

**UNIVERSITY BUDGET COMMITTEE**  
**MINUTES OF MARCH 24, 2016 MEETING**

**I. Time, Location and Attendance:**

- 10:00AM, Gillham Park Room at Administrative Center
- UBC Members present: Provost Barbara Bichelmeyer (Chair), Curt Crespino, Mark Johnson, Tony Luppino, Russ Melchert, Kevin Sansberry, Susan Sykes Berry, Mel Tyler, Wayne Vaught, Theodore White and (for Peggy Ward-Smith) Gerald Wyckoff. Absent: Peggy Ward-Smith.
- UBC *Ex Officio* Members: Larry Bunce, Sharon Lindenbaum, and Karen Wilkerson.
- Others present: Chancellor Leo Morton and John Morrissey.

**II. Preliminary Administrative Matters:**

- The minutes of the February 26, 2016 Committee meeting were approved in the form last circulated before the meeting, on the condition that the incorrect spelling of the name of one of the UBC Members in the draft minutes would be corrected in the final minutes of the February 26 meeting.

**III. Report on State/System Developments**

- UMKC Central Administration officials reported on State and System-level developments since the February 26 Committee meeting. This report essentially focused on the impending State Appropriation to the UM System for FY 2017. It was noted that the situation on the State Appropriation remains in flux and uncertain, but recent developments in related discussions and negotiations included:
  - Somewhat of a reduction in the proposed cut in State funding to the UM System Central Administration. The new estimate is a cut of approximately \$7.6 million. UM System campuses would likely be asked to replace some of that cut (i.e., take less State money to allow UM System Central Administration to maintain and fund key services), with UMKC's share of that contribution being approximately \$1.8 million.
  - Some increase in State of Missouri revenues is being projected, which in turn appears to be allowing a proposal by the Governor to leave the core State Appropriation to the UM System flat, and perhaps add a performance based increase (albeit not as much as had been hoped), but conditioned on no increase in in-state undergraduate tuition rates.

#### **IV. Update on Administrative and Support Functions/Budgets Task Forces**

- Tony Luppino, UBC Member/Secretary, and Chair of the Faculty Senate Budget Committee (FSBC), reported on the status of the following four Task Forces organized at the FSBC's suggestion and in collaboration with the Faculty Senate's Committee on Institutional Effectiveness, the Chancellor, the Provost, and other Administration officials:
  - Advancement & Development
  - Intercollegiate Athletics
  - Office of Research Services (ORS)
  - Student Affairs & Enrollment Management
  
- Key points from Luppino's report were:
  - It was emphasized that the charge of each Task Force is not just about budgeting/resource allocations, but also about gauging satisfaction with the services currently provided by each of the central administrative/support functions under study, viewed in tandem with associated academic unit-level administrative/support functions, and developing forward-looking recommendations designed to enhance institutional effectiveness.
  - Each of the four Task Forces has submitted to the Provost, in response to part of the guidelines for this process she had circulated, their version of a "Brief Evaluation Report" focusing on questions to be addressed by the Task Force, associated data requests, and a proposed timetable for the Task Force's work.
  - There has been some back-and-forth with the Provost's Office or other officials about some of the data requests, and those discussions are proceeding collaboratively.
  - A suggestion by the faculty point person on the ORS Task Force to expand the number of faculty members in that Task Force was withdrawn after a suggestion that in lieu of that a survey be prepared jointly by faculty and Administration officials on that Task Force and circulated among the UMKC faculty and staff to gather widespread input on ORS matters being studied by the Task Force.
  - The Intercollegiate Athletics Task Force had a very good meeting in the Chancellor's Office to go through its Brief Evaluation Report in which there was a great deal of consensus on how to approach the key questions posed and agreement reached on supplementing the substantial amount of data/materials already circulated to the members of that Task Force with some additional data/research.
  - The Faculty Senate is working with the Provost to develop a regular system of periodic reviews of significant central administrative/support functions, along the lines of the four initial Task Forces, and with a rotating approach (akin to evaluation of Deans).

## V. Questions Re: Reserves and Fund Balances Policies

- UBC Secretary Luppino provided background on suggested fund balances/reserves policies in the UBC’s March 10, 2008 recommendations to the then Chancellor, pointing the Committee to, in particular, the discussion of “University Reserves & Incentives Fund” and “Current Fund Balances Policy” on pages 7 and 8 of the text of the UBC’s Budget Model recommendations<sup>1</sup> and Appendix 6 (“University Reserves & Incentives Fund: Criteria for Use in Resource Allocations to Academic Units”).<sup>2</sup>
- Luppino then reviewed FSBC questions dated 9-24-15 regarding “Reserves Policies and Fund Balances” which had been submitted to the UBC for its consideration. He noted which questions had been previously addressed (and reflected in the minutes of prior Committee meetings) and then initiated Committee discussion of the questions that had not yet been addressed or had been addressed only in part. Ensuing discussion engaged in by several Committee Members and the Chancellor produced the following key points and understandings:
  - Details of the proposed changes to reserves policies to create more of a central reserve, keep track of contributions to it from units, and give such units some future credit for those contributions, described in concept by the Chancellor last summer, have not yet been worked out and will be the subject of further examination and discussion with the Committee.
  - Reports of strategic adjustments made by the Central Administration to unit-level fund balances made during or shortly after the end of FY 2015 have been previously made to the Committee and will be consolidated in one clear report that can be circulated to stakeholders (including, among others, the FSBC).
  - There is currently no express requirement that units get Central Administration approval of expenditures from unit-level fund balances; however, there has been a process of “disclose and discuss” under which, as part of periodic budget reviews, the unit leaders and Central Administration consider significant proposed expenditures out of unit-level fund balances in the context of UMKC and unit strategic priorities.
  - The above-reference excerpts from the UBC’s 2008 recommendations should be taken into account, along with other materials and recommendations, in deliberations on modifying UMKC reserves policies and strategic investments out of reserves. Among other things, this includes the emphasis in the 2008 recommendations on (i) each “Responsibility Center” including in its proposed budget for each upcoming fiscal year “a detailed explanation of unit plans, including

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<sup>1</sup> Available at <http://www.umkc.edu/provost/committees/university-budget/FY%202009%20docs/committee-recommendations-2009.pdf>.

<sup>2</sup> Available at <http://www.umkc.edu/provost/committees/university-budget/FY%202009%20docs/appendix-6-2009.pdf>.

plans for managing and utilizing the unit's Current Unrestricted Available Fund Balances"; and (ii) having clear policies on the criteria for making strategic investments out of central reserves/incentives funds (which is consistent with the approach taken in the recent initiative the Provost led regarding requests for strategic funding from a central pool).

## **VI. Discussion of Trends in Ending Fund Balances in Recent Fiscal Years**

- The Committee then spent some significant time in discussion of some preliminary observations on reports circulated to Committee Members showing unit-by-unit operating, auxiliaries and service operations ending fund balances for the last four completed fiscal years. This was just preliminary discussion and it was recognized that more study will be in order. There were no significant decisions made during such discussion, but recommendations were made by one or more Committee members that the Committee and the Chancellor consider the following actions:
  - Better educating all stakeholders that the Budget Model (i) has never been fully implemented, and (ii) even if fully implemented would not by itself produce GRA apportionment. Rather, it is and has from inception been a management tool for the Chancellor to use in assigning GRA, but subject to such strategic adjustments as the Chancellor deems in order. It was noted that the UBC, with FSBC assistance, researched RCM models when then UBC was first formed in 2006 and was well aware of the problems that could be caused by strict adherence to formula funding, and consciously planned on strategic adjustments.
  - There should be presentations to the Committee, for its review and comment, on the following:
    - The causes of the Bloch School's large negative operating fund balance.
    - The causes of the Conservatory continuing to have operating fund difficulties notwithstanding the special support agreement made with the Chancellor (with UBC support) several years ago.
    - The reasons why the School of Biological Sciences has struggled in its operating fund since phase-in of the Budget Model commenced, using a comprehensive analysis along the lines done with regard to the Conservatory when the above-referenced special support agreement was being explored.
    - Re-examination of the costs of instruction assumptions regarding the School of Medicine that are pertinent to the computation of its tentative share of the State Appropriation under the Budget Model.

- Examination of large auxiliary/service operations fund balances currently shown for several administration/support units to determine how they have resulted and whether they reflect reasonable levels or reserves or might support reallocations or changes in operations (e.g., to rates they charge other UMKC units for good or services).