UNIVERSITY BUDGET COMMITTEE

MINUTES OF JANUARY 9, 2009 MEETING

I. Time, Location and Attendance:

- 1:00PM, Provost’s Conference Room at Administrative Center
- UBC members present: Gail Hackett (Chair) Betty Drees, Curt Crespino, Lawrence Dreyfus, Gary Ebersole, Laura Gayle Green, Tony Luppino, Paris Saunders, Lanny Solomon and Karen Vorst.
- Others present: Leo Morton, Margaret Brommelsiek, Rick Anderson, Larry Bunce, Karen Wilkerson and John Morrissey, and, for part, Mel Tyler.

II. Approval of Minutes of Prior Meetings

- The minutes of the December 4, 2008, December 9, 2008 and December 11, 2008, in the forms last circulated for the meeting, were approved.

III. Update by Chancellor on System Level Budget Discussions

- Chancellor Morton reported that updating of estimates of the State of Missouri’s revenues for the current fiscal year and work on its budget for FYE 2010 are in process, and that by the end of January we should have more meaningful information to work with regarding the size of any mid-year State Appropriation rescission for FYE 2009 and the likely amount of the State Appropriation for FYE 2010.

- The Chancellor stressed the importance of continuing to explore and to effect expense reduction measures and re-engineering of operations to promote efficiencies, explaining that these efforts will be facilitated by the maintenance of a data room and an electronic suggestion box mechanism.

- The Chancellor also described the ongoing initiative among the UM-System campuses to prepare for presentation to the Curators a proposal for de-coupling of the setting of tuition rates so that each campus would have the ability to make independent decisions on undergraduate and graduate level rates. Vice Chancellor Mel Tyler joined the meeting and explained that UMKC had organized a task force to draft a UMKC position paper on this subject that would take in to account the relationship of tuition de-coupling to UMKC’s mission priorities, academic quality, enrollment management, market and financial aid circumstances, and the budget model we have been phasing in. The UBC will be asked to comment on a draft of that paper.
IV. Discussion of Projections of Application of Budget Model Using Alternate Assumptions for FYE 2010 State Appropriation

- Karen Wilkerson circulated projections applying the budget model to FYE 2010 (with previously planned 25% phase-in of positive variances) on the following alternate assumptions: (1) 15% reduction in State Appropriation and 7% reduction in overhead assessment on Schools/College to fund administration/support functions; (2) 20% reduction in State Appropriation and 10% reduction in the overhead assessment; and (3) 25% reduction in State Appropriation and 12% reduction in the overhead assessment.\(^1\)

- It was noted that given the magnitude of the reduction of the State Appropriation in all three scenarios, all but two schools would experience a reduction in funding under each of these scenarios.

- The Committee agreed that the likelihood of a large reduction in the State Appropriation does not mean the budget model we started phasing in this year should be abandoned. The Committee believes the model should be the starting place for resources allocations for FYE 2010 and subsequent years, but that at its next meeting it should discuss the possible need to make adjustments to the model and/or to the previously planned speed of the phase-in that began in FYE 2009 to take into account the effects of State Appropriation reductions of the sizes reflected in these new projections. Preliminary discussions indicated that such discussions might include:
  
  - The possibility of additional special allocations from off the top of the State Appropriation, or, alternatively, re-allocations of General Revenues after tentative application of the model, in order to prevent impairment of the ability to pursue strategic priorities;
  
  - Review of the decisions to date regarding the student credit hour “weighting factors” used under the model to apportion the bulk of the State Appropriation among the eleven principal Schools/College; and
  
  - Consideration of the fact that there remains consensus on the core concepts embodied in the model that, in UMKC’s current enrollment circumstances, each School/College should (a) be allocated the net tuition it generates, (b) be allocated a fair share of the State Appropriation, and (c) pay a fair share of the general overhead assessment that provides funding to administrative/support functions. It was observed that any decisions to modify the model or the phase-in plan should appropriately reflect transparency and equity to all of the Schools/College (including not only those that would experience funding reductions, as compared to past years, under application of

\(^1\) During review of these projections it was noted that there was a keypunch error with respect to figures relating to the College of Arts & Sciences and agreed that correction of such error would be made.
those core principles, but also those that would merit funding increases, as compare to the past, by applying those principles).

V. Discussion of Athletics Funding and Targeted Obligations List

- After discussion of the critical role played by a vibrant and successful intercollegiate Athletics program in attracting and retaining students, the Committee recommended to the Chancellor that the approximately $1.8 million increase in the annual amount of revenue allocated to UMKC Athletics previously identified as a targeted commitment be satisfied absent a currently unforeseen change in UMKC’s financial circumstances. A few possible specific sources of funding that $1.8 million increase were identified for further study.

- Turning to the remainder of the items on the Targeted Obligation List, the Committee directed the small working group subcommittee to review the list in detail and report to the Committee as a whole with recommendations as to how to address the list in both substance and as a matter of process.

VI. Discussion of Tracking of Unfunded Scholarships and Waivers

- Karen Wilkerson circulated schedules with information on the various types and amounts of unfunded scholarships/waivers granted to students in each of the Schools/Colleges. She described difficulties in tracing to particular academic units variances between budgeted and actual grants of such scholarships/waivers for past years, but expressed optimism that her office’s continued work with the Financial Aid office will yield the ability to implement such tracing going forward.

- The Committee recommended that (a) in view of the tracing problem for past years the small working group (and subsequently the Committee as a whole) will need to explore other alternatives for addressing the deficit balance in the campus-wide Scholarships/Waivers account; and (b) the Finance Office and Financial Aid should continue their collaboration and report to the UBC on improvements to tracking the unfunded scholarships/waivers decision-making and accounting processes so that the decisions will be well understood, in a timely manner, by all concerned parties (including deans and unit fiscal officers) and the determination of each academic unit’s actual net tuition can be made accurately as contemplated by the new budget model.

- During the course of these discussions, UBC member Lanny Solomon reminded the Committee of the commitment to improved business systems infrastructure called for by the UBC-recommended budget model and suggested that study be conducted of whether additional staffing or other
measures may be required to achieve appropriate improvement. The Committee agreed that such study is in order.

VII. Discussion of Summer School and Related Matters

- The Committee discussed its January 18, 2008 memorandum containing recommendations regarding the handling of Summer School in UMKC budgeting and resource allocations. It was the sense of the Committee that the UMKC Administration had ultimately agreed with those recommendations. After some discussion, the Committee suggested that:

  o With respect to the Summer School tuition which, under university accounting, was booked into FYE 2008, the procedures set forth on page 4 of the January 18, 2008 memorandum should be followed, with the assistance of the Finance Office, to determine if any one-time transfers of funds should be made to any academic unit(s) for positive contributions to an increase in net tuition (including not just Summer School, but tuition from other semesters as well) from FYE 2007 to FYE 2008;

  o For the time being, as recommended in the January 18, 2008 memorandum, no special treatment of Summer School will be added to the budget model. It was noted that as the budget model was run for FYE 2009, prior to phase-in, each School/College was allocated 100% of its net tuition (computed in accordance with Appendix 2 of the model), and that issues of phase-in prior to full implementation affect many units in various ways (not just Summer School); and

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2The January 18, 2008 memo provides in pertinent part: “(1) The overall increase in net tuition from FY07 to FY08 will be computed and a pool of money equal to such increase established; (2) A reasonable estimate will be made as to which Schools/College contributed positively to such increase and to assign to each such School/College, as one-time cost money funds, a share of the pool determined by the Chancellor to be equitable given UMKC’s overall financial circumstances (after presenting the proposed apportionment of the pool to the Deans’ Council for input); and (3) No School/College is to suffer as a consequence of this plan any decrease in the FY08 GRA previously assigned to it—i.e., to the extent UMKC’s FY08 General Revenues are insufficient to both make such incentive payments and provide every School/College with at least its previously set FY08 GRA, such incentive payments will not be made. We intend that the foregoing plan be based on SCH net of scholarships/waivers, and be based on reasonable efforts to reconcile budgeted to actual figures on a per-unit basis and provide reasonable incentives payments to qualifying units (but without lowering the FY08 GRA previously promised to any unit). The plan by definition includes the portion of Summer School tuition that falls within FY08 under University accounting. Thus, there is the possibility under this FY08 tuition increases rewards plan for a contributing School/College to benefit from increases in Summer School net tuition booked into FY08. Moreover, the portion of Summer School tuition allocated to FY09 under current University accounting would, under our proposal, go to the Schools/College in accordance with Appendix 2 of the new model, modified as recommended above. There might be something of a time lag in making the final accounting and adjusting the Operating Fund Balances of the Schools/College for these incentive payments, but they nevertheless provide financial incentives for growth in Summer School enrollment.”
Given the great potential the Chancellor, Provost and Committee members see for increasing Summer School enrollment, the Provost will direct a task force she deems appropriate to study how Summer School is handled at other universities; how UMKC might develop a coordinated and successful Summer School marketing strategy; and what incentives might be made available to all UMKC academic units for increases in Summer School net tuition.

VIII. Status Report Re: Work of Support Costs Review Committee

- UBC Member Tony Luppino, Co-Chair of the Support Costs Review Committee (“SCRC”) summarized the status of the SCRC’s work as follows: (i) the SCRC will soon circulate among the Vice Chancellors, Deans and fiscal officers its compilation report on “charge-backs” for their review and comment; (ii) the SCRC has accelerated its review of detailed budget information for key central support functions and is working on comparisons of those budgets to national benchmarks; (iii) per recent discussions with the Chancellor and Provost, the SCRC will now also be directing its attention to similar analyses of the administrative expenses within academic units; and (iv) the Faculty Senate Budget Committee and the UMKC Office of Institutional Research are continuing their efforts to gather for the SCRC’s consideration information on the costs of key support functions at selected comparator universities.

IX. Administrative Matters Going Forward

- The Committee will continue its policy of meeting every approximately two weeks for the current semester.

- The next Committee meeting (January 21, at 10:00AM) will focus on discussion of: (1) a report to be delivered at the meeting by the small working group on its recommendations for addressing the Targeted Obligations List; and (2) possible adjustments of the budget model and/or the phase-in thereof that may be in order in view of anticipated changes in prior assumptions regarding the levels of State Appropriation from FYE 2010 forward.