UNIVERSITY BUDGET COMMITTEE
MINUTES OF JUNE 29, 2011 MEETING

I. Time, Location and Attendance:

• 11:00AM, Plaza Room at Administrative Center

• UBC members present: Betty Drees, Curt Crespino, Gary Ebersole, Laura Gayle Green, Provost Gail Hackett (Chair), Tony Luppino, Lanny Solomon, Mel Tyler, and Wayne Vaught. Absent: Lawrence Dreyfus.

• Others present: Chancellor Leo Morton, Margaret Brommelsiek, Larry Bunce, Andry Joswara, Sharon Lindenbaum, John Morrissey, and Karen Wilkerson.

II. Preliminary Administrative Matters:

• The minutes of the March 17, 2011 meeting of the Committee were approved in the form last circulated prior to the meeting.

• Sharon Lindenbaum was formally introduced to and welcomed by the Committee, and those who were involved in the interview process expressed their enthusiastic support for her joining UMKC as Vice Chancellor of Administration.

III. Report on State/System Developments

• Chancellor Morton reported that the recent additional 1.1% cut in the State Appropriation, in the nature of a holdback, was being absorbed partially by central System operations, and partly by the four campuses. The system share of the cut was absorbed by reducing funding for the Enterprise Investment Program, a system program designed to promote economic development within the state of Missouri. UMKC’s share of the cut was approximately $425,000, and is being handled within UMKC central administration and not apportioned out to the academic units.

• In terms of the starting place/base for the State Appropriation for FY 2013, it appeared State budgeting will work off of the figure based on the 7% cut assumed in our FY 2012 budgeting, and not the figure based on the 8.1% cut that includes the recent holdback. **NOTE:** It now appears that subsequent to the meeting a change has developed at the State level such that the figure resulting from 8.1% is now contemplated to be starting place for determination of the FY 2013 State Appropriation.
• Provost Hackett noted that the Missouri Board of Higher Education is studying possible adoption of a more “performance-based” approach to apportioning the State Appropriation, and decisions emanating from that study could require that UMKC modify its methods of apportioning UMKC’s share of the State Appropriation under its Budget Model.

IV. Report from Chancellor and Provost on Payroll Analysis and Raise Parameters

• Chancellor Morton reviewed for the Committee his ongoing analysis of recent trends in budgeted and actual UMKC payroll (salary and benefits) expense. The Committee supported this continuing and rigorous analysis designed to promote careful management of our largest expense.

• As the discussion turned to salary increase policy for FY 2012, Chancellor Morton noted that reports we have seen showing UM at the bottom of a list of some 30 peer institutions are essentially based on UM-Columbia. He explained that viewed in the context of just UMKC peer institutions, UMKC is 17th out of 25 institutions considered.

• The Chancellor told the committee that for FY 2012 the UMKC Deans would be told that they can work off of a FY 2010 base, such that a combined 3.3% raise in salaries for UMKC as a whole as compared to FY 2010 would be acceptable. The Chancellor and Provost will be involved in monitoring the implementation of this policy.

• Provost Hackett reiterated that salary increases are to be merit-based, as opposed to same percentage across the board.

V. Report on Actual Net Tuition for FY 2011

• Karen Wilkerson reported that, although final year-end figures are not yet available, it is clear that UMKC’s actual net tuition for FY 2011 will exceed the budgeted figure. She estimated that the excess of actual over budgeted net tuition would likely be in the range of $2.7 to $3.5 million.

• UBC Secretary Luppino noted the Committee’s prior recommendation that an effort be made to allocate at least some significant portions of that increase to the academic units that contributed significantly to the increase over budgeted net tuition, taking into account the various financial pressures currently faced by UMKC. The Chancellor and Provost agreed to consider implementation of that recommendation.
VI. Clarification of Use Certain General Revenues and Institutional Offset

- UBC Secretary Luppino requested clarification of the application/use of the $2,000,000 of General Revenues from the UMKC Shared Services Initiative which was held back/not allocated out to academic units under the latest “run” of the Budget Model for FY 2012, and the additional $1,803,584 of General Revenues which was not allocated to the School of Medicine because of the Strategic Adjustments adopted by the Chancellor in the final decisions on FY 2012 General Revenues apportionment. This discussion resulted in (a) the conclusion that the $2,000,000 was being put to use centrally to address some severe financial pressures in central administration, and (b) the recommendation by the Committee, accepted by the Chancellor, that the approximately $1,803,584 Strategic Adjustment be added to the University Reserves and Incentives Fund provided for under the Budget Model (to be put to use in strategic initiatives under the direction of the Provost).

- It was also agreed that in due course a report should be given to UMKC constituencies on the uses of funds from the University Reserves and Incentives Fund (which historically receives approximately $1.1 million per year from the “Institutional Offset” and for FY 2012 also has the above-referenced $1,803,584 of additional funding).

VII. Update on UMKC Shared Services Initiative

- Tony Luppino, Co-Chair (along with Paris Saunders) of the Administrative and Support Services Committee—a joint subcommittee of the 2020 Task Force and the UBC—reported that, after consultation with Bob Simmons, Karen Wilkerson and Bob Crutsinger, he and Paris had sent a recommendation to the Chancellor and Provost that the following information be gathered from the Deans to assist the work of the Administrative and Support Services Committee: (i) any problems they have with the computation of their share of the $2,000,000 UMKC Shared Services Initiative (e.g., counting as “non-instructional” the payroll expense of individuals they might view as “instructional” employees); (ii) a report on dollars associated with unfilled faculty and staff positions (separately stating which were included as expenses in their operating budget and those which were not so included, but were contemplated in their unit’s planning); and (iii) an updated organizational chart for their unit, highlighting administrative functions. During the discussion Tony suggested that (ii) and (iii) be done for all units (not just academic units). He also indicated that the

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1 UBC Secretary Luppino notes that during the discussion of these items at the meeting there was some confusion as to the extent to which they were already accounted for in the Budget Model run. Based on post-meeting discussion with Karen Wilkerson, it appears that confusion was more or less of a semantic nature. A clarification of these items prepared by Tony Luppino, with input and confirmation of accuracy by Karen Wilkerson, is attached to these minutes as Appendix A.
next meeting of the Administrative and Support Services Committee is being held off until we can arrange for the Chancellor and Provost to be there to give the Committee guidance on its charge and prioritization of the directions in which it might proceed.

- Chancellor Morton and Karen Wilkerson indicated that in the ongoing, regular sessions with units to study their expense budget and management of their expenses, the types of data gathering suggested by the Co-Chairs of the Administrative and Support Services Committee is being done. Chancellor Morton and Provost Hackett also agreed to work with the Committee on providing guidance on its charge and directions.

VIII. Discussion of Possible Ways to Streamline/Accelerate Budgeting for FY 2013 and Subsequent Years

- The Committee discussed the tension between (a) the shared desire to get reliable information, useful in unit planning, to the Deans and other unit leaders about their funding from General Revenues for upcoming fiscal years much earlier than in the past and (b) the realities that (i) the size and allocation of the State Appropriation, as well as permissible tuition rates, are historically matters of significant uncertainty that, for reasons beyond UMKC’s control, are ultimately not tied down until April or May and (ii) the computation of shares of the General Overhead Assessment and State Appropriation of each academic unit under the Budget Model requires compilation of information from all academic units, so that a given unit cannot precisely compute its shares without taking into account changes in student credit hours, numbers of students and employees, and other information particular to other units.

- While no formal recommendations/decisions were made during this discussion, comments by the Chancellor, the Provost, and various Committee members resulted in identification of some steps UMKC might consider to foster more predictability in determining each unit’s likely share of the General Revenues for future years:

  --Develop computer programs accessible to all unit leaders in which they can input reasonable assumptions and generate a reasonable forecast of their unit’s GRA (taking advantage of data regarding trends in other units that the office of Finance and Budgeting can give them).

  --Conduct a “speak now” initiative with the Deans early in the 2011 fall semester to isolate and allow the UBC and the Chancellor and Provost to address all significant issues/concerns in the computation of each academic unit’s share of the General Overhead Assessment.
--Implement the “rolling average” approach to the weighted SCH apportionment of the bulk of the State Appropriation under Appendix 4 of the Budget Model (subject, of course, to any other changes in the apportionment of the State Appropriation which may result from the above-referenced Higher Education Board’s exploration of performance-based approaches).

IX. UBC Committee Template and Other Matters

- The Committee discussed the latest draft of the UBC Committee Template. There were a few suggestions for modification/clarifications from Committee members. Provost Hackett suggested that Committee members contemplate the discussion and submit any further comments post-meeting, and that a revised draft would be circulated in advance of the next UBC meeting for discussion and action at that meeting.

- Near the end of the meeting Vice Chancellor Mel Tyler circulated to the Committee members a “Twin Oaks Fact Sheet” and asked that the Committee and the Chancellor revisit the decision that was made for FY 2012 to change the handling of the approximately $560,000 of debt service on the old Twin Oaks bonds from a special allocation off of the top of the State Appropriation to an item for Student Affairs—Housing to pay out of its own budget. The Committee agreed to review this item and make recommendations to the Chancellor at a fall semester UBC meeting.

- As he and Provost Hackett had done at a prior UBC meeting, Vice Chancellor Tyler stressed the importance of careful consideration of UMKC’s policies on awarding scholarships—including automatic, merit-based, need-based, and those associated with various strategic initiatives. The Committee agreed that this is a key topic that should be explored in detail as it begins deliberations on UMKC budgeting for FY 2013 and subsequent years.

APPENDIX A IS ON NEXT PAGE
Appendix A

Application/Use of Budgeted FY 2011 General Revenues

Note: Capital letters in parentheses refer to corresponding columns in the spreadsheet prepared by Karen Wilkerson corresponding to the April 20, 2011 announcement of the General Revenue Allocations.

Net Tuition (H): $104,631,857
State Appropriation per App. 4 (I): 67,600,882
Designated State Appropriations (N): 2,602,695
Other Special State Money Allocations (O): 3,727,500
Total General Revenues (H+I+N+O): 178,562,934
Gen. Overhead Assessment (K): (65,000,000)
GRA to Academic Units: (109,759,351)
UMKC Shared Services Initiative (2,000,000)
Balance of Strategic Adjustments: (1,803,584)
Remainder: (1)²

OBSERVATION: The Budget Model run spreadsheet does not itself specify the use(s) of the $2 million UMKC Shared Services Initiative, but it is understood those funds are being applied at the Chancellor’s direction to address a variety of pressing financial circumstances. It was agreed at the June 29 UBC meeting that the $1,803,584 balance of the Strategic Adjustments should be added to the Budget Model’s University Reserves and Incentives Fund, and utilized for strategic initiatives under the direction of the Provost.

² Rounding (so, essentially zeroes out).