UNIVERSITY BUDGET COMMITTEE

MINUTES OF AUGUST 23, 2011 MEETING

I. Time, Location and Attendance:

- 1:30PM, Brookside Room at Administrative Center

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

- Others present: Chancellor Leo Morton, Larry Bunce, Carol Hintz, Andry Joswara, Sharon Lindenbaum, John Morrissey, and Karen Wilkerson.

II. Preliminary Administrative Matters:

- The minutes of the June 29, 2011 meeting of the Committee were approved in the form last circulated prior to the meeting.

III. Report on State/System Developments

- Chancellor Morton reported that as things currently stand there is no expectation that the State will impose any further holdback of the amount of the State Appropriation set for the System for the current fiscal year. He indicated that State revenues have been improving and there is cautious optimism that we should not be looking at a cut in the State Appropriation for FY 2013 or subsequent years. The Chancellor and Karen Wilkerson circulated to the Committee and discussed a schedule entitled “FY 2013 Appropriations Request for Operations” reflecting requests for increases in appropriation to fund various items/initiatives. The Chancellor noted, however, that there is likely to be pressure to minimize increases in tuition rates in connection with any proposed increases in the State Appropriation in future fiscal years, and that for the sake of prudence we are not assuming in current planning any increases in the State Appropriation for FY 2013.

- Chancellor Morton further reported that recent discussion surrounding the COPHE study of the possibility of tying the State Appropriation in future years to “performance-based” measures is now focusing on “new money” (i.e., increases beyond a “base” equal to the current year State Appropriation). This is still preliminary, and no decisions have yet been made. Some possibilities identified in terms of performance-based measures have thus far included degrees awarded, retention, and credit hours earned in relation to FTE enrollment, but much more work would no doubt need to be done before decisions are made on the appropriate metrics. Chancellor
Morton noted that one of the other System Chancellors raised the possibility of applying the performance-based approach to only a portion of any increases in the State Appropriation (presumably having the other portion split among the campuses in the traditional ratio). Chancellor Morton explained that he will be actively monitoring and providing input on any such proposals to try to make sure UMKC is treated equitably. In this connection he noted that he had pointed out to the System the apparent inequity to UMKC of the recent spreading of the cut in the extra State Appropriation which had been associated with increases over 5% in tuition rates—i.e., UMKC had to absorb a share of that cut even though it was not one of the campuses that adopted a significantly over 5% tuition rate increase.

- Finally, in terms of State-level developments, Chancellor Morton reported that System leadership is pushing to have some substantial funding from tobacco tax proceeds applied to higher education, with the Caring for Missourians initiative at the top of the list of funding recipients. He explained that this would have to be tied to a “petition initiative,” but that strong efforts are being made to pursue that course of action.

IV. Discussion of Downtown Arts Campus and Other Pending or Contemplated Major Capital Projects and Potential Effects on Operating Budget

- The Chancellor reported that the Downtown Arts Campus proposal has strong support from the deans and faculty of the Conservatory and is viewed favorably by many university and community constituencies. He indicated it is moving to a feasibility study, and that a large part of the analysis turns on identification of the level of philanthropic support that will be needed to make the project financially viable. The Chancellor also reported that our top (Category 1) major capital project priority is still the previously described Medical-school related project on the Health Sciences Campus.

- The Committee then turned to discussion of the potential effects of all pending and contemplated major capital projects on the UMKC Operating Budget generally, and on the operating expenses of particular units. Ensuing discussion yielded the following information and recommendations:

  o Care should be taken to avoid disrupting satisfaction of the objective under the Budget Model that each academic unit be allocated 100% of its net tuition as part of its GRA. To the extent capital projects create a need to otherwise apply parts of net tuition to help fund expenses associated with capital projects the Chancellor and Provost should explain to the Deans and faculty the need for and benefits from each project in the context of UMKC strategic planning.
Increased operating expenses and debt service associated with capital projects will be handled through the General Overhead Assessment, so that, for example, such expenses/debt service attributable to space utilized by a particular unit will be allocated to the share of the General Overhead Assessment paid by that unit.

During the discussion, Chancellor Morton and Vice Chancellor Lindenbaum noted that as we explore managing the Operating Budget we need to also be mindful of the issue we have been discussing for some time about more rigorous management of our payroll expense—by far our largest operating expense category. Tony Luppino, UBC Secretary and Co-Chair of the UMKC Administrative & Support Services Committee, urged that significant attention be given to the previously recommended inventorying of the “unfilled positions” of all UMKC units—with full and clear information separately listing unfilled positions included in dollar amounts within unit expense budgets and unfilled positions the unit contemplates filling but which are not currently represented by dollar amount within such expense budgets. There was general agreement that such information should be part of the analysis, and the Chancellor agreed that the Central Administration should coordinate its work on expenses management with the Administrative & Support Services Committee.

V. UBC Committee Template

- The Committee confirmed its endorsement of the UBC Committee Template in the form circulated in July, with one small modification—changing the frequency of meetings language from “bi-weekly or as needed” to “monthly or as needed” (noting that, as in the past, the Committee likely will need to meet more frequently than once a month as FY 2013 budgeting issues arise or System proposals/mandates are encountered).

- The Provost urged that the appropriate governing bodies now move expeditiously to make nominations to the Chancellor to fill the positions as indicated in the UBC Committee Template. The Provost will look into getting such nominations from the Deans Council and Staff Council, and UBC Member and Faculty Senate Chair Gary Ebersole agreed to promptly put the faculty nominations on the Faculty Senate agenda. Provost Hackett also indicated she would discuss with Carol Hintz the possibility of Carol or her designee from HR having an ex officio position on the UBC.
VI. Planning for General Overhead Assessment

- The Committee reiterated its commitment to try to get the amount of the General Overhead Assessment for FY 2013, and the determination of the respective shares thereof to be paid by the 11 principal academic units, set much earlier in the budgeting process than has been done in prior years. Discussion of this issue at the meeting by Committee members, the Chancellor, the Vice Chancellor of Administrative Services and Karen Wilkerson and John Morrissey from the office of Finance and Budgeting, yielded the following recommended courses of action:

  o The Chancellor will work with his direct reports to arrive at an initial estimate of the total dollar amount of the General Overhead Assessment for FY 2013 before the end of the fall semester, and release that to the Deans with the caveat that it is subject to change as we learn more in the Winter/Spring semester about the FY 2013 State Appropriation and other variables.

  o Karen Wilkerson and John Morrissey will lead a “speak now” project in which all of the Deans are encouraged to meet with Karen and John to discuss the computation of their unit’s share of the General Overhead Assessment and raise any issues they deem appropriate. Once recent issue raised by Dean Vaught is whether the current treatment of graduate assistants, in which they are counted as students under some measures and employees under others, is fair in view of the dual support services they receive in those capacities or needs some proration or other adjustment. Another issue recently raised is Dean Blanchett’s request for consideration of whether there are costs related to the Institute for Urban Education causing unduly harsh treatment of the School of Education in its share of the General Overhead Assessment. Ensuing discussion noted the off-the-top (of the State Appropriation) special allocation of $575,000 to the School of Education which was designed to help defray costs associated with I.U.E. scholarships, and was implemented because the I.U.E. initiative was something the School of Education was directed to undertake as part of UMKC’s strategic planning. While no decisions were made on this at the meeting, the Committee recommended exploration of the issue raised by Dean Blanchett. It was noted in this connection that if additional financial support for the I.U.E. is found to be in order it might be a better approach to deliver that by increase in the special off-the-top allocation to the School of Education rather than through exclusion of I.U.E.-related faculty, staff, students and space from the General Overhead Assessment computations.
The Committee agreed to follow the approach taken in the past in this area—i.e., that Karen and John will collect the issues and related data, undertake analysis, and make recommendations or present options to the Committee on each material issue raised. Again, the Committee recommended this be a fall semester project.

The Committee will continue to study possibilities of simplifying the General Overhead Assessment apportionment among the academic units for planning/predictability purposes by, for example, setting percentages that are revisited every three years or so, or taking more multi-year rolling average approaches to some of the key data driving computations. John Morrissey circulated some preliminary schedules illustrating some options that might be considered. The Committee will also continue to, as an alternative to such possibilities, explore getting more modeling programs and mid-year data/estimates to the Deans so that they and their fiscal officers can reasonably project their unit’s share of the General Overhead Assessment under the existing metrics of Appendix 5 to the Budget Model on reasonable ranges of assumptions.

VII. Update on Amount and Contemplated Application of Excess of Actual FY 2011 Net Tuition over Budgeted FY 2011 Net Tuition

- Karen Wilkerson reported that while the books are not yet closed for FY 2011, it appears UMKC’s actual net tuition for FY 2011 exceeded budgeted by approximately $2.7 million.

- UBC Secretary Tony Luppino noted that had the Budget Model been fully implemented the differences between actual and budgeted net tuition would automatically result in adjustments to the Operating Fund Balances of the academic units (resulting in dollar-for-dollar increases for those with greater actual than budgeted net tuition and dollar-for-dollar decreases for those whose actual net tuition came in less than budgeted). He further noted that when the Committee discussed this in April of 2010 (in connection with FY 2011 budgeting), it reasoned that the automatic adjustment approach was not practical for FY 2011 because (a) it would be potentially unfair in a setting where, because of “caps” imposed as a matter of sensible transitioning, some units did not experience the full reduction in their GRA produced by the Budget Model and the School of Medicine did not experience its full GRA increase under the Budget Model, and (b) there were several financial “fires” to address caused by the cut in the State Appropriation. He reminded the Committee that it accordingly recommended in April of 2010 that the Chancellor and Provost make an effort to provide at least a substantial
portion of the excess of actual over budgeted net tuition for FY 2011 to increase in the Operating Fund Balances of academic units that made significant positive contributions to that result. At the August 23 meeting the Chancellor and Provost agreed to explore implementing the Committee’s April 2010 recommendation on this item.

VIII. Items for Upcoming UBC Agenda

- In addition to carryover items from discussions summarized above, the Committee agreed that its fall semester agenda should include, along with other matters that arise in planning for the FY 2013 budget and subsequent years budgeting, the following:
  
  - A comprehensive study of unfunded (i.e., not paid from donations/endowments/other outside sources) UMKC scholarships and waivers including, without limitation automatic and need-based scholarships. Vice Chancellor Tyler explained that there were already some relevant reports he could supply to the Committee in this connection and that others would have to be created. It was agreed that this item would be addressed in a meeting sometime this semester after the requisite data is assembled, and at a time when it can be the sole or at least primary subject of a Committee meeting.

  - Re-examination of the decision to have the Housing auxiliary pay out of its own budget the debt service (approximately $560,000 per year) on the old Twin Oaks bonds, with the understanding this will be done in the context of a presentation to the Committee of information on all of the revenues, expenses and fund balances of the Housing auxiliary.

  - After completion and review of a report by consultants being arranged by Provost Hackett and Vice Provost of Research Bonewald, discussion of “Recovery F & A” and other financial aspects of grant-funded research.

  - A joint meeting of the Committee with the Facilities Advisory Committee to discussing pending and contemplated major capital projects and other physical plant matters. It was agreed that an effort would be made to coordinate this with the Committee’s September meeting.