

Financial Policies and Governance
UM

Vice President Rapp will present changes to CRR 230.010, Tuition and Supplemental Course Fees; and introduce new CRR 140.025, Financial Performance and Accountability, at the November Board of Curators Meeting:

The changes and the new policy reflect the outcomes and requests from the discussion at the September 15th Finance Committee meeting.

The changes to Tuition and Supplemental Course Fees reflect the role of the chancellor and the relative independence granted to each campus in defining tuition and related fees. In addition to the policy change, the Office of Finance will work with MDHE to decouple the four individual university tuition rates for the purposes of the Higher Education Student Funding Act (HESFA).

The Financial Accountability Policy reflects the increased importance of financial accountability for each individual university, and move the rule from a presidential executive order to a Board-approved collected rule. The changes add clarity to the timing of the process and the levers of action that will be undertaken if a university fails to meet the financial performance targets.

No. 2

Recommended Action - Financial Policies and Governance, UM

It was recommended by Vice President Ryan Rapp, endorsed by UM System President and MU Chancellor Mun Y. Choi, recommended by the Finance Committee, moved by Curator _____, seconded by Curator _____, that

Collected Rules and Regulations, Section 230.010, Tuition and Supplemental Course Fees, be amended as outlined in the following pages

and

Collected Rules and Regulations, Section 140.025 Financial Performance and Accountability; Executive Order #47 be amended and moved from a presidential executive order to a Board-approved Collected Rule as outlined in the following pages be approved

Roll call vote of the Committee:

YES

NO

Curator Chatman

Curator Hoberock

Curator Steelman

Curator Williams

The motion _____.

Roll call vote:

YES

NO

Curator Brncic

Curator Chatman

Curator Graham

Curator Hoberock

Curator Layman

Curator Snowden

Curator Steelman

Curator Wenneker

Curator Williams

The motion _____.

230.010 Tuition and Supplemental Course Fees

Bd. Min. 6-29-79; Amended Bd. Min. 12-17-82; Amended Bd. Min. 5-2-86; Amended Bd. Min. 1-27-95; Amended Bd. Min. 5-4-06; Amended Bd. Min. 12-9-16; Amended Bd. Min. 2-9-17.

A. Authorization and Approval

1. The Board of Curators shall set and approve tuition and supplemental course fees charged to undergraduate, graduate, and first-professional students enrolled at ~~the University~~each university.
2. The amount of the tuition and supplemental course fees for each student level shall be assessed for any credit course enrollment.
3. The University reserves the right to make changes at any time in any or all tuition and fees without advance notice.

B. Tuition and Supplemental Fee Assessment

1. Assessment of tuition and supplemental fees shall be based on the credit value of a course, a flat fee per semester, or an equivalent value in the case of a zero-credit course. Assessment of tuition and fees shall be made regardless of whether a student is enrolled in a course for credit or auditing a course.
2. Residents of Missouri, as defined in Section 230.020, shall be assessed the tuition at resident rates. Students who are not residents of Missouri shall be assessed the tuition at nonresident fees.

C. **Tuition Waivers** -- The Board delegates to the ~~President-Chancellor of of the each University of Missouri System~~ University or his/her designate the authority to waive all or a portion of the tuition, if deemed appropriate and for sound educational purposes.

D. Effective on the date of adoption hereof, the Board hereby revokes and repeals all previous rules and regulations adopted by the Board authorizing, establishing or limiting the amount of tuition, educational and supplemental course fees. This action shall not be construed to revoke or repeal any schedule or listing of educational and supplemental course fees currently in effect. The Board finds such action to be necessary for the maintenance and operation of the University.

November 19, 2020

230.010 Tuition and Supplemental Course Fees

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November 19, 2020

140.025 Financial Performance and Accountability

Executive Order No. 47, November 7, 2019

System and University/Health System (~~u~~Unit) leadership will set and track progress against financial performance targets. Financial performance targets will be set by System ~~L~~eadership in the context of the ~~u~~Unit's mission and will work in concert with delivery on the enterprise (the four universities and health system) mission and budget constraints. Each ~~u~~Unit leadership team will implement policies and procedures to establish accountability frameworks that meet the defined financial performance targets.

Primary ~~System leadership~~ responsibility for determining financial performance targets for the enterprise rests with the UM System President and UM System Chief Financial Officer (CFO) ~~[collectively, System Leadership]~~ and will be approved by the Board of Curators. In setting financial performance targets, the President and CFO will consider both external context (i.e., market environment, investor expectations, capital market benchmarks, etc.) and internal context (i.e., short versus long-term considerations, strategic priorities, risk tolerance, etc.). The Board of Curators will approve the annual financial performance targets at the ~~Unit and~~ enterprise level.

Financial performance targets will encompass the entirety of the enterprise's financial health, including: revenue growth, expense management, inter-university transfers, return on spending, return on capital employed, reserve adequacy, and appropriate use of debt/capital. Performance targets will be set during the five-year financial planning process and reviewed ~~during the annually budget process~~. Performance target adjustments will be considered through an interactive planning process involving System and ~~u~~Unit leadership. Building towards a comprehensive five-year financial plan and annual operating budget, System and ~~u~~Unit leadership will consider each ~~u~~Unit's strategic, staffing and capital plans.

Financial performance must fall within an acceptable, defined range of the individual targets on an annual basis. Average performance over the preceding five-year period should meet the defined financial performance targets. Adjustments to the range may be made at the discretion of ~~the System L~~eadership to reflect unexpected and extreme environmental shocks, such as an unexpected withhold of state appropriations late in a fiscal year. Any changes in performance expectations will incorporate an adjustment period and will be communicated to the accountable and responsible parties. Unit leadership is accountable for maintaining performance at or above target over ~~of~~ time. Failure by a ~~u~~Unit to perform at targeted levels will require a ~~remediation corrective action~~ plan to be presented to and approved by the President ~~and Board of Curators~~.

Units that fail to perform at targeted levels may experience preventative or corrective measures, including but not limited to one or more of the following:

- ~~Capital Project Probation—no new projects may be presented to the Board while on probation.~~

November 19, 2020

- Forced Capitalization/Principal Paydown - strategic funding from investment earnings will be used to stabilize financial performance
- Strategic Funding Restrictions - any spending of strategic funding from investment earnings by the Unit requires approval from outside of the Unit.
- Capital Project Probation - no new projects may be presented to the Board while on probation.
- Debt Prohibition - no new debt or internal loans until performance moves back into range.
- Reserve Lockbox - any spending above plan requires approval from outside the Unit.
- Hiring Freeze - any job postings/hiring requires approval from outside the Unit.
- Employee Separations - Disciplinary action following relevant HR policies at the discretion of the leader's supervisor.

Performance targets will reflect the entirety of the financial health of the enterprise and reference best practices for financial management. These metrics will be reviewed with the Board annually and change with best practices for financial management within the industry.

~~Units that consistently perform at or above targeted levels are eligible for the following benefits:~~

- ~~Capital project prioritization~~
- ~~Favorable financing terms on new debt issuances~~
- ~~Priority access to strategic funding at the President's discretion from investment earnings~~

~~As an example, the performance target for a unit might look as follows:~~

- ~~5% operating margin~~
- ~~Performance floor of 0%~~

~~In this case, operating margin performance below a floor of 0% in a given year or a multi-year trend of operating margin performance below 5% but above 0% would result in one or more of the aforementioned corrective measures, unless there was an unexpected and extreme environmental shock as determined by System leadership.~~

Role of Chancellors and Health System Chief Executive Officer:

- Accountable for financial performance to target.
- Ensure the Unit meets the mission while balancing financial performance.
- Conduct an annual financial planning process that aligns the strategic plan, staffing plan, capital plan, and operations with the financial performance targets.
- Submit financial plans and related performance against targets to the President Board of Curators for approval.
- Receive updates from CFO and monitor financial performance against targets throughout the year. Inform the President of performance below target and corrective action plans to improve performance.
- Delegate financial and operational targets for leaders including the Provosts, Deans, Directors and other leaders. (The Chancellor / Chief Executive Officer remains ultimately accountable for their Unit's performance)

Role of University and Health System Chief Financial Officers:

- Responsible for financial performance to target.
- Develop assumptions for campus financial plans and approve college/division plans for financial reasonableness and alignment.
- Accountable for the validity and completeness of financial assumptions as a part of the annual financial planning process. Advise the leadership team on the impact of various strategic and operating initiatives on financial performance.
- Submit financial plans and related performance against targets to the UM System CFO for approval.
- Monitor financial performance against plan on a monthly basis. Report performance against plan to UM System CFO. Advise Chancellor/Hospital CEO when performance is off plan and work jointly to develop corrective action plans. Request target adjustment for material unforeseen, non-controllable factors (example: mid-year state appropriation withholds).

Role of President:

- Accountable for the financial health of the University of Missouri at the enterprise level.
- Ensure the institution meets the mission while balancing financial performance.
- Approve and set the financial performance targets.
- Oversee and approve the financial, strategic, and capital plans of each Unit.
- Monitor financial performance against plan for the enterprise.
- Hold leadership accountable for financial performance and manage lower than expected performance with appropriate ~~sanctions~~ measures above.

Role of UM System Chief Financial Officer:

- Responsible for the financial health of the University of Missouri at the enterprise level.
- Collaboratively propose the financial performance targets for each Unit.
- Present capital and financial plans to the Board of Curators for approval.
- Monitor financial performance for the enterprise. Provide a quarterly update on projected financial performance to the President and Board on financial performance starting in the second quarter.
- Report to the Board when performance is materially off plan for the enterprise with appropriate corrective actions.
- Determines key performance metrics with approval from the President. Approves adjustments to performance targets for unforeseen, non-controllable factors for each Unit. Consults President on target adjustments if there is a risk of missing enterprise-level performance targets.

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