Administrative Center
- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Kevin Truman, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson. Absent: Mel Tyler.

II. Preliminary Administrative Matters

- The minutes of the December 16, 2013 Subcommittee meeting, in the form last circulated before the meeting, were approved (but with agreement to make clerical edits).
- Provost Hackett asked if there were any follow-up items from the December 16 meeting. Tony Luppino mentioned that he had circulated by email to the Subcommittee members some follow-up information on how the University of New Hampshire appears to be handling several types of automatic scholarships in its budgeting—which at least in part seemed to involve allocations to units under a credit hours formula rather than central off-the-top funding. He indicated he would be doing more research on UNH and Indiana (mentioned at the December 16 meeting) in preparation for future discussion with the UBC about the automatic scholarships question the Subcommittee has framed for UBC consideration.

III. Preliminary Discussion of State Appropriation Apportionment

- The Subcommittee then moved on to its next substantive topic—apportionment and use of the State Appropriation. The discussion began with a review of a draft schedule previously prepared for the UBC by Tony Luppino (attached to these minutes as [Appendix A](#)) showing the 2014 apportionment of UMKC's State Appropriation across several major components. Karen Wilkerson provided supplemental information about the purpose of several of the items listed as "Legislatively Designated" strategic allocations on the schedule. Ensuing discussion regarding strategic allocations (i.e., amounts specially allocated or reserved

before the balance of the State Appropriation is apportioned via the weighted student credit hours formula under the Budget Model) produced the following observations:

- The items listed as Salary Increase Support and Global Grading Salary Adjustments were “one-time” allocations and there is no current plan to take those items off the top of the FY 2015 State Appropriation.
 - At this juncture, no new Chancellor Designated special allocations from the State Appropriation have been proposed.
 - It is unclear whether (and in what amount) UM System President Wolfe may hold back any of the FY 2015 core State Appropriation (as opposed to increases in the State Appropriation) for strategic initiatives per his prior statement of intent to do that.
- The Subcommittee then turned its attention to the Budget Model formula for apportioning the bulk of the UMKC State Appropriation. Tony Luppino provided background on how the weighted credit hours formula was developed under Chancellor Bailey’s direction and with UBC input, and vetted with deans, faculty and other constituencies, between 2006 and 2008. The Subcommittee then engaged in preliminary discussions of this subject. No firm recommendations were developed in this initial discussion of the matter, but some observations and suggestions on possible things to address included:
 - The current formula raises an issue to be considered with respect to the implications on academic units that cannot reasonably be asked to significantly increase enrollment if other units do have significant enrollment increases but the State doesn’t increase UMKC’s State Appropriation to reflect an overall enrollment increase.
 - Some thought might be given to establishing a base amount of the State Appropriation for each academic unit, and applying the formula to only the amount left after subtracting the sum of those base amounts—but there was uncertainty as to how that would be determined and how it would work, so much more discussion of pros and cons would have to be undertaken before putting such a proposal on the table for consideration.
 - It seems appropriate to review and perhaps modify some of the weighting factors currently used, perhaps taking into account new data bases. It was noted that the two approaches currently blended under the Model yield dramatically different weighting factors for some units. The UBC and Chancellor previously agreed to a review of the weighting factors for the School of Medicine, but a broader review seems in order.

Appendix A

Draft Schedule Re: 2014 Use of UMKC's State Appropriation

APPLICATION OF \$75,097,668 FY 2014 UMKC STATE APPROPRIATION *Luppino Draft 07-15-13*

Strategic Allocations (22% of State Appropriation):

Holdback per State: \$ 773,409

UMKC Holdback/Incentives Fund: 1,300,000

Legislatively Designated:

Conservatory 212,000

Dentistry 970,000

Medicine 1,234,695

Nursing 186,000

Pharmacy 1,940,000

Subtotal: 4,542,695 4,542,695

Chancellor Designated:

Kansas Exchange (Dentistry) 2,283,584

I.E.I. (Bloch) 1,329,650

I.U.E. (Education) 575,000

Salary Increase Support 1,875,500

Global Grading Salary Adjustments 525,000

Strategic Adjustment Reallocation 3,126,518*

Subtotal: 9,715,252 9,715,252

Net Assigned to Schools per Weighted SCH Formula (78% of State Appropriation):

Initially allocated per formula 61,892,830

(Less Strategic Adjustment) (3,126,518)*

Subtotal: 58,766,312 58,766,312

TOTAL STATE APPROPRIATION:

\$ 75,097,668

*The Medical School was assigned \$12,962,800 of the \$61,892,830 portion of the State Appropriation initially allocated per the Weighted SCH Formula. In the Strategic Adjustments at the end of the Budget Model Run SOM's GRA was reduced by \$5,496,088--\$2,369,570 of which was reallocated to other Schools (\$2,152,629 to the Conservatory and \$216,941 to SBS), and \$3,126,518 of which was not reallocated to other schools in the GRA apportionment announced in May. In this presentation that \$3,126,518 is being treated as State money held for strategic uses to be designated by the Chancellor, and correspondingly excluded from the amount of State money ultimately assigned to Schools under the Weighted SCH formula.

UNIVERSITY BUDGET COMMITTEE'S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF JANUARY 28, 2014 MEETING

I. Time, Location and Attendance:

- 9:00AM, Provost's Conference Room at Administrative Center
- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Kevin Truman, Mel Tyler, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson.

II. Preliminary Administrative Matters

- The Subcommittee deferred until its next meeting consideration of the draft minutes of its January 21, 2014 meeting,

III. Discussion of State Appropriation Apportionment

- The Subcommittee then continued its discussions of the apportionment of the bulk of UMKC's State Appropriation—i.e., the amount of the State Appropriation left after deducting the various “off-the-top” special allocations for strategic initiatives (some legislatively designated and some Chancellor designated), which remaining amount is apportioned among the 11 principal academic units based on relative student credit hours

weighted for discipline-specific costs of instruction. The discussion resulted in the following observations and suggestions:

- Input from various constituencies echoed the following question which previously arose when drafts of the Budget Model were being vetted in 2007-2008, as reflected in the Feedback Memo posted by the University Budget Committee during that vetting process: “Should the ‘weighting factors’ be adjusted to reflect service and/or research missions of the academic units?” The Subcommittee tended to believe the answer to that question remains “no” for the same basic reasons reflected in the Feedback Memo (including common service missions, and the desire to fund special research missions from sources of funding other than the State Appropriation, such as external grants), but suggested that the question be presented to the UBC as a whole for further consideration.
- The Subcommittee should schedule and conduct a special session devoted entirely to review of the complete financial picture of the School of Medicine, including the weighting factors applied to its SCH under the Budget Model.
- More broadly, the Subcommittee should also gather for presentation to the UBC information on potentially relevant databases on discipline-specific costs of instruction which might be taken into account in addition to or in place of the two approaches to the SCH weighting factors currently blended in Appendix 4 of the Budget Model—it being observed that the two approaches in use now have in some cases dramatically different treatments of at least some disciplines.
- Some members of the Subcommittee expressed concern that the UBC has not yet undertaken a full analysis of the financial and other circumstances of the School of Biological Sciences—a matter which had been identified as an important task for UBC consideration in view of the result of the application of the Budget Model to SBS, but had been deferred pending completion of the SBS-SOM possible partnership discussions and the report of the consultants engaged to identify options.

UNIVERSITY BUDGET COMMITTEE’S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF FEBRUARY 27, 2014 MEETING

I. Time, Location and Attendance:

- 2:00PM, Provost’s Conference Room at Administrative Center

- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Kevin Truman, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson. Absent: Mel Tyler

II. Preliminary Administrative Matters

- The minutes of the Subcommittee’s January 21, 2014 and January 28, 2014 meetings, in the respective forms last circulated before meeting, were approved.
- UBC Secretary Tony Luppino, acting as Secretary of the Subcommittee as well, summarized where the Subcommittee’s work had left off at its last meeting and indicated that per prior minutes and discussions the next topic for discussion was the General Overhead Assessment under the Budget Model.

III. Discussion of General Overhead Assessment

- The Subcommittee first addressed the overall dollar amount of the General Overhead Assessment in the context of the UMKC-wide initiative to reduce expenses through shared services initiatives or otherwise. Discussion of this topic yielded the following Committee recommendations:
 - For various reasons the goal of getting final figures for the various components of the General Overhead Assessment to unit leaders earlier than in recent years (i.e., earlier than late April or early May) may well not be achievable. However, it was agreed that the Subcommittee would recommend that a conservative estimate (i.e., one that doesn’t assume reductions not yet verified) be circulated to the unit leaders as soon as reasonably possible.
 - It was also agreed that the Subcommittee would recommend that the UBC study the expenses of Intercollegiate Athletics, with input from the Chancellor, to explore in more detail potential means to cut the amount of General Revenues assigned to Intercollegiate Athletics by 50% within five years per the goal announced by the Chancellor.
- The Subcommittee then turned to the metrics used for sharing the burden of the General Overhead Assessment among the 11 principal academic units. The discussion of that subject area led to agreement that Tony Luppino would write up in the draft report of the Subcommittee’s deliberations and recommendations, with “pros” and “cons” notes where applicable from the discussion, the Subcommittee’s recommendations that the UBC consider whether to recommend to the Chancellor that:

- The Miller Nichols Library “Robot” debt service item be moved from the Total Current Funds Expenditures sharing metric to the metric used for University Libraries (Faculty/Student Headcount).
- The Miller Nichols Library new classrooms debt service item be apportioned in accordance with the usage of the classrooms (based on fall and spring semester figures), consistent with prior UBC discussions with the Chancellor of moving to a usage-based approach on this item when usage data is available.
- Discussions be undertaken as to whether the System IT Chargebacks (formerly PeopleSoft Administration) item is properly included in the Total Current Funds Expenditures metric or should perhaps be moved to another metric (such as the space-based metric used for Information Services).
- The Athletics Investment item be moved from the Total Current Funds Expenditures metric to the metric used for Athletics scholarships (Faculty/Student Headcount).

IV. Subcommittee Administrative Matters Going Forward

- It was agreed that in view of current circumstances there is no need at this time for the Subcommittee to revisit the Budget Model’s provisions on guidelines for reallocating funds in Current Expendable Fund Balances/Reserves.
- It was further agreed that Tony Luppino would prepare a draft of the above-referenced draft report of the Subcommittee’s deliberations and recommendations since inception for review and discussion at the next Subcommittee meeting.

UNIVERSITY BUDGET COMMITTEE’S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF MARCH 13, 2014 MEETING

I. Time, Location and Attendance:

- 2:00PM, Provost’s Conference Room at Administrative Center

- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Kevin Truman, Mel Tyler, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson.

II. Preliminary Administrative Matters

- The minutes of the Subcommittee's February 27, 2014 meeting, in the form last circulated before meeting, were approved.

III. Discussion of Initial Draft of Subcommittee Report

- Tony Luppino explained the format of the initial draft of a Subcommittee report to the University Budget Committee, based on the minutes of its meetings to date, that he had circulated among the Subcommittee members.
- The general consensus was that the format looked good, and the Subcommittee members should turn their attention to reviewing the content in detail after the meeting, and bring any comments, questions or proposed edits they may have to the next Subcommittee meeting for discussion.

IV. Circulation of "Whole Board" Schedules for Academic Units and Athletics

- Vice Chancellor Lindenbaum and Director of Budgeting & Planning Karen Wilkerson circulated the "whole board" schedules (breaking down various categories of budgeted and actual operating revenues, transfers in/out, and operating expenses, and resulting effects on operating fund balances over the first five years of Budget Model phase-in) for the 11 principal academic units and Athletics, and reported that similar schedules for the central administrative and support units would be prepared and circulated to the Subcommittee members.
- It was agreed that Subcommittee members should not re-circulate these schedules at this juncture, but should instead study them and ask questions that may lead to footnotes, context clarifications, or addition of other supplemental information that may be necessary to avoid the drawing of unfounded conclusions based on initial reactions to this raw data.
- It was also agreed, after discussion of pros and cons, that the Subcommittee would recommend to the UBC that, on a cost/benefit basis, the time and effort that would need to be expended to recreate a net tuition "true up" for all five completed fiscal years of Budget Model phase-in seems to exceed potential benefits of such an exercise.

V. Remaining Subcommittee Tasks

- It was agreed that in addition to discussion of the draft Subcommittee report, the Subcommittee should hold special sessions for detailed examination of the financial circumstances and effects of the Budget Model on the School of Biological Sciences and the School of Medicine, and possible changes in costs of instruction SCH weighting factors based on new or updated data bases (that may apply to any academic units, not just those two).

UNIVERSITY BUDGET COMMITTEE'S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF APRIL 14, 2014 MEETING

I. Time, Location and Attendance:

- 10:30AM, Provost's Conference Room at Administrative Center
- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Mel Tyler, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson. Absent: Kevin Truman

II. Preliminary Administrative Matters

- The minutes of the Subcommittee's March 13, 2014 meeting, in the form last circulated before meeting, were approved.

III. Discussion of Luppino Memo Re: "Whole Board" Schedules for the 11

Principal Academic Units and Intercollegiate Athletics

- The Subcommittee had preliminary discussions of some of the observations and questions in a memorandum prepared and circulated to the Subcommittee by Tony Luppino in response to the "whole board" schedules¹² for the 11 principal academic units and Intercollegiate Athletics circulated at the March 13, 2014 Subcommittee meeting. This included, among many other points, observations about some rather large differences between budgeted and actual operating expenses by some units (in some cases large excesses of actual over budgeted, and in some cases the opposite).

¹² Breaking down various categories of budgeted and actual operating revenues, transfers in/out, and operating expenses, and resulting effects on operating fund balances over the first five years of Budget Model phase-in.

- Vice Chancellor Lindenbaum reported that improvements have been and are continuing to be made to eliminate large differences between budgeted and actual operating expenses. She also indicated that she and Karen Wilkerson will work on compiling answers to the questions raised in the Luppino memo.

IV. Planning for Completion of Subcommittee’s Work

- After some discussion the Subcommittee agreed that its remaining tasks are to (i) have a session devoted to study of the School of Medicine’s financial circumstances; (ii) determine if there are relevant databases on costs of instruction, apart from those currently used in the Budget Model, that the Subcommittee might recommend the UBC consider as alternatives in the weighted credit hour formula used in the Budget Model to apportion the bulk of the State Appropriation; and (iii) make whatever modifications or additions to the March 12, 2014 of the Subcommittee’s Report and Recommendations as are necessary to put it in final form for delivery to the UBC.

UNIVERSITY BUDGET COMMITTEE’S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF MAY 8, 2014 MEETING

I. Time, Location and Attendance:

- 2:00PM, Provost’s Conference Room at Administrative Center
- Subcommittee members present: Sharon Lindenbaum, Tony Luppino, Kevin Truman, Mel Tyler, Wayne Vaught, Peggy Ward-Smith, and Karen Wilkerson. Absent: Provost Gail Hackett (Chair), and Marsha Pyle.

II. Preliminary Administrative Matters

- The minutes of the Subcommittee’s April 14, 2014 meeting, in the form last circulated before meeting, were approved.

III. Discussion of Medical School’s Budgeting and Financial Circumstances

- Sharon Lindenbaum led a review of the Medical School’s operating fund budgeting and financial circumstances/result since the FY 2009 beginning of Budget Model phase-in. It was observed that (i) some of the figures in the “whole board” schedule for SOM that seems to show unusual year-to-year variances were large the result of accessing and applying funds to capital expenditures/renovation; and (2) the very large excesses of budgeted operating expenses over actual operating expenses for several years during the subject period were largely attributable to actual payroll expense being much less than budgeted for such years (essentially actual new hiring not occurring to the extent budgeted for such years).
- There was also discussion of revisiting the SCH weighting factors assigned to SOM in the formula for apportionment of the bulk of the State Appropriation under the Budget Model. It was agreed that all of the weighting factors for all of the academic units, not just SOM, should be reviewed as part of review of the operation of the Budget Model and consideration of possible changes. To help make that a well-informed review, a small group (consisting of Sharon Lindenbaum, Karen Wilkerson and Kevin Truman) was assigned the task of doing research on possible national sources of data on discipline-specific costs of instruction (in addition to those already used in the operation of the Budget Model), possibly with assistance from Larry Bunce in the UMKC office of Institutional Research, and to report the results of that research to the Subcommittee and the UBC.

IV. Planning for Completion of Subcommittee’s Work

- After some discussion the Subcommittee agreed that its remaining tasks are to (i) have the small group described above study possible sources of national data on discipline specific costs of instruction, apart from those currently used in the Budget Model, that the Subcommittee might recommend the UBC consider as alternatives in the weighted credit hour formula used in the Budget Model to apportion the bulk of the State Appropriation; and (ii) make whatever requests for input, modifications or additions to the March 12, 2014 of the Subcommittee’s Report and Recommendations as are necessary to put it in final form for delivery to the UBC.

UBC Budget Model Review Subcommittee

Minutes of July 29, 2014 *K. W. Draft 8-5-154*

I. Time, Location and Attendance:

- 11:00 AM, Provost Conference Room

- Subcommittee members present: Provost Gail Hackett (Subcommittee Chair), Vice Chancellor Sharon Lindenbaum, Dean Kevin Truman, Vice Chancellor Mel Tyler, Dean Wayne Vaught, and Karen Wilkerson.

II. Review of Report and Recommendations of UMKC Budget Model Review Subcommittee

The subcommittee members reviewed the report and recommendations as prepared by Tony Luppino, Subcommittee Secretary, making the following recommendations and responses to each of the issues framed in the report.

- Question 1: Should the core policy of the Budget Model that the academic units get 100% of the attributed net tuition allocated to them in the operating of the Budget Model be changed?
 - **Subcommittee recommendation: No, this element of the budget model should not be changed.**
- Question 2: Should a special Budget Model rule on cross-unit instruction be created for the General Education Program.
 - **Subcommittee recommendation: Discussions and review of this issue are currently taking place to evaluate the mechanisms of general education courses. Any recommendation on this issue should be held until it is determined what is needed.**
- Question 3: Should the basic 80% to instruction unit/20% to home unit default rule split on cross-unit instruction in the mainstream budget model be revisited?
 - **Subcommittee recommendation: No. The split in tuition seems appropriate and consistent with practices in other RCM budget models.**
- Question 4: Should the default rule that the instructional unit gets 80% at the undergraduate rate and the home units get the rest of the actual tuition charged even if higher than the general rate be revisited?
 - **Subcommittee recommendation: The subcommittee members recommend that units teaching Medical students, especially the College of A&S and the School of Biological Sciences, receive a slightly higher rate than the regular undergraduate rate for teaching School of Medicine students. The rate would be less than the Medical student tuition rate, but higher than the undergraduate rate. From discussions with both the Dean of the A&S and the Dean of SBS, medical students tend to be more demanding on faculty time and resources. The actual rate will be studied, reviewed and presented for committee approval at a later time.**

- Question 5: Should semesters of SCH used in the net tuition and state appropriation components of the budget model be altered to provide more current figures.
 - **Subcommittee recommendation: Yes.** The subcommittee recommends using the most current semesters available. For example, the FY2015 Budget Model would be based on the student credit hours generated in SS13, FS13 and the SP14 semesters. This would mean that the budget model would not be calculated until after the census date of the spring semester (the 20th day of class).

- Question 6: Should any of the special tuition-generating programs listed in Appendix 2 of the budget model as excluded from the net tuition attribution provisions be instead included in the net tuition attribution?
 - **Subcommittee recommendation: Yes.** The subcommittee members acknowledged there are some courses that are currently coded as continuing education courses which are truly part of the main campus curriculum and that the former definition of continuing education is no longer applicable. The Provost's office will be reviewing the continuing education program in the next few months. Any changes to the budget model regarding this will be put on hold pending the findings of this review. Furthermore, the subcommittee recommends that if appropriate, any changes in these exclusions (including other exclusions beyond continuing education) will be evaluated and may require a transition period.

- Question 7: Should the full net tuition "true up" contemplated by the Budget Model be done in the first quarter following the end of FY2014?
 - **Subcommittee recommendation: No.** If the semesters used to calculate the budget model are changed as recommended in Question 5, there should be no true-up. NOTE: During the subcommittee discussion of this item, Dean Truman opposed this recommendation and advocated that both the semesters should be changed to calculate the net tuition, AND a true up in the following year be implemented. However, it was pointed out by Provost Hackett and others that in order to accommodate this request, other units would have to deal with reduced funding after the faculty hiring decisions have already been made, making any real financial adjustments difficult. Additionally, there are no central campus resources available to alleviate reduced funding for many units which are already struggling financially.

- Question 8: Should some or all of the "automatic" scholarships be paid centrally as one of the special allocations off the top of the state appropriation?
 - **Subcommittee recommendation: No.** The budget model policies regarding scholarships have been reviewed and changed to appropriately match expenses to revenue generation.

- Question 9: Should the SCH weighting factors used in apportioning the bulk of the state appropriation under Appendix 4 be adjusted to reflect service and/or research missions of the academic units.
 - **Subcommittee recommendation: No.**
- Question 10: Should the SCH weighting factors used in apportioning the bulk of the state appropriation under Appendix 4 of the budget model be revisited for other reasons.
 - **Subcommittee recommendation: Yes. The weighting factors should be changed to a model that more closely matches the campus cost structure. Some initial analysis has been done, and will be presented to the UBC and/or the UBC subcommittee for discussion.**
- Question 11: Can the dollar figures on the components of the general overhead assessment (and the total amount of the assessment) be given to the deans earlier than has been in the case in recent years?
 - **Subcommittee recommendation: Probably not. While the campus administration will strive to calculate and deliver the results of the budget model as timely as possible, there are many external factors that prevent the final calculation of this important element.**
- Question 12: For the purposes of determining each principal academic unit's share of the General Overhead assessment, should any of the line items in the current approach be moved the current metric governing its apportionment to one of the other metrics.
 - **Subcommittee recommendation: No. It was the subcommittee's recommendation that the general overhead categories and metrics should be left as is. However, it was also suggested that for predictability purposes, the overhead assessment only be calculated every three years. Each unit would be allocated a flat percentage of the total general overhead assessment for that time period. While the amount of the overhead assessment may change, each unit's share of the total would be consistent during this time period. However, if there are major financial events that warrant a recalculation, the overhead assessment would be recalculated.**

III. Other items for discussion

The issue of current uncollectible student tuition/bad debt expense was also discussed. The issue was framed by Vice Chancellor Lindenbaum:

Currently, the campus writes off more than \$2 million annually in uncollectible student fees. It is not possible at this point to charge these fees back to a specific unit in many cases, because many times the

student is taking classes in a variety of units and the bad debt may not be isolated to just one semester, but could be an accumulation of unpaid fees. The Cashiers office does not receive GRA, but is funded by the finance charges and late fees on the student accounts. To further complicate matters, the finance charge and late fee revenue is linked to the amount of outstanding accounts. Therefore, the better the Cashiers Office is at collecting the bad debt, the less revenue it receives.

Each year, the Cashiers Office transfers as much revenue as it can while still funding its operations to cover bad debt, but there is a gap. It was suggested that the bad debt be funded somehow through the budget model, either through an off the top allocation or some other mechanism. It was recommended that this topic be discussed at a future UBC meeting.

UNIVERSITY BUDGET COMMITTEE'S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF SEPTEMBER 12, 2014 MEETING

I. Time, Location and Attendance:

- 10:30AM, Provost's Conference Room at Administrative Center
- Subcommittee members present: Provost Gail Hackett (Chair), Sharon Lindenbaum, Tony Luppino, Mel Tyler, and Karen Wilkerson.
- Subcommittee members absent: Marsha Pyle, Kevin Truman, Wayne Vaught, and Peggy Ward-Smith.

II. Preliminary Administrative Matters

- Due to the number of Subcommittee members unable to attend the meeting, the presentation of the minutes of the May 8, 2014 and July 29, 2014 Subcommittee meetings for approval was deferred to the next Subcommittee meeting.

III. Discussion of Draft of Subcommittee's Report and Recommendations

- The Subcommittee members in attendance decided to (i) discuss the Track Changes version of the latest revised draft of the Subcommittee’s Report and Recommendation (the “Report”) and (ii) have Tony Luppino prepare a further revised draft, reflecting such discussion, for review and comment by all members of the Subcommittee before circulating a draft of the Report to the Deans’ Council and to the Faculty Senate and Faculty Senate Budget Committee for the input of those groups prior to the Subcommittee submitting its final Report to the University Budget Committee (UBC).

- During the discussion of the draft Report, the Subcommittee members in attendance:
 - Agreed that they have no substantive changes to the text and footnotes of the report preceding Part III (Subcommittee Recommendations/Issues Framing).

 - As for Part III they reached agreement on the substance of the revisions to be drafted in response to comments Tony Luppino had included in the last draft of the Report and related matters addressed in the meeting.

IV. Next Steps

- It was agreed by the Subcommittee members in attendance that (i) Tony Luppino will revise the last draft of the Report in accordance with the discussion at the meeting and circulate it by the end of the upcoming weekend to all Subcommittee members for comment by “reply all” email during the week of September 15; (ii) meetings will be scheduled for discussion with the Deans’ Council and with the Faculty Senate/Faculty Senate Budget Committee of the draft of the Report that will be sent to those groups after any revisions per the input of Subcommittee members pursuant to (i); and (iii) a meeting of the UBC will be scheduled for discussion of the final Report that will be submitted to the UBC after revisions to reflect the input of the groups described in (ii).

UNIVERSITY BUDGET COMMITTEE’S

SUBCOMMITTEE ON BUDGET MODEL REVIEW

MINUTES OF DECEMBER 3, 2014 MEETING

I. Time, Location and Attendance:

- 10:00AM, Provost’s Conference Room at Administrative Center

- Subcommittee members present: Sharon Lindenbaum, Tony Luppino, Marsha Pyle, Mel Tyler, Wayne Vaught, and Karen Wilkerson.

- Subcommittee members absent: Provost Gail Hackett (Chair), Kevin Truman, and Peggy Ward-Smith.

II. Preliminary Administrative Matters

- The minutes of the May 8, 2014, July 29, 2014, and September 12, 2014 Subcommittee meetings, in the form or each last circulated before the meeting, were approved.

III. Discussion of Input on Draft Subcommittee Report and Recommendations

- The Subcommittee members in attendance talked through the input on its Draft Report and Recommendation received from various UMKC faculty and one Vice Chancellor submitted in response to the Subcommittee's call to the Faculty Senate, Faculty Senate Budget Committee, and Administrative Council for such input. Tony Luppino took notes on the decisions made regarding corresponding revisions to be made to the Draft Report and Recommendations.
- Sharon Lindenbaum presented a preliminary analysis of some alternative databases approaches to weighting student credit hours for costs of instruction in the formula used to apportion the bulk of the State Appropriation under the Budget Model. The Subcommittee members asked some preliminary questions about the breakdown presented and agreed that work on refining the analysis of alternatives should continue for presentation to the University Budget Committee ("UBC"), and also recommended that studies be done and presented to the UBC of UMKC faculty salaries and UMKC faculty teaching workloads (by student contact hours) in comparison to peer institutions to help put the costs of instruction data in context.

IV. Next Steps

- It was agreed by the Subcommittee members in attendance that (i) Tony Luppino should revise the last draft of the Report in accordance with the decisions on revisions made at the meeting and circulate a revised draft to the entire Subcommittee for review and comment; (ii) an attempt then made to finalize the Report and Recommendations though email exchanges of comments and revisions, or, if necessary, another Subcommittee meeting; (iii) once finalized, the Report and Recommendations should be submitted to the UBC and posted on the UBC website and all UMKC faculty simultaneously sent a notice with a link to the Report and Recommendations and given a reasonable amount of time to submit comments thereon to the UBC before the UBC begins meetings to deliberate on the Report and Recommendations and develop its recommendations to the Chancellor regarding Budget Model revisions.

Appendix B

Feedback Received on Draft of Subcommittee Report & Recommendations

FACULTY INPUT ON DRAFT REPORT OF BUDGET MODEL REVIEW SUBCOMMITTEE

Last Updated: November 4, 2014

INPUT AT OCTOBER 7 FACULTY SENATE MEETING (FROM MINUTE S OF THAT MEETING):

Another issue is athletics. This is a sizable budget item within the General Overhead Assessment. The Chancellor has verbalized a five-year plan to cut this allocation in half, but it was noted that the allocation for this year was unchanged. Senators requested that the Provost ask the Chancellor to establish a starting year for the five-year plan.

Senator Wyckoff (Biological Sciences) stressed that the School of Biological Sciences is in very dire straits. They have lost twenty faculty positions since the implementation of the budget model in 2008. The GRA allocated to SBS under the budget model does not adequately support that unit. When Sen. Wyckoff stated his concerns, Provost Hackett pointed out that two Deans discussed the issue of a lack of support under the new budget model within a year of its implementation: Dr. Witte (Conservatory) and Dr. Dreyfus (SBS), and the Chancellor decided to address the issues of the Conservatory and NOT SBS. Prof. Luppino noted that the current budget split is not sufficient to support SBS as it currently operates, and that, as SBS representatives were aware, he had suggested several times that a full study of why that is—of the type done when the GRA allocated to the Conservatory under the was found insufficient for its operations—be done to determine if there should be special funding for SBS or a change in its operations. He noted that such a study had been deferred in view of the SBS-SOM merger discussions and he was concerned with that delay. He also noted that the discussed SBS-SOM merger was something Chancellor Morton said was on his agenda at the Faculty Senate meeting at the beginning of this semester. As the budget discussion left many issues relating to SBS and SOM on the table because of the potential merger issue, this was a critical point. It was also discussed that the recommendation to change the tuition split for SOM and SBS/A&S would likely benefit the two schools who teach the majority of the undergraduate classes for the 6-year med program.

Concerns were also raised about the operational costs for new building projects and debt service related to those projects. Chair Ward-Smith offered to invite Bob Simmons to a future meeting to provide more information on this. Tony Luppino mentioned that the Faculty Senate Budget Committee and University Budget Committee had several years ago worked out a Major Capital Projects Report that Bob Simmons has used in the past in reporting on major construction project proposals to the UBC and the Facilities Advisory Committee—a report covering such items as the purpose of the construction; how it was to be

funded; what opportunities it was being prioritized ahead of; and what the projected effects on UMKC's operating expenses budget would be. He suggested that a new round of those reports should be requested.

Tony asked Senators to share the draft report with their faculty. Feedback and questions can be provided to him or Provost Hackett to pass on to the University Budget Committee's Budget Model Review Subcommittee for consideration before it finalizes its Report and Recommendations to the UBC.

INPUT SUBMITTED TO TONY LUPPINO PROVIDED AFTER OCTOBER 7 FACULTY SENATE MEETING:

RESPONDER #1:

Question 4: Previous and current chancellors' rejections of UBC recommendations are no excuse for not offering the best advice. The precursor to the UBC rejected this proposal out of hand due to the long-time presence of the former dean of the SOM.

This is a question that is not limited to only SOM students, but to the tuition structure for all units, with obvious implications for the financial health of the entire university. Without such a division of the tuition paid by the high-tuition students for courses taught (some at the request of the student's home unit), it would appear that the home units are charging an overly-high for courses that they "pay" for at a much lower level.

Development of courses in academic fields outside those of the home units is an issue for the faculty in those disciplines, not for administrators seeking to capture a greater fraction of their students' tuition.

Question 7: True-up of tuition (optionally including state appropriation) after the academic year might be handled from the discretionary fund, at least for units that have overspent their budgets to cover salaries or other absolutely necessary expenses. They may also get consideration for additional positions for the following year, if the true-up is enough to justify the expense, and (at least for tenure-track positions) appears to be a long-term increase.

Question 8: The scholarships are not allocated by the academic units, but are charged to them, so the administrators in Student Affairs are deciding the expenditures of the various academic units. Hence each unit should either be given control of the allocation of any student aid charged to it, or it should be paid out of the Student Affairs budget, if that is the body that decides to provide scholarships.

Students may (and should be able to) change majors, even form one unit to another, during their undergraduate years, possibly burdening another unit with scholarships originally awarded for a major in an initial unit.

Students in some majors (e.g., biology) take the majority of their courses in other units (e.g., A&S), at least for their initial years. Hence a scholarship awarded student may actually be a cost to the home unit for some time. Likewise, a unit's scholarship "investment" in a student in any unit generates negative returns for any courses not taken in the home unit.

Question 9: Does the UBC have access to budgets for the various divisions of the UMKC administrative and academic units? If not, how can the UBC possibly do its job? This is information that should be transparent to all faculty, and of most critically to the UBC and the Faculty Senate Budget Committee. If this information is available, can it be presented to the Faculty Senate? If not, can it be obtained?

RESPONDER #2:

1. How are the Honors College, University College, and Emeritus College funded?
2. Were the cost-of-instruction by discipline weighting factors included in the review? How is the move to online courses impacting those weighting factors?
3. Has the committee or administration “done the math” regarding revenues vs. costs with a breakdown of undergraduate student compared to graduate student for each unit? Is that information available?
4. Does the UBC have access to budgets for the various divisions of the UMKC administrative and academic units? If not, how can the UBC possibly do its job? This is information that should be transparent to all faculty, and of most critically to the UBC and the Faculty Senate Budget Committee. If this information is available, can it be presented to the Faculty Senate? If not, can it be obtained?
5. Would it be possible to provide a more detailed example of how the GOA amounts are determined and assessed? For example, can the UBC demonstrate how the GOA for A&S is determined with actual figures (a breakdown for the specific support units would be very much appreciated)?
6. What is the mechanism for a support unit to request additional funding? For example, the libraries needs additional funding to its collections budget for serials inflation. What is the appropriate avenue for this?

Responder #3: It appears from the report that overall the opinion of the sub-committee is that the budget model is working okay. Having said that, I am baffled as to why the majority of units are operating in despite large increases in student enrollment and cuts. For example, in my unit, the BHS program continues to grow and grow yet we seem to be getting further in the hole. Many of us are now between 75-100 grant funded but we are still in the red. What concerns me is that we as faculty are being ask to do more and more (more grants, more teaching) and UMKC isn't even paying our salaries or benefits -- our grants are paying for this. We are short on faculty and out of space in our building both for teaching students and for training grants. So something is broken somewhere.

I again ask, has administrative staff really been looked at -- the goal was to cut strategic communication in 2011 but it has grown bigger with less service to the units and Advancement continues to hire people that really don't have 'jobs' -- just 'special projects' that other staff could be doing. Maybe the committee should take a harder look at administrative expenses.

Responder #4: On the 80/20 split I agree that this should stay at the undergraduate rate. I don't see how medical students take more time to teach when they are lumped into the same classes with others. But the real problem I have with the 80/20 is that it doesn't work. When I first started here I was told that the shared revenue went through budgeting and they split it out. But four years later I found that is not the case. If a class has a medical school course number and is taught in a different school than the tuition comes to us but still not sure if the other school gets their 20%. But if we teach a class within a different school under their course number we don't get that tuition unless I bill for it. However, no one can tell me how much the tuition is for those classes. So I have to go through a calculation to try to determine what we are owed. Then I have to bill the other school and hope they transfer funds to us. I have been trying to get payment from other schools, but sometimes this has been difficult. The 80/20 sounds good but operationally hasn't worked well.

Response from SBS Faculty Advisory Committee (Gerald Wyckoff, Associate Professor and Chair of the Faculty Anthony Persechini, Professor and Director of Research Marilyn Yoder, Associate Professor and Division Head, Cell Biology and Biophysics Sean Yu, Professor and Division Head, Molecular Biology and Biochemistry Michael Plamann, Professor Leonard Dobens, Associate Professor Samuel Bouyain, Associate Professor Thomas Menees, Associate Professor):

1. Net Tuition Attribution

We agree with the subcommittee's recommendation that academic units teaching medical students receive a higher rate than the general undergraduate rate. Since Student Credit Hours are central to the budget model we believe that distributions of revenue should fully reflect this and be based on the actual tuition a student is paying. Therefore, in the case of an 80/20 split, the distributions to the participating units should be calculated equivalently across all units.

2. Allocation of the State Appropriation

The formula used for determining the State Appropriation received by each academic unit was supposed to evolve as the budget model was phased in, especially for units that experienced a large gap between costs and revenues. Because budget reviews and adjustments have not been performed consistently, the Budget Model has become the de facto arbiter of academic priorities, especially for units with a large gap between costs and revenues. We strongly encourage more active use of the review process to ensure that the budget model is adjusted as required to support current and future academic priorities.

For SBS, the lack of a budget review has been due to the possibility of a partnership/merger between SBS and SOM that could have budgetary ramifications. The Chancellor has endorsed the concept of a partnership/merger between SBS and SOM as a way for SBS to continue contributing to UMKC's mission to Lead in the Life and Health Sciences. The lack of a budget review or a partnership/merger agreement over the past four years has kept both SBS and SOM from strategically advancing their academic and research missions. SBS is anxious to participate in partnership/merger discussions with the new SOM Dean and his faculty, which we hope will allow us once again to move forward.

Response from Sullivan Read (SBS):

Thanks for your recent email asking for comments about the draft report of the UBC Budget Model Review Subcommittee. I agree with many of the points of the report, but have several specific suggestions for modifications.

1.) On lines 3 and 4 of page 6 the draft report states: "With respect to instruction by SBS this issue may be moot at the Budget Model level (i.e., if SBS is merged into SOM)." This wording should be changed to "i.e. if SBS merges with SOM." This would be a significant change in the meaning of the sentence, which would more accurately reflect what was said in discussions between the SBS Faculty and the Chancellor and Provost. The new wording would convey the idea that in any potential merger both units would bring strengths to the table and that it would be a merger between equals, rather than a merger in which one unit consumes the other. One might even envisage that the name of any merged unit would not be the School of Medicine or the School of Biological Sciences, but would reflect the different disciplines in the merged unit; something like the School of Medicine and Biological Sciences. This would be especially appropriate since one of the missions of any merged unit would be to educate 600 undergraduate biology majors, most of whom are not medical students.

2.) On page 10, regarding Question 9, the draft report recommends that the student credit hour weighting factors used in apportioning the bulk of the State Appropriation not be adjusted to reflect service and/or research missions of the academic units, because of a "desire to fund special research missions from sources of funding other than the State Appropriation, such as external grants."

This subcommittee recommendation is misguided. To begin with, research is not a "special" mission of any group of faculty or individual academic unit; instead, it is a core mission of the University. The UMKC Vision Statement begins: "UMKC will become a model urban research university characterized by signature graduate and professional programs, a dynamic undergraduate population....." Similarly, the UMKC Mission Statement begins: "UMKC's mission is to lead in life and health sciences," Since research is a core mission of the University and a central component of the vision for the University, it is only logical that considerations of research endeavors in the units should be an important component of any budget plan that apportions the bulk of the State appropriation.

I agree with the following assessment by Drs. Richard Marchase and David Young, the external consultants hired by the Chancellor and Provost to evaluate potential organizational structures for the UMKC School of Biological Sciences:

"UMKC currently is operating under a budget model that recognizes only one component of the tripartite mission of the university: teaching (credit hour production). The use of formulas based solely on credit hours to drive the allocation of state funds to the various schools has significant limitations.

First, such a formula does not place an appropriate value on research. This is especially problematic if research excellence is to be one of the dimensions for which UMKC wishes to be nationally known. It is unrealistic to think that top-notch research can be supported solely by extramural funds. In fact, if one examines the most recent NSF Higher Education Research and Development Report (Fiscal Year 2010), the national average of institutionally supported and separately budgeted R&D expenditures is nearly 20% of the total cost of doing research. According to the reporting instructions, all such funds must have been "expended for activities specifically organized to produce research outcomes. These activities are separately budgeted by an organizational unit within the institution." UMKC reported that \$9.6 million was expended in FY10. Of course, some of this total is no doubt attributable to funds retained by central administration (e.g., to support the offices of the Vice President for Research). However, the university will need to continue to make investments directly in the units that are actually conducting funded research. This investment is required independent of a system based solely on weighted credit hours.

Second, the weighting of credit hours in the various disciplines used by the allocation formula has been set somewhat arbitrarily, midway between the Texas and COPHE (modified Delaware) approaches. Different expenditure categories were used in developing the different formulas. However, the costs of operating a science department charged with conducting funded research and providing appropriate learning experiences for undergraduates and graduate students (e.g., research and teaching laboratories, undergraduate research, providing stipends for teaching assistants, mentoring graduate students) are not included in either model and certainly not in the average of the two. The assumption that a relatively modest credit hour weighting could adequately cover these expenses seems unrealistic. This lack of funding relative to actual expenses is not restricted to SBS and no doubt reflects at least a portion of the budget challenge facing the College of Arts and Sciences as well.

Third, an inherent flaw in the current budget model is that it can promote decision making based on maximizing a unit's budget rather than providing the best educational experiences for the students entrusted to the institution. There is no doubt that, in times of constrained financial resources, units will be reluctant to use the instructional services of another School or department if it means losing a fraction of its tuition and state allocation funding, even if the very best instructors reside in the other unit. We were informed during our visit that this is beginning to happen at UMKC.

We recommend that the University Budget Committee be reconvened to examine the assumptions that underlie the current model with an eye toward determining how the goal of building a stronger research program could be incorporated into the model. Also, the credit hour weighting and cost allocation assumptions need to be aligned. That is not the case in the current system. In addition, consideration needs to be given as to whether the model is driving behavior that is not in the best interests of UMKC's implicit goal of optimizing its educational opportunities."

Finally, it is important to emphasize that, in addition to the importance of faculty research and scholarship to graduate teaching and for generating new ideas that stimulate the economy, faculty research and scholarship are of central importance to providing students a first rate undergraduate education. I have attached an article on this point that appeared in the Williams Alumni Review by Adam Falk, a theoretical physicist and President of Williams College, one of the top liberal arts colleges in the country. Dr. Falk says:

"Our students are fortunate in so many ways, with an abundance of cultural, athletic and social opportunities; but in no way more than in the intellectual stimulation that's available to them inside and outside the classroom.

This is true primarily because our faculty are so involved in scholarship. I'm surprised when some commentators set teaching and scholarship as mutually exclusive domains that make rival claims on faculty time. The implication is that the hours spent on scholarship come at the cost of students. I can't speak for all of higher education; maybe there's an institution somewhere that has this out of balance, but I know that at Williams the hours devoted to scholarship result in benefits for students.

If education were simply a matter of filling students' brains with material, then, yes, scholarship reduces the time available to do that. But Williams has long understood that education involves instead the sparking of minds, and this can only be done by another mind that's fully charged; that is itself curious, eager to learn and ready to engage new ideas and methods.

Conversely, every Williams faculty member can tell you how much they've learned from their students through a form of mutual inquiry that is education at its most effective. ...

So it's not teaching or scholarship but teaching and scholarship. And I'm convinced that no place does this better than Williams."

In summary, because research is an important part of the core mission of UMKC, and central to quality undergraduate and graduate teaching, considerations of research activities should play a central role in the UMKC budget plan. I hope that these ideas are helpful.