UNIVERSITY BUDGET COMMITTEE

MINUTES OF MAY 7, 2009 MEETING

I. Time, Location and Attendance:
   - 10:00AM, Provost’s Conference Room at Administrative Center
   - UBC members present: Curt Crespino, Lawrence Dreyfus, Laura Gayle Green, Tony Luppino, Paris Saunders, Lanny Solomon and Karen Vorst. Absent: Gail Hackett (Chair), Betty Drees and Gary Ebersole.
   - Others present: Chancellor Leo Morton, Rick Anderson, Larry Bunce, Margaret Brommelsiek, John Morrissey and Karen Wilkerson.

II. Approval of Minutes of Prior Meetings
   - The minutes of the April 9, 2009 meeting, in the form last circulated for the meeting, were approved with one clerical correction.

III. Preliminary Items
   - Chancellor Morton updated the Committee on legislative developments from Jefferson City. He explained that we will have and circulate in a few days more definitive information about the Missouri Legislature’s final actions on this session’s bills directly affecting higher education and UMKC.
   - UBC Member Lanny Solomon inquired as to what tuition or other incentives to enter our educational programs UMKC offers to retirees generally (not just UM System retirees). Some key programs and collaborations were identified. The Committee and the Chancellor agreed that we should inventory the existing initiatives and then consider a media effort to raise community awareness of these opportunities.

IV. Setting and Announcing FYE 2010 GRA
   - UBC Secretary Tony Luppino provided background and initiated discussion of seven key questions to be resolved in order to position the Chancellor and Provost to finalize and circulate the FYE 2010 GRA apportionment. Committee deliberations on these questions, as well as on the process to be followed in resolving them, led to the following UBC recommendations:
**General Overhead Assessment:**

- The “General Overhead Assessment” apportioned among the Schools/College under Appendix 5 of the budget model will be set at approximately $70.4 million dollars. That figure represents about 95% of the sum of (i) the approximately $69.4 FYE 2009 subsidy out of General Revenues for administrative/support units/functions (the sum of General Overhead Assessment of approximately $66.3 million and salary increase funding of approximately $3.1 million), (ii) the $1.8 million increase in the subsidy to Athletics initially committed by Chancellor Bailey, and confirmed as in order by the Committee and Chancellor Morton; (iii) several items from the Targeted Obligations List the Committee agreed in its April 9, 2009 meeting as items that should be paid; and (iv) a few other items the Finance Office has identified as underfunded and in need of upward adjustment.

- The Chancellor and Provost will direct the Vice Chancellors and applicable unit leaders to make expense cuts necessary to operate within the confines of this approximately $70.4 subsidy without cutting the items described in (ii) or (iii) above, except to the extent the Chancellor and Provost, working with the Finance Office, determine than some level of reduction of one or more of those items is in order.

**Use of Calendar Year 2008 SCH in Model Assumptions:**

- As previously contemplated in operation of the budget model, the SCH assumptions used in the setting of FYE 2010 GRA will be those for the most recently completed calendar year (2008).

- For this second year of phase-in of the budget model, if it turns out that actual aggregate net tuition is less than that projected using calendar year 2008 SCH figures, that shortfall will be absorbed within the Campuswide account. If it turns out that actual aggregate net tuition is greater than that projected using calendar year 2008 SCH figures, that excess will be added to the University Reserves & Incentive Fund established under the budget model—from which the Chancellor and Provost can, with UBC input, determine whether to apply it to further implement “positive variances,” as was the originally contemplated application of net tuition in excess of budgeted for FYE 2009, or to address other priorities).

**Percentage Phase-In of Variances:**

- The previously contemplated 25% phase-in of model “variances” from the prior year for FYE 2010 will be instead run at 15%. After the Finance Office generates a projection based on this and the other assumptions
described herein, the Chancellor and Provost will determine if any particular units will need special relief at that level of GRA to avoid undue harm, and will run any associated recommendations by the Committee for input as described further under Process below.

**Bloch School:**

- In view of conditions relating to an endowment, as well as planning with the incoming Dean, the Bloch School’s GRA for FYE 2010 will be set at the same level as FYE 2009, notwithstanding that operation of the model would call for it to experience a sizeable “negative variance.”

- The Chancellor and Provost will be engaged in ongoing discussions with the concerned parties to work on recommendations for an appropriate balancing of various considerations for the setting of the Bloch School’s GRA in subsequent years.

**1% Salary Increases Pool:**

- The 1% salary increases pool being mandated by the System will be taken off the top of the State Appropriation and set aside pending further guidance on the allocation of that pool across UMKC units/personnel.

**Summer School:**

- Full fiscal year (12 month) GRA will be assigned to the various UMKC units as soon as possible on the basis of the budget model, as modified by the above-described assumptions and adjustments and those previously recommended by the UBC.

- In late September or early October the Finance Office will use actual figures from the Summer and run the “two model system” previously proposed by Provost Hackett and recommended by the UBC—i.e., one model assigning GRA exclusive of net tuition from the Summer (with the summer SCH being backed out of Appendix 2 and Appendix 4), and the other the 50/50 net profits sharing formula as previously outlined. At that point the per unit GRA results of the May 2009 GRA assignments will be compared to the two model results from the September/October computations. Equitable adjustments will then be made in accordance with the intent that units meriting increased GRA under the two model system would be given such increase to the extent that can be done without taking back any May-assigned GRA from any units (unless the Chancellor and Provost determine,
with UBC input, that one or more units should suffer a decrease by reason of running a deficit summer program)

- The Committee reiterated its understanding from prior meetings that the two model system was a temporary measure that would terminate upon full phase-in of the 12-month budget model. However, there was also some discussion of perhaps in the future, after studying experience with the two model approach, thoroughly exploring the pros and cons of having on a permanent basis one model for Fall/Winter-Spring and a separate one for Summer.

*Elimination of Scholarships/Waivers and Bad Debts Deficits:*

- After some discussion regarding whether to include non-academic units, the Committee adopted the proposal to eliminate the projected $12 million combined Operating Fund deficits for Scholarships/Waiver and Accounts Receivable/Bad Debts over six years, starting in FYE 2010. All units (academic and administrative/support) that received GRA over the last four years will be charged their pro rata share (based on their percentage of the aggregate GRA assigned to all such units over those four years) in level annual installments over the coming six years.

- It was noted that the Administration and Finance Offices believe that measures are now in place to minimize future deficits in the two accounts in question.

*Process:*

- Given the urgent need to get GRA information to the various UMKC units, the Committee will endeavor to give its final input on the May GRA assignments via e-mail. After the Finance Office has produced a projection consistent with the foregoing, and the Chancellor and Provost have reviewed that projection and proposed any special adjustments they deem in order to avoid undue harm to any unit (taking into account potential for reasonable enrollment growth, development of other sources or revenue and expense reductions), the Committee will be e-mailed for review and comment the proposed GRA assignments. That e-mail will include description of any changes to the Committee’s recommendations proposed by the Chancellor and Provost. The Committee members acknowledged and agreed that they would have to provide any input they have promptly after receiving such e-mail.

- Committee members stressed, and the Chancellor agreed, that the circulation of the FYE 2010 GRA assignments should be accompanied by both (a)
notice of the special 6-year tax to eliminate the Scholarships/Waiver and Accounts Receivable/Bad Debts deficits, and (b) a description of the financial context that drove the assumptions and policy decisions embodied in the GRA assignments and the importance of continuing to seek to reduce costs, including administrative costs both centrally and within academic units, through the re-engineering efforts that were begin during FYE 2009.

VI. Administrative Matters Going Forward

• The Committee will plan to meet once a month during the summer (in June, July and August). At least one of those meetings will be held in the data focus room that is now nearly completed, and will center on the re-engineering initiative and mechanisms for rigorous study of both expenses and revenues. Another of those meetings will address significant ongoing or contemplated UMKC construction and renovation projects and related funding.