

**COMPETE MISSOURI: MU'S NEW FINANCIAL PLAN**  
**University of Missouri-Columbia**  
**July 9, 2007**

Background

Several developments over the past few years require that MU undertake significant adjustments in its resource allocation process in order to continue the upward trend in our status as a major teaching and research university. Even given significant increases in tuition, the funding constraints following the economic downturn about five years ago have made it difficult to compete in the national market with the best universities. The Chancellor's top priority since he assumed the office in 2004 has been to move faculty salaries at MU to the median of our peer group - the AAU public universities. We must remain competitive in the support we offer our best researchers and our graduate and undergraduate students. Limits on tuition increases make these circumstances significantly more challenging.

To address these and other considerations—to keep MU from drifting into an uncompetitive position that penalizes our students and our state—a new initiative to base reallocation on substantive program review will be undertaken, beginning in fiscal year 2008 (fall 2007). At their last meeting, the Curators recognized these issues and demonstrated strong support for competitive compensation. Furthermore, President Lamb supports a significant effort to raise MU's salaries from the bottom to the median of the AAU public universities—our natural peer group with whom we compete broadly for faculty, staff, students, grants, and other key resources. The notes below explicitly incorporate the Curators' and President's goals, but they go further to help address other key challenges we face including opening new buildings, addressing commitments for start-up costs, and meeting increasing compliance and energy costs.

It is important to be clear that the following process addresses only the MU General Operations (GO) budget, which in broad terms includes the general academic programs (instruction and research) and general campus maintenance and operations associated with such academic programs; revenue comes mainly from the general state appropriation, tuition, and a significant part of the Facilities and Administration (F&A) funds (i.e., funds that MU receives to reimburse the indirect costs that the University incurs from grants and contracts - e.g., space and administrative costs). The direct costs of research grants, the bookstore, residence halls, athletics, and many other auxiliary functions are self-supporting from funds they generate in their own operations, not from the GO budget.

Budget Realities

The Budget Office constantly monitors GO revenue and expense categories which are tracked and predicted and, thereby, balanced. The largest revenue categories are the state appropriation and tuition. Large expense categories include salaries and salary increases, benefits, energy costs, as well as start-up and new program costs, financial aid, graduate tuition waivers (a major component of graduate student financial aid), and

several other items. Taking into account the expected FY2009 (fall 2008) adjustment of state appropriation (4.2%) and tuition increase (3.2%), and taking account of major marginal expense adjustments (4% merit salary pool) and \$2 million for the President's salary adjustment proposal, along with other adjustments, the 2009 fiscal year is expected to produce need for an additional \$7 million. To allow the University to move its major strategic plans forward and to allow MU to begin to address the lack of salary competitiveness, the following measures will be implemented during FY2008 to produce savings and new net revenue needed for FY2009:

### Resource Allocation Adjustments

To address the \$7 million need in FY2009, the following measures will be taken:

- Cover as much of the need as possible with savings strategies identified by the joint work of three task forces (Academic, Administrative, and SPRAC) with complementary perspectives. Many of their suggestions will take more than one year to implement. Those with most promise for FY2009 are shown below; a study is underway to better define their potential for FY2009 and beyond.
  - Explore fee covering occupancy costs of the Student Recreation Center
  - Align graduate tuition waivers for graduate assistants with the FTE of their assistantship
  - Close or consolidate selected centers
  - Consolidate some branch libraries
  - Explore using more student employees in certain areas (serves several purposes simultaneously, including cost-effective employment, financial aid, and enhanced student learning)
  - Consider outsourcing student email
  - Merge department offices where several departments are housed in the same building
  - Support the Development Office with returns on the endowment rather than GO funds

Expected savings for FY2009 may optimistically reach \$2 million.

- Produce new net revenues through strategically developed instructional programs. Some of the best short-term measures include:
  - Increase size of summer enrollments (fixed costs are already covered, lowering the marginal cost of new students)
  - In collaboration with Moberly Area Community College, increase MU's presence in the evening market serving non-traditional students and students seeking professional development opportunities.
  - Develop targeted "professional master's" and "certificate" graduate programs

Expected net revenues for FY2009 would be relatively small, but long term potential is substantial. An optimistic estimate for FY2009 would be \$1 million.

- The remaining \$4 million needed for the FY2009 GO budget will be obtained by implementing a comprehensive position management process for positions funded on the General Operations budget. The efficiency measures for the past five years (focused on reducing administrative expenses) have left MU with little opportunity to further downsize staff, and thus most of the savings will have to be achieved from faculty salaries.

### Strategic Position Management Process

To address key campus goals (especially salary competitiveness), funds will be reallocated from current salary lines to achieve strategic investments, including salary competitiveness. To achieve this end, the revenue from all open GO-funded positions will be accumulated centrally and then reallocated to campus units to meet strategic goals. We want to consider each faculty and staff position strategically to determine which positions we must fill to accomplish our goals.

Implementation: All open positions are hereby placed on hold pending review by the Provost or respective Vice Chancellor. Searches will proceed only after the position and date for anticipated hire are authorized at the Provost/Vice Chancellor level. A comprehensive review of academic programs, research centers, and service units will be undertaken to guide the reallocation process. This review will be based on unit assessments that provide metrics in four dimensions, as defined in the SPRAC statement on program review:

- Cost/revenue ratio
- Quality/stature
- Need/demand
- Centrality

All salary funds for these positions will be accumulated centrally and allocated according to strategic priorities and with careful consideration of the program reviews referenced above. Allocation will also take account of the following:

- Priority to endowed chairs
- Priority to key interdisciplinary positions in strategically high-priority programs
- Faculty who teach cross-listed courses that serve multiple programs
- Hiring limits already imposed to address structural budget issues

Exceptions will include the following to preclude incentives for poor personnel decisions:

- Positions opened by promotion/tenure decisions
- Positions carried over from unsuccessful searches the previous year

Steps will be taken to assure continued quality and capacity of instructional programs. There are numerous measures possible to achieve such assurances.

- Small, under-enrolled sections may be offered less frequently to reduce the total number of sections
- Courses with similar content in different departments or colleges could be cross-listed in ways to reduce total number of sections
- New sections will be opened when student access is limited during registration by capacity problems
- Course delivery profile (e.g., the mix of class size, lecture/discussion group/lab/supplemental instruction) will be re-examined to see if more capacity and enhanced learning can be achieved while reducing or holding constant faculty teaching loads
- Faculty workload will be re-examined in some cases
- Increasing capacity of over-subscribed programs through more offerings in summer and evening will be examined

Capacity, quality, and changes in delivery of instruction will be monitored closely to assure that potential problems are addressed in a timely and effective way.

#### Summary

MU faculty salaries have lagged to the point that some of MU's brightest and most promising faculty members have taken positions in other states. This initiative, Compete Missouri, will move MU salaries closer to the average of the AAU public universities and improve our competitiveness. The UM Board of Curators also expresses its commitment to this goal. This will not be easy. UM funding from state sources for 2008 fiscal year will not be as high as in 2001, and the 2007 Missouri General Assembly passed a law that has the potential to limit tuition increases to not more than the increase in the annual cost of living index.

The goals of this process are to enhance education and research at MU, at the same time reducing costs and enhancing salaries to keep MU competitive with its AAU peers. During this implementation great care will be taken to insure that MU's current high qualities of teaching and research do not suffer. The faculty and administration at MU examined many methods of savings and/or enhancing income. As a part of this policy, careful examinations of all academic programs and centers will be conducted over the next five years. Only the highest priority programs will be supported for future expansion.

Many of the changes required may be difficult. Teaching, research and service responsibilities will be reevaluated generally to achieve appropriate balance. Some programs/centers may be slated for reorganization or closure. However, this process will also provide opportunities for enhancing and/or developing new programs as means of generating additional resources. The careful planning and execution of this process can insure that MU will become a more prestigious educational and research institution.