

Resource Allocation Principles UM

At the September 15th Board of Curators Meeting, Vice President Rapp shared an update on resource allocation for the UM System to reflect the new paradigm for higher education for Missouri. Since the meeting, the University's leadership team took Board feedback and drafted the Council of Chancellors report and resource allocation principles that are included in the following pages. The goal of these principles is to provide the tools to allow Chancellors to make their campuses successful in the new environment, while ensuring there is appropriate accountability for sustainable financial results at each University.

No. 3

Recommended Action - Resource Allocation Principles, 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 the Resource Allocation Principles 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 _____.

Resource Allocation Principles

1. Each campus will retain all resources, such as tuition and fees, gifts, sales and services, that it generates through its own activities. Each campus will retain resources that it generates through cost reductions.
 - A. Each university will set tuition and fees independently to allow market demand and the differential costs of programs to drive price. This allows the individual campus to control price and brand to generate additional fee revenue.
 - B. Within the shared responsibility among the University, the State government, and the Federal government, each campus will manage its financial aid relative to its recommended tuition increases and its student demographics in order to maintain financial access and affordability. Financial aid decisions will be delegated to the Chancellors, as reflected in the update to CRR 230.010.
2. Resource allocation for state funding will consider the different missions and unique nature of each campus with funding based on enrollments, programs and levels of students (undergraduates versus graduates and professionals). The Council of Chancellors will propose the allocation of state funding to the Board for approval. The Board has full discretion on the allocation of State Appropriations.
 - A. Funding for the University's fiduciary responsibilities (e.g., the Missouri Endowed chair program) will be the first priority in the allocation process.
 - B. Additional funding requests will be decided by the Council of Chancellors and approved by the Board of Curators each year. This will determine the allocation of appropriations on the appropriations request. The final budget for state appropriations will be determined by the State's annual budget process approved by the legislature and signed by the governor. These final amounts will serve as the annual budget, which is approved by the Board of Curators annually.
 - C. Any unexpected cuts or withholds will be allocated first based on the line items defined by the governor. Mandatory programs will be maintained via the cuts. The remaining cuts will be allocated based on each University's share from the Board Approved budget. The Council of Chancellors may propose a different allocation of State Appropriation cuts for Board of Curators approval. Any changes cannot override legislative or governor allocations.
3. As a land grant, University Outreach and Extension is an integral part of the University's mission. University Outreach and Extension has been funded primarily by county, state and federal appropriations in compliance with Smith-Lever Act regulations and state and federal grants. As federal and state support shrink, program offerings will need to be adjusted to match county, state, and federal resources or other sources of funding will need to be identified. University Outreach and

Extension will remain at MU and serve all four universities where collaboration opportunities exist.

4. As research universities, investment in research remains a key priority for each institution to maintain their status and rankings. Research investments will be managed by each Chancellor, with all research related revenues and overhead reimbursement retained by the university generating the awards.
5. Each university will retain all sales and services income generated from auxiliary operations. Each Chancellor is responsible for ensuring the operations generating these income streams meet their obligations, with the first and foremost being the obligations that arise from the debt issued for the campus. Failure by a University to meet financial performance expectations as a whole will result in sanctions, as defined in CRR 140.025.
6. Investment income will be allocated based upon each university's relative assets that generated the income. This principle is already followed for the endowment pool where each account receives a pro-rata share of income, with smoothing principles for market volatility. This same principle will be followed for interest income earned on the University's working capital. The Board will retain approval rights for the use of the dividend portion of the proceeds, which represents the excess earnings above a cash rate of return provided to each campus. Each Chancellor will submit a plan for the use of the dividend to the Board for approval as a part of the annual budget process. These dividend earnings will be utilized to help capitalize individual universities who underperform on their financial performance targets.
7. System administration, which provides university-wide services in finance, human resources, information technology, government relations, and legal counsel, has been funded primarily by state appropriations and investment income. With the changing resource allocation principles, System administration will change to a cost center funded by the four universities and health system. The state appropriations previously allocated to system will be allocated via principle #2, whereas investment income will be allocated via principle #6.
 - A. The cost for providing these services will be allocated to each university based on its share of total operating expense or other cost drivers for specific services.
 - B. Any percent annual cost growth in these services will be capped at percent revenue growth for the enterprise.
 - C. The President could override this cap as needed in consultation with the Council of Chancellors.