

Fiscal Year 2021 State Appropriations Request for Operations  
UM

The University’s FY 2021 operations appropriation request is due to the Missouri Department of Higher Education (MDHE) each year around August 1. The Board of Curators will consider and approve the items to send in that request at the June 20-21, 2019 Board meeting.

The University’s request details are discussed in the body of this paper but summarized below. The new requests are listed in priority/ranked order:

**Summary: Request for Operations - FY 21**

<b>Item</b>	<b>Amount</b>
<b>UM Core Operations</b>	
Appropriation Base (Core)	\$416.24
Precision Medicine	10.00
Greenley Research Water Works	0.28
<b>Total Core Funding (prior year TAFP bill)</b>	<b>\$426.52</b>
<b>New Core Requests</b>	
Equity Funding	\$28.80
Performance Funding for Core Operating Support (2%)	8.32
Maintenance and Repair of Facilities	8.00
MoExcels Proposal (one-time)	20.00
<b>Total New Core Requests</b>	<b>\$65.12</b>
<b>Total UM Core Requests</b>	<b>\$491.64</b>
<b>Request for Other Programs &amp; Legislative Requirements</b>	
Other Curator Programs Core (prior year TAFP bill)	\$7.78
New Curator Program Requests (Recurring)	0.43
Request in Accordance with Legislative Requirements	7.70
<b>Total Requests for Other Curator and Legislative Requirements</b>	<b>\$15.91</b>
<b>Total FY 21 Request for Operations</b>	<b>\$507.55</b>

Dollars in Millions

Recommended Action - Fiscal Year 2021 State Appropriations Request for Operations, UM

It was recommended by Vice President Ryan Rapp, endorsed by President Mun Y. Choi, recommended by the Finance Committee, moved by Curator \_\_\_\_\_ and seconded by Curator \_\_\_\_\_, that the following recommendations be approved:

The President is authorized to file a request for state appropriations for operations as follows:

- (1) Funding the Core Operations including line items of \$426.52 million;
- (2) Submit new requests for the following estimated amounts with the President having authority to adjust the amounts as he deems appropriate; any material deviation will be reviewed with the Board:
  - Equity Funding increase of \$28.8 million;
  - Performance Funding increase of 2% or \$8.32 million;
  - Facility Maintenance and Repair of \$8.0 million;
  - MoExcels proposal up to \$20.0 million as part of the MDHE process and request appropriated funds as needed;
- (3) Submit Other Curator Programs Requests which includes core funding of \$7.78 million and new requests of approximately \$0.43 million; and
- (4) Submit requests in Accordance with Legislative Requirements of approximately \$7.7 million.

Roll call vote Finance Committee	YES	NO
Curator Brncic		
Curator Chatman		
Curator Layman		
Curator Steelman		

The motion \_\_\_\_\_.

Roll call vote full Board:	YES	NO
Curator Brncic		
Curator Chatman		
Curator Farmer		
Curator Graham		
Curator Layman		
Curator Phillips		
Curator Snowden		
Curator Steelman		
Curator Sundvold		

The motion \_\_\_\_\_.

The University of Missouri System (UM) with four universities, MU Extension and MU Health Care is dedicated to the welfare and success of the citizens of Missouri. As the state’s premier public higher education and research institution, we know the contributions we make each day play a vital role in the state’s economic vitality. Our employees work, interact and strive to improve life for our citizens each day. The University of Missouri (UM) is unique among the other state’s other public universities in mission, focus and contributions. This has been the case since the establishment of UM with the Missouri Constitution providing the University independence of governance vested in the Board of Curators and assurance of state support.

The State’s partnership with UM is a good investment. A recent economic impact study, completed by Tripp Umbach consulting, found that the UM System has a \$5.4 billion economic impact on the state of Missouri. The system’s impact is not only on local and regional state economies but is wide-reaching for the economic and social vitality of Missourians.

UM is completing a five year financial long range plan and making bold decisions to invest in programs of excellence as part of the plan. These actions will result in a stronger institution of higher education with an emphasis in growing research and creative works, high-quality affordable education, engaged service and outreach to citizens and industries in Missouri. The partnership with the state and its financial support are an integral for the University to continue fulfilling its mission, and playing an instrumental role in Missouri’s future.

The University’s first priority for the FY 21 appropriation cycle is continuation of the FY 20 core appropriation at the same level. Table 1 summarizes the core operations as identified in the truly agreed and finally passed (TAFP or final legislative) bill prior to the Governor’s action.

**Table 1: Funding for Core Operations - FY 21 Core Continuance**

<b>UM Core Operations</b>	
Appropriation Base (Core)	\$416.24
Precision Medicine Initiative	10.00
Greenley Research Water Works	0.28
<b>Total Funding (prior year TAFP bill)</b>	<b>\$426.52</b>

Dollars in Millions

If the Governor signs the appropriation bill with the line items noted in Table 1, then the University will request continuation of these appropriations in FY 21.

The University will submit four new requests for funding, discussed below in ranked order.

An increase in core funding for equity is UM’s first priority request. Missouri has nine public universities and the UM System which includes four universities for a total of 13 public universities. Each of the nine public universities receives an individual line item appropriation for their operating budget. UM traditionally receives a single core line item appropriation, although funds were appropriated separately for each business unit in FY

18. Missouri has allocated higher education state appropriations based on an historical basis and allocating across the board increases or decreases on a pro rata basis. The past recognition of the variety and critical workforce delivery by UM has provided a larger core appropriation for UM than given to the other nine 4-year public institutions of the state.

The perception that UM is overfunded in comparison to others is argued when advocates promote a funding equity formula computed as core state appropriation divided by FTE students. This perception fails to recognize that the research and land grant mission that UM provides costs more and delivery of high end work force graduates are more expensive to educate. This simple methodology assumes a medical doctorate degree costs as much as an English degree to deliver. The University of Missouri delivers significant degree production for the state of Missouri as UM students earn 51 percent of all bachelor's degrees, 46 percent of master's degrees, and 100 percent of doctoral research/scholarship degrees granted by the state's public universities. Roughly 44 percent of degrees awarded (more than 7,700 annually) by the University are in science, technology, engineering, mathematics, or health fields.

The FY 20 appropriation bill pending the Governor's action provides over \$16.9 million in equity adjustments to the other 4-year institutions. While UM did receive an appropriation for the Precision Medicine Initiative, this will be used for new and innovative purposes and the other institutions received a core increase to continue delivery of existing programs. UM institutions did not receive any funding for equity. The Council on Public Higher Education (COPHE) developed and agreed to a model for equity prior to the 2019 legislative session. The model utilized a national cost study to compare the cost of instruction for different degree programs to normalize the cost of delivery across institutional missions and program mixes. In the model, the University of Missouri had the lowest funding per full time equivalent student when compared to the other four year institutions. Yet, the University did not receive any additional appropriation for equity. The concept of funding distribution remains under conversation among policy makers, with several bills proposed during the legislative session with funding formula language and a funding formula workgroup review is underway led by the MDHE. The University will actively participate in the funding formula discussions highlighting the items that make UM unique.

In light of these recent actions, the University will request an increase of \$28.8 million based on the COPHE funding model in place for equity and delivery of high-end workforce graduates. This is the amount necessary to equate UM's funding to the other institutions at the bottom end of the scale while adjusting for the average cost by degree type.

The University's second request is an increase in core operating appropriations of \$8.32 million for performance funding. This increase is computed as an inflation estimate of 2% applied to the FY 20 core appropriation (\$416.24 million). State statute and rules outline the performance funding model and the University expects to meet or exceed the performance measures. No additional appropriation was provided for performance funding in FY 20.

A third priority will be a request to address deferred maintenance and repair (M&R). Discussions of additional funding for higher education for M&R were part of the FY 20 appropriation cycle. The recommended funds for 4-year institutions were removed before the final bill. Based on the MDHE Facility Review 2018 Report, see Table 2, the profile

for the 4 – year state institutions consists of 1,433 buildings (28.6 million gross square feet). The deferred maintenance for these buildings is \$1.4 billion. The UM System consists of 1,022 buildings (16.3 million gross square feet) used for Educational and General (E&G) purposes. These buildings have over \$839.5 million in deferred maintenance. This means that the University of Missouri System owns 70% of the buildings in the 4-year state institution profile with 61% of the deferred maintenance. It is important to note the University of Missouri requires a much larger footprint because of its mission than other institutions. UM’s mission includes land-grant and research aspects, both of which require additional space over and above the space necessary to educate students. As part of the FY 21 request the University will request an increase of \$8.0 million for M&R to address critical needs.

**Table 2. MDHE Facility Review 2018 Report**

	Buildings	GSF	Deferred Maintenance
UM	1,022	16,294,090	\$839,502,441
4-Year Total including UM	1,433	28,630,561	\$1,377,628,664
UM %	71%	57%	61%

The State has a new program called MoExcels to facilitate development and expansion of employer-driven education and training programs and initiatives to substantially increase educational attainment. MDHE has established a proposal/request process for accessing funds. Funding requests are for one fiscal year and are due to MDHE in July. The FY 20 House Bill 3 pending the Governor’s signature contains over \$18.9 million in awards to other 2-year and 4-year institutions. UM will submit a FY 21 proposal and if the proposal is approved and the state funding provided, an appropriation line item will be given. At this time the University may not need to submit a formal appropriation request but only complete the submission materials. The estimate of \$20.0 million is based on UM’s submission for FY 20. The actual request will be determined later in the process. UM looks forward to opportunities to support the state’s workforce needs.

Table 3 summarizes these new funding requests, which total \$65.12 million using these estimated amounts:

**Table 3: New Core Requests - FY21**

Equity Funding	\$28.80
Performance Funding for Core Operating Support (2%)	8.32
Maintenance and Repair Funding	8.00
MoExcels Proposal	20.00
<b>Total New Requests</b>	<b>\$65.12</b>
<b>Total Core and New Requests</b>	<b>\$491.64</b>

Dollars in Millions

The University also submits appropriation requests for other programs. These are identified in Table 4 below. As with the other operating appropriations, the first goal in the FY 21 appropriations request is to maintain FY 20 core appropriations.

The State Historical Society of Missouri (SHSMO) will celebrate the Center for Missouri Studies Grand Opening in August 2019. The SHSMO is requesting \$220,000 recurring funds for three additional positions due to the greatly enhanced public access and demand. Because SHSMO funding derives almost entirely from state general revenue, appropriation increases must be requested to cover employee salary and benefit cost increases. SHSMO request recurring funds of \$73,000 to provide employees a 3% performance salary increases with associated benefits. An additional \$137,000 is needed to cover mandatory increases of employee benefits for all employees resulting from rising costs of benefits. The total SHSMO new request is \$430,000 recurring.

**Table 4: Other Programs Requests - FY 21**

<b>Other Curator Programs</b>	
UMSL International Collaboration (Core)	\$0.55
S&T Project Lead the Way (Core)	0.25
Missouri Kidney Program (Core)	1.75
Missouri Telehealth Network (Core)	0.43
Show-Me Extension for Community Healthcare Outcomes (Core)	1.50
State Historical Society of Missouri (Core)	3.30
<b>Total Recurring Funding (prior year TAFP bill)</b>	<b>\$7.78</b>
<b>New Request for State Historical Society of Missouri</b>	
SHSMO - 3 new staff (Recurring)	\$0.22
SHSMO - Mandatory Cost Increase to Benefits (Recurring)	0.14
SHSMO - Performance Salary Increases (3%) (Recurring)	0.07
<b>New Request Total</b>	<b>0.43</b>
<b>Total Other Programs</b>	<b>\$8.21</b>

Dollars in Millions

The University has certain appropriation requests made annually as one-time or recurring requests in accordance with legislative authority. Table 5 summarizes these requests. Of the five requests, only the Missouri Returning Heroes and Alzheimer's Research are funded from state general revenue. These two have not been appropriated in recent years. The others have special fund sources that cannot be used for any other purpose and have been annually appropriated.

**Table 5: Requests in Accordance with Legislative Requirements - FY 21**

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Debt Offset Tax Authority (Recurring)	\$1.40
Missouri Returning Heroes (One-time)	0.90
Alzheimer's Research (One-time)	0.60
Spinal Cord Injury Research	1.50
Seminary Fund (One-time)	3.30
<b>Total Requests in Accordance with Legislative Requirements</b>	<b>\$7.70</b>

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Dollars in Millions

This represents the full FY 21 request for operating appropriations. Appendix A provides background information on each line item.

## Appendix A

This appendix provides background information on each appropriation line item.

### **UM Core Operations**

The \$416.2 million **Operating Appropriation** contributes 35% of the University's operating fund revenue budget used for student instruction, research, public service, and supporting activities. Continued core funding is required to provide high quality student instruction, improvement in academic productivity, expansion of research and creative works, outreach and engagement with the citizens of Missouri, and continued focus on student access and success.

The **MU Lee Greenly Jr Memorial Research Center** evaluates efficient and profitable crop production while emphasizing soil conservation, water quality and energy efficiency. It is involved in developing a systems approach for irrigation and drainage using drain tile and studying paired watersheds to evaluate the impact of agroforestry practices on water quality. Funds were appropriated in FY 17 and FY 18 but withheld both of those years. Funding was received in FY 19. The status for FY 20 will not be known until later in June.

### **Other Curator Programs**

The purpose of the **UMSL International Collaboration** appropriation is to increase international collaboration and promote economic opportunity that helps attract and retain new economic activity to the St. Louis region. University of Missouri-St. Louis works with BioSTL, a regional nonprofit dedicated to advancing prosperity in St. Louis through the growth of biosciences and other targeted innovation clusters. The centerpiece of the program is the GlobalSTL program (formerly known as) St. Louis-Israel Innovation Connection, which connects the economies of St. Louis and targeted international locations (including Israel, Ireland, and other countries) with a robust pipeline that engages and links experienced professionals to identify international companies who are likely to be attracted by St. Louis' convergence of corporate, university, and entrepreneurial strengths. Specific business strategies will partner prospective international companies with St. Louis and Missouri resources that might lead to recruitment of a presence in St. Louis. BioSTL is providing matching funds. An increase of \$100,000 to \$550,000 recurring was provided in the FY 20 appropriation cycle.

The **Missouri S&T Project Lead the Way** appropriation permits S&T to partner with Southern Ozarks Alliance for Rural Development (SOAR) to increase the number of school districts utilizing Project Lead the Way (PLTW). The goal of PLTW is to help students understand STEM education is relevant in their lives and see potential for future careers. This appropriation was provided in FY 17 to help school districts offset costs of these programs and to provide state match for potential federal grant money. Most of the funding was withheld in FY 17 and all was withheld in FY 18. The funding received was used to fund grants to four school districts within the targeted 10 county area for their needs in teaching STEM curriculums. Total impact using \$113,000 in FY 17 was 2,093 students. FY19 funds will be distributed soon with a strategic intent on offering K-12 STEM opportunities in a 10 county region. Discussion with interested school districts is already taking place as well as an implementation plan for distribution. It is anticipated that 3-5 additional districts will have access to funding to use for FY19-20. Increased



appropriation of \$50,000 to \$250,000 in FY20 will allow for accelerating the K-12 access to students in the 25 districts that currently do not have the STEM program preparedness.

The **Missouri Kidney Program (MoKP)** is a state funded program, administered by the University of Missouri School of Medicine. MoKP provides financial assistance with transportation to and from dialysis, medication assistance, and insurance premium assistance to eligible Missourians who have kidney failure and are on dialysis, or have received a kidney transplant. The program supports education and research, partners with dialysis centers and transplant centers statewide, and has longstanding expertise in health insurance coverage for kidney disease, including MO HealthNet (Medicaid) and Medicare. All participants must meet residency, citizenship, financial eligibility and medical conditions.

The **Missouri Telehealth Network (MTN)** gives patients in underserved areas access to University of Missouri Health Care specialists without leaving their communities. The network saves patients transportation, discomfort and emotional costs. While all states have at least one telehealth network, Missouri has one of the most developed telehealth networks in the country.

**Show-Me Extension for Community Healthcare Outcomes (ECHO)** provides comprehensive, best-practice care to patients with complex health conditions, in their local community. Show-Me ECHO facilitates collaboration between specialty and primary care that expands access to best-practice medical care across Missouri. It links expert specialist teams at an academic ‘hub’ with primary care clinicians in local communities – the ‘spokes’ of the model. Together, they participate in regularly scheduled Show-Me ECHO clinics, which are virtual grand rounds, combined with mentoring and patient case presentations and discussions. The state provides this general revenue funding for creating and implementing programs in Asthma, Autism, Community Health Work, Child Psychology, Chronic Pain Management, Dermatology, Healthcare Ethics, Hepatitis C, and Opioid Use Disorder and the topics are increasing.

The **State Historical Society of Missouri (SHSMO)** is the premier research center for the study of Missouri state and local history. Founded in May 1898 by the Missouri Press Association and established as a trustee of the state by the legislature a year later, SHSMO collects, preserves, and publishes materials that enhance research and support learning opportunities in the study of Missouri and the Midwest. The general revenue core appropriation supports the operations for the SHSMO and the University is a fiscal agent for the SHSMO. The SHSMO will complete and occupy a new building in Columbia in FY 20; this building was funded by state bonds. Additional core recurring funding of \$750,000 was provided in FY 20 appropriations to cover building operations. The Society will need three new positions to operate the new building and to meet the anticipated increase in patron demand. The new positions include an IT specialist, archivist, and event services manager. The anticipated cost of these three positions, with benefits, is approximately \$220,000. In addition, a total of \$63,000 recurring funds are requested to provide employees performance salary increases and \$137,000 is needed to cover mandatory increases of employee benefits. The total SHSMO new request is \$420,000 recurring.

## Requests in Accordance with Legislative Requirements

The University annually makes certain requests, one-time or recurring, in accordance with legislative authority.

The **Debt Offset Tax Authority** appropriation is to cover unpaid debts owed to the institution by state taxpayers. This reduces bad debt expense to the institution by capturing state income tax refunds to pay overdue accounts owed to the University. The appropriation request is for \$1.4 million, from the Debt Offset Escrow Fund.

The **Missouri Returning Heroes Act** limits the amount of tuition charged to combat veterans who meet certain criteria but provides institutions may request the tuition waived in the following year's appropriation request. The University is requesting an appropriation equivalent to tuition waived in FY 19 estimated at \$900,000. This request was not funded in previous years, FY 09 through FY 18, but has benefited over 1,900 unduplicated students at an estimated \$5.4 million. New legislation has been passed and is pending the Governor's action that expands the returning heroes opportunities to pursue master's and doctoral degrees (professional degrees are excluded). The fiscal impact of this change is not known and because the request is done in arrears will not be a part of the appropriation request until FY 22.

State statute (section 172.801, RSMo) requires the Board of Curators to annually request an appropriation to fund **Alzheimer's Research**. The statute indicates the amount of the request be computed annually and be not less than \$200,000 adjusted for inflation. In addition, the request is to include administrative costs not to exceed ten percent of the appropriation for research. The estimated amount in FY 21 is \$600,000. No appropriations have been provided for this program since FY 05.

The **Spinal Cord Injury Fund** supports research in Missouri in the area of spinal cord injuries and congenital or acquired disease processes. The Spinal Cord Injury Fund was established by legislature in 2001 and is funded from a two dollar surcharge on all county ordinance, criminal and traffic violation cases. State statute stipulates the Board of Curators shall request annually an appropriation for research awards and award administration from the Spinal Cord Injury Fund. Research awards are a maximum of \$250,000 per award. An appropriation of \$1.5 million is needed to ensure the new and existing awards can be funded. In future years, the award timing will need to be adjusted or this appropriation will need to decrease due to the fund balance available.

The state **Seminary Fund** provides income for the general operation of University of Missouri – Columbia's College of Agriculture and Missouri Science and Technology's School of Mines and Metallurgy. This fund consists primarily from the sale of land grant property and other moneys donated on behalf of the University to the State of Missouri. Per state statute, the Seminary monies belong to the University but the state must hold the securities. A request must be made to the state annually for earnings, estimated at \$275,000, from the monies to be distributed to the University. An appropriation request must also be made for any reinvestment of the principal from maturing investments but is only used when the government securities mature and must be sold and reinvested. The \$3.0 million dollar appropriation level is sufficient for all investments to be reinvested in one fiscal year.

# University of Missouri System Board of Curators June 20-21, 2019 Finance Committee

Fiscal Year 2021 UM Operating Appropriation Request



# FY 21 Operating Appropriation Request - \$492 M

<b>Item</b>	<b>Amount</b>
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Dollars in Millions



# University of Missouri System

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