I. Time, Location and Attendance:

- 1:30 PM, Room 4307 Health Sciences Building
- UBC members present: Gail Hackett (Chair), Betty Drees, Curt Crespin, Lawrence Dreyfus, Gary Ebersole, Laura Gayle Green, Tony Luppino, Lanny Solomon, Mel Tyler, and Karen Vorst.
- Others present: Rick Anderson, Larry Bunce, Juno Friedman, John Morrissey and Karen Wilkerson, along with the UMKC Deans.

II. Provost’s Introductory Comments and Statement of Objectives

- Provost Hackett described the current status of the Committee’s work with the Chancellor on budget forecasting for the next four fiscal years and the purpose, agenda and objectives of the meeting.

- Key points she covered included the following:
  
  - The Committee has recommended full implementation of the budget model starting in FYE 2011, but with special transition adjustments for academic units in need of them made after initial GRA allocations under the model (instead of making such special allocations off the top of the General Revenues).
  
  - In response to the call for more predictability in resource allocations to facilitate unit planning, the Committee is using a four-year projection based on assumptions to be described later in the meeting. While some important assumptions, such as the amount of the annual State Appropriation, are beyond UMKC’s control, the idea is to create a reasonable projection, with disclosure of such variables, for planning purposes.
  
  - The Committee and the Chancellor are committed to not letting the planned course of action result in any academic unit failing. Instead, the approach being announced at this meeting is to have the Deans (and their fiscal officers) and the Committee collaborate, with the Chancellor, to reach a consensus on temporary transition adjustments to the model results to allow all units to grow into a viable financial posture under the model.
Planning for resource allocations must be tied to UMKC and unit strategic planning, and to that end the information sharing anticipated in the budgeting process will include review of updated unit planning information on the forms previously used and re-circulated at the meeting.

III. Chancellor’s Overview of Financial Circumstances and Planning Needs

- Chancellor Morton described the much less than originally budgeted State of Missouri revenue circumstances halfway through its current fiscal year. He explained the proposed plan announced by the Governor to fund higher education at not less than 95% of the current fiscal year’s State Appropriation, with a corresponding agreement by the State’s public universities not to raise the rate of resident undergraduate tuition. He also noted some anticipated increases in utility and other operating costs of existing and potential UMKC facilities.

- The Chancellor then observed that while all concerned will continue to urge the State of Missouri to fund higher education at increased levels in the future, responsible budgeting requires that we develop plans to grow revenues independent of the State Appropriation, and to continue to trim expenses where practicable in order to preserve existing programs, fuel new programs consistent with our educational missions, and correct the widely-acknowledged below-market salaries problem.

- In this connection, the Chancellor circulated a chart illustrating the use of reasonable targets to accomplish the type of growth in expendable net income necessary to meet short and long term objectives. He also endorsed the Committee’s recommendation of a collaborative approach to determining what special transition adjustments may be in order after rigorous and open unit-by-unit review of all sources of revenue and all significant categories of expense.

IV. Overview of Budget Model Background and Key Components

- UBC Secretary Luppino provided a brief summary of (i) the background leading to the Committee-recommended budget model ultimately approved by Chancellor Bailey and continued by Chancellor Morton, and (ii) the key components of the budget model.

- In terms of background for development of the model, he highlighted:
  
  - Lack of transparency on how the General Revenue allocations to administrative/support units were determined and concern about the overall dollar amount of such overhead.
Many schools’ frustration with having to negotiate deals to retain all or part of tuition revenue increases they generated and/or having difficulty in getting their negotiated shares paid.

Study of percentages of GRA effectively representing State subsidy showed wide variations among the Schools/College (e.g., some units around 50%, some around 0%).

Chancellor Bailey’s call for design of a largely decentralized resource allocations system that would be transparent, equitable, reasonably predictable, and in line with need to grow enrollment and other aspects of UMKC strategic planning.

Regarding the key components of the resulting budget model he pointed to:

General Revenues initially assigned entirely to Schools/College, with each academic unit getting 100% of its attributed tuition; each academic unit getting 100% of its student fees; after some designated/special “off-the-top” subsidies, State Appropriation apportioned among academic units by reference to student credit hours weighted for benchmarked relative costs of instruction; and each academic unit then assessed a share of a “General Overhead Assessment” based on formulae designed to track relative usage of support services (with General Overhead Assessment—total and components—closely studied/scrutinized).

University Reserves & Incentives Fund established with revenues from “Institutional Offset” (overhead charge on auxiliaries) to allow seed money for strategic initiatives.

Absent financial exigency, each unit retains its own Operating, Sales & Services, and Auxiliaries fund balances, and across the board taxes on those disfavored.

Model results continually monitored to guard against significant unintended adverse consequences to UMKC’s educational missions.

Secretary Luppino also reiterated the theme of comprehensive unit-by-unit review of all sources of revenue and significant categories of expense to openly and collaboratively identify appropriate transition adjustments. He stressed the importance of each academic unit (whether a “positive variance” or “negative variance” unit) presenting a clear picture of its reasonable needs over the contemplated four-year transition period in a spirit of partnership as all involved endeavor to provide all academic units with transparent and appropriate opportunities to succeed as UMKC takes steps to improve its financial picture.
V. Presentation of Four-Year Projection

- Director of Planning & Budgeting Karen Wilkerson presented the two alternate versions of the four-year (FYE 2011 through FYE 2014) projection the Committee had asked her to prepare (one based on the same level of annual State Appropriation as in the current fiscal year, and one based on 95% of that amount).

- Wilkerson explained (i) the most significant assumptions made in the four-year projection (such as flat enrollment, 1% annual increase in tuition rates, and projected increases in the amount of the General Overhead Assessment) and (ii) the off-the-top (of State Appropriation) special allocations used in the model (legislatively designated items, holdback for 1% salary increases pool, support to School of Dentistry for Kansas Exchange, support to School of Education for the Institute for Urban Education, and debt service on old Twin Oaks facility).

VI. Q & A Segment

- After the Deans were given a few minutes to make a preliminary review of the circulated four-year projection schedules, the session was opened up for questions and answers. Significant points made during that period of Q & A included:

  o The Committee and the Chancellor are committed to creating the kind of budget planning infrastructure that will allow the creation of “what if” modeling projections at both the campus and unit levels (accessible to Deans and their fiscal officers) based on a variety of logical variables.

  o Deans and fiscal officers should contact Karen Wilkerson with any questions they may have regarding numbers used in the budget model projections.

  o The plan to do unit-by-unit comprehensive analysis of reasonable needs and opportunities, in the context of strategic planning, as a means to determine appropriate transition period special adjustments to the budget model results has been adopted in lieu of the less-informed and less-strategic approach of a one-size-fits-all across the board percentage phase in of the model.

VII. Next Steps

- Provost Hackett will explore the possibility of organizing a joint Retreat for the Committee and the Deans’ Council to hear presentations of academic unit plans consistent with the collaborative approach to determining appropriate transition adjustments announced at the meeting.