UNIVERSITY BUDGET COMMITTEE

MINUTES OF JULY 6, 2009 MEETING

I. Time, Location and Attendance:

- 4:00PM, Provost’s Conference Room at Administrative Center

- UBC members present: Gail Hackett (Chair), Curt Crespino, Betty Drees, Lawrence Dreyfus, Laura Gayle Green, Tony Luppino, Lanny Solomon and Karen Vorst. Absent: Gary Ebersole. Note: Paris Saunders is being replaced on the Committee by Mel Tyler; Vice Chancellor Tyler’s name will be included in the attendance reports for future Committee meetings.

- Others present: Leo Morton, Rick Anderson, Margaret Brommelsiek, Larry Bunce, John Morrissey and Karen Wilkerson.

II. Presentation of Financial Information Regarding School of Medicine

- Betty Drees, UBC member and Dean of the UMKC School of Medicine, made a presentation regarding that School’s educational missions, various types of revenues, major categories of expenses, accreditation standards (with particular emphasis on those relating to financing), and comparisons to funding of the UM-Columbia Medical School and publicly-supported medical schools in the U.S. generally. She also provided an overview of financial burdens faced by students of the UMKC School of Medicine.

- Committee members expressed gratitude for Dean Drees’ professional and informative presentation. They asked questions regarding some aspects of the Medical School’s finances and operations, including questions regarding the extent to which the six-year nature of its program, its clinical operations and its arrangements with residents are unique or are similar to those at other medical schools. Dean Drees addressed each of those questions, indicating that the various key elements in question were largely similar to operations at several other U.S. medical schools (though there are only a few with regular six-year programs), but that precise comparisons are not very feasible as a practical matter given the limitations of available data.

III. Discussion of Specific Matters Regarding Medical School Finances

- Tony Luppino, UBC member and Secretary and Chair of the Faculty Senate Budget Committee (“FSBC”) circulated a list of seven questions he felt summarized key issues regarding the Medical School which had arisen out of FSBC deliberations, several of which were discussed with Dean Drees when she attended a July 1 meeting of the FSBC. He also reported on those
July 1 FSBC discussions. The following is the list of questions he circulated, along with summaries of the associated response recommended by the Committee at the meeting:

**Question #1:** Is there anything about the original formation of the School of Medicine or in the UM System Collected Rules & Regulations that precludes assignment of part of the general State Appropriation to it?

**UBC Recommendation:** The Committee does not see a prohibition on assigning the School of Medicine part of the general State Appropriation under the budget model, and, in assessing the reasonableness of the application of the budget model to the Medical School, recommends forward-looking consideration of UMKC’s strategic plans for the School instead of a retrospective look at how it was originally conceived in the early 1970s.

**Question #2:** Are the School of Medicine’s costs of instruction “SCH weighting factors” used in the budget model to allocate the bulk of the State Appropriation appropriate?

**UBC Recommendation:** After discussing the difficulties in making comparisons to other U.S. medical schools, but also considering the data supplied by Dean Drees, the accreditation issues she cited (which the Committee noted are similar to accreditation issues that might apply to other UMKC academic units as well), and the relationship between teaching and research and the opportunities to expand the School of Medicine’s already successful teaching and research endeavors, the Committee recommended that there be no change to the School of Medicine’s SCH weighting factors under the budget model.

**Question #3:** Is the standard tuition attribution arrangement under Appendix 2 of the budget model appropriate as applied to the instruction of School of Medicine students by A & S and SBS?

**UBC Recommendation:** After discussing various perspectives on this question, which centered largely on the budget model’s general rule resulting in A & S and SBS being attributed tuition at 80% of the undergraduate rate when teaching first and second year Medical students, the Committee found that arrangement appropriate and accordingly recommended that no change be made to Appendix 2.

**Question #4:** Does the School of Medicine make an indirect “profit” on GME money or IME money through its hospital contracts regarding residents?

**UBC Recommendation:** The Committee was satisfied with Dean Drees’ explanation that the revenue from the hospital contracts must be applied to residents’ compensation or overhead directly relevant to the programs to which
the contracts relate, and recommended that these contracts not be viewed as profit-making vehicles that might justify a reduction in the Medical School’s GRA.

**Question #5:** Does this School of Medicine still have approximately $11 million of positive fund balances (Operating Fund and Sales/Services/Auxiliaries) as we start FYE 2010, and what existing commitments are encumbering its positive fund balances?

**UBC Recommendation:** After Dean Drees explained that the Medical School’s Fund Balances Report was in process and would be submitted soon to the Finance Office and the UBC, the Committee recommended that such Fund Balance Report be taken into consideration in developing a modified transition plan for the completion of the budget model phase-in summarized below.

**Question #6:** What is the updated amount of the “IOU” from former System President Elson Floyd (regarding the Medical School’s retention of its own tuition) and what is the appropriate disposition of that IOU?

**UBC Recommendation:** After discussion of the circumstance that it appears unclear whether President Floyd, in his letter delivered to Dean Drees prior to the UBC’s development of the new budget model, meant “gross” tuition or tuition “net” of unfunded scholarships/waiver and/or amounts attributed to other academic units instructing Medical School students, the Committee recommended further study and discussion of this item as it continues to work through the Targeted Obligations List and the modified transition plan.

**Question #7:** Taking into account all of the above, and all sources of funding available to the School of Medicine, and in view of its strategic plans, what are its reasonable needs in terms of GRA over the next few years?

**UBC Recommendation:** The Committee recommended studying this question with regard to all UMKC academic units—whether “positive variance” or “negative variance” under the budget model—in the context of developing a modified transition plan as discussed in IV below.

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**IV. Discussion of Development of Revised Budget Model Phase-In Plan**

- UBC Chair and Provost Gail Hackett reminded the Committee of the urgency and importance of making sure implementation of the budget model is done in a manner that is consistent with UMKC strategic planning and does not operate with undue financial harshness on any UMKC academic unit. The Committee reviewed the positive and negative variances as shown in the FYE 2010 model run prepared by Karen Wilkerson. It then proceeded to discussion of the ongoing implementation of the model.
• Ensuing Committee discussion resulted in the recommendation that no substantive changes be made at this time to the budget model itself, with two possible exceptions, and that attention be focused on thoughtful modification of the transition plan for the remaining phase-in of the model. The two possible exceptions, on which the Committee recommended further study are: (1) increasing the amount of the off-the-top (of State Appropriation) subsidy for the Conservatory; (2) revisiting the funding and uses of the University Reserves & Incentives Fund in view of current economic realities.

• After input from Provost Hackett and other Committee members, the Committee recommended that it undertake a rigorous examination of possible further modification of the previously-planned phase-in of the budget model, with the goal of positioning all units to weather the storm of current financial pressures and succeed in their programs, and taking into account, among other things:
  
  o The enrollment management/opportunities study the Provost’s Office has been undertaking with assistance from Bruce Bublitz;

  o The detailed plans tying strategic planning to financial needs/budgeting already prepared by some academic units and underway at others; and

  o The kind of full exploration of all sources of revenue, all fund balances, and all significant expenditures of all units that has been discussed in conjunction with use of the Data Room and the work of the Support Costs Review Committee.

V. Administrative Matters

• The minutes of the May 21 Committee meeting, in the form of the draft last presented to the Committee members, were approved with a minor clerical correction in one place.

• The next two regular Committee meetings and the primary agenda items for each are to be as follows:

  o Thursday, July 23, 2009, 3:00PM-4:30PM (Review of operation of Data Room and update from Support Costs Review Committee)

  o Friday, August 14, 2009, 10:00AM-Noon (Joint session with Facilities Advisory Committee to discuss significant ongoing and contemplated UMKC new construction or renovation projects and the financing thereof).