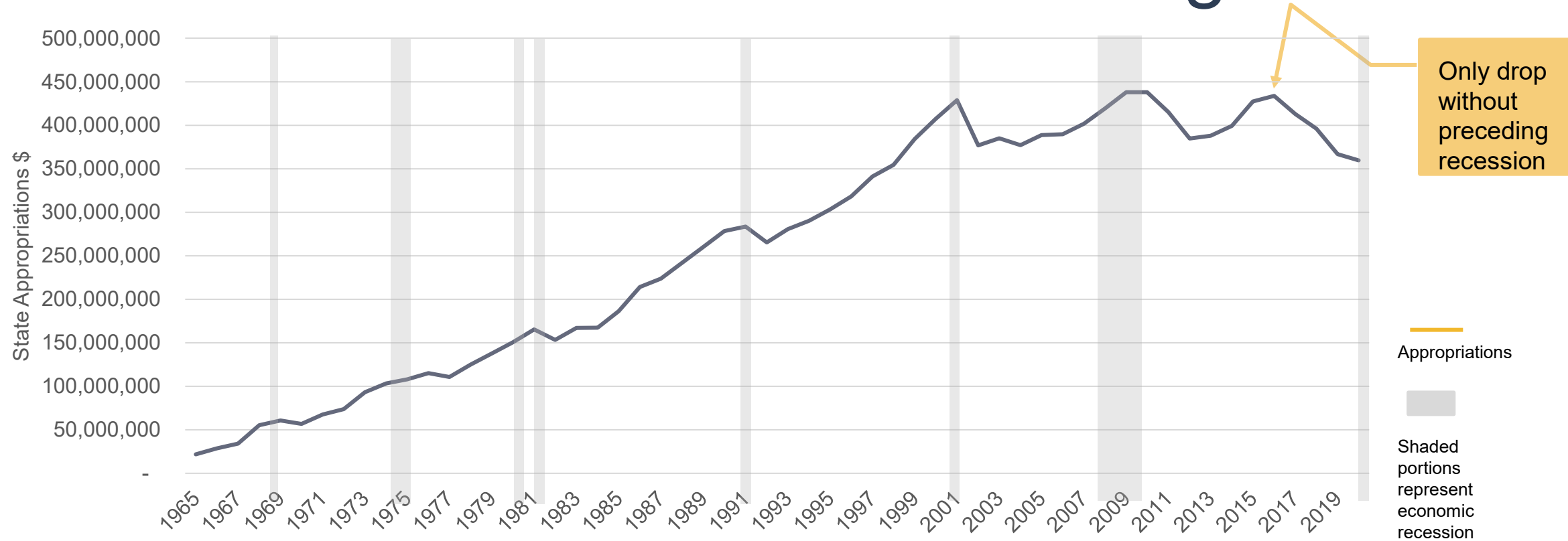


# FY2021: Rethinking Public Higher Education for Financial Reality



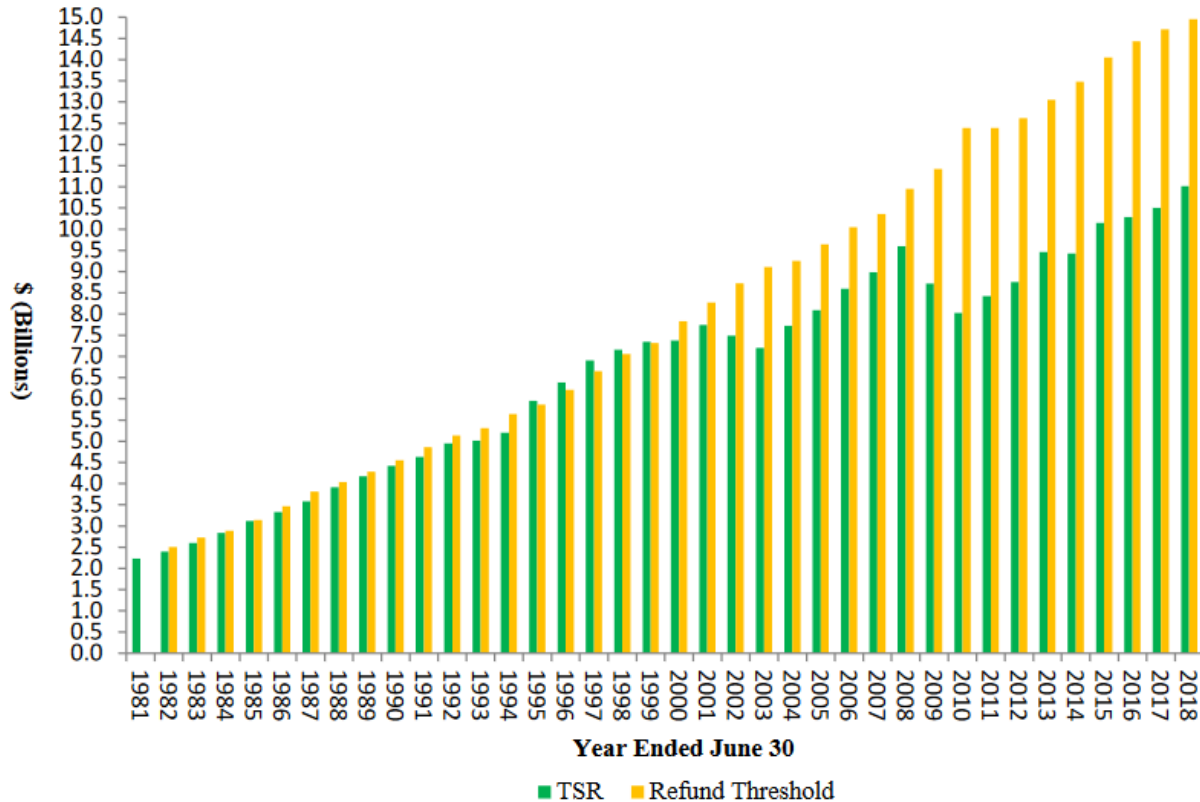
# State revenue will be challenged



State appropriations have not grown – our largest priority has only received \$8M over the past three years

# Revenues remain well below Hancock limits

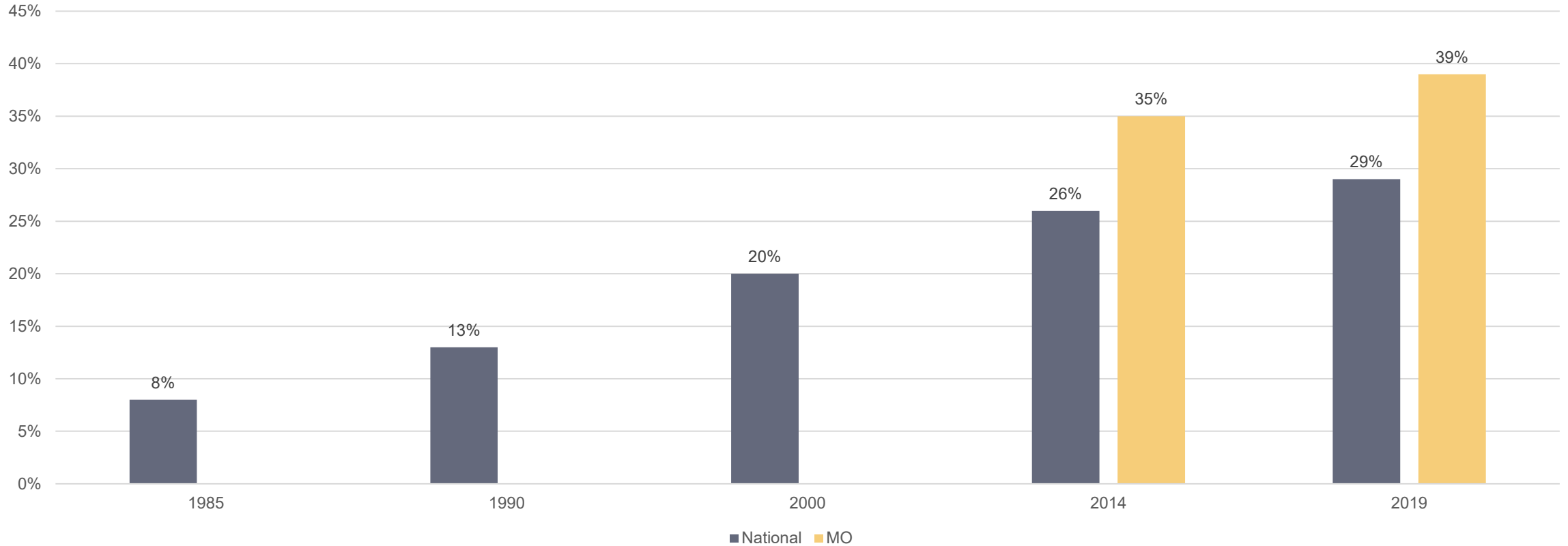
CONSTITUTION OF MISSOURI  
GRAPH OF TOTAL STATE REVENUE VERSUS REFUND THRESHOLD



- The Hancock Amendment (1981) set a threshold on total tax revenue based on the personal income of Missourians
- Threshold value of 5.64% has not been exceeded since 1998
- Hancock Amendment also requires voter approvals of new taxes not in effect prior to 1981

# Medicaid continues to grow

Medicaid Portion of State Budgets

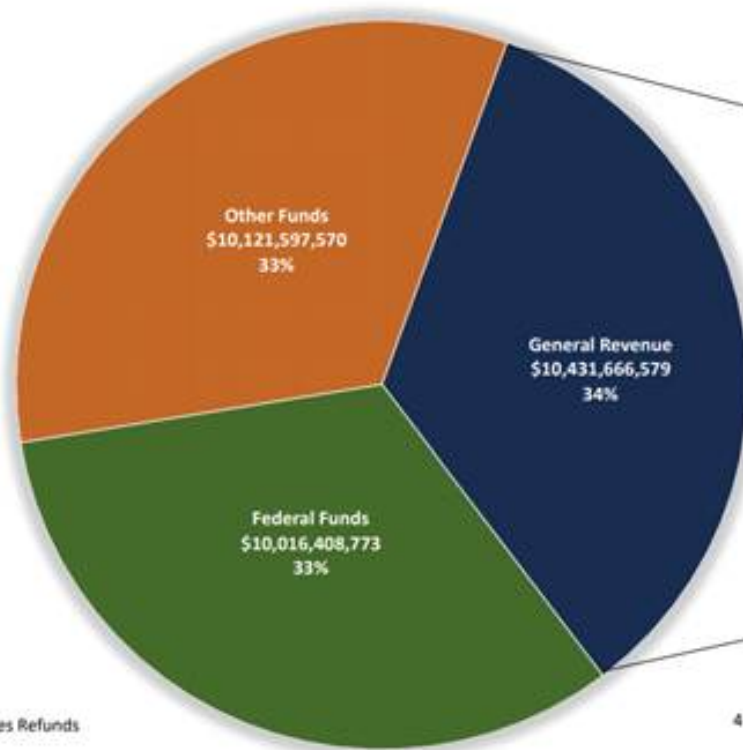


***■ In 2019, Medicaid consumed 39% of Missouri's budget. On a percentage basis, no other state spent more on Medicaid. (Source National Association of State Business Officers)***

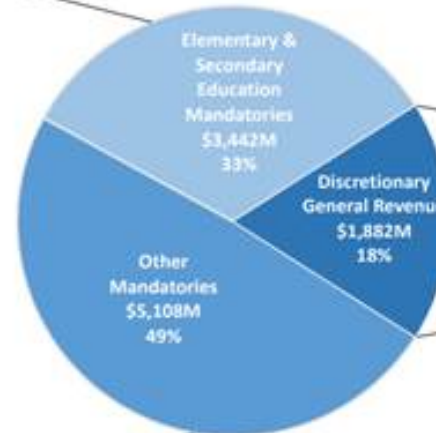
# Higher Education is a large portion of the discretionary budget

## FISCAL YEAR 2021 GOVERNOR'S RECOMMENDED OPERATING BUDGET

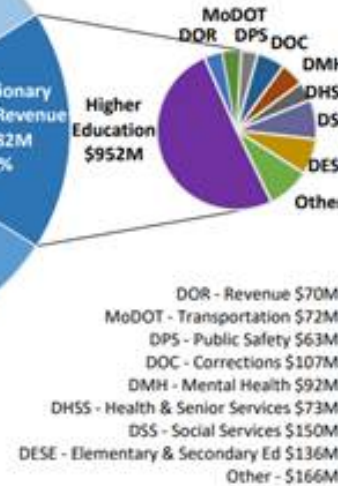
TOTAL BUDGET (ALL FUNDS)  
\*\$30,569,672,922



TOTAL GENERAL REVENUE  
\$10,431,666,579



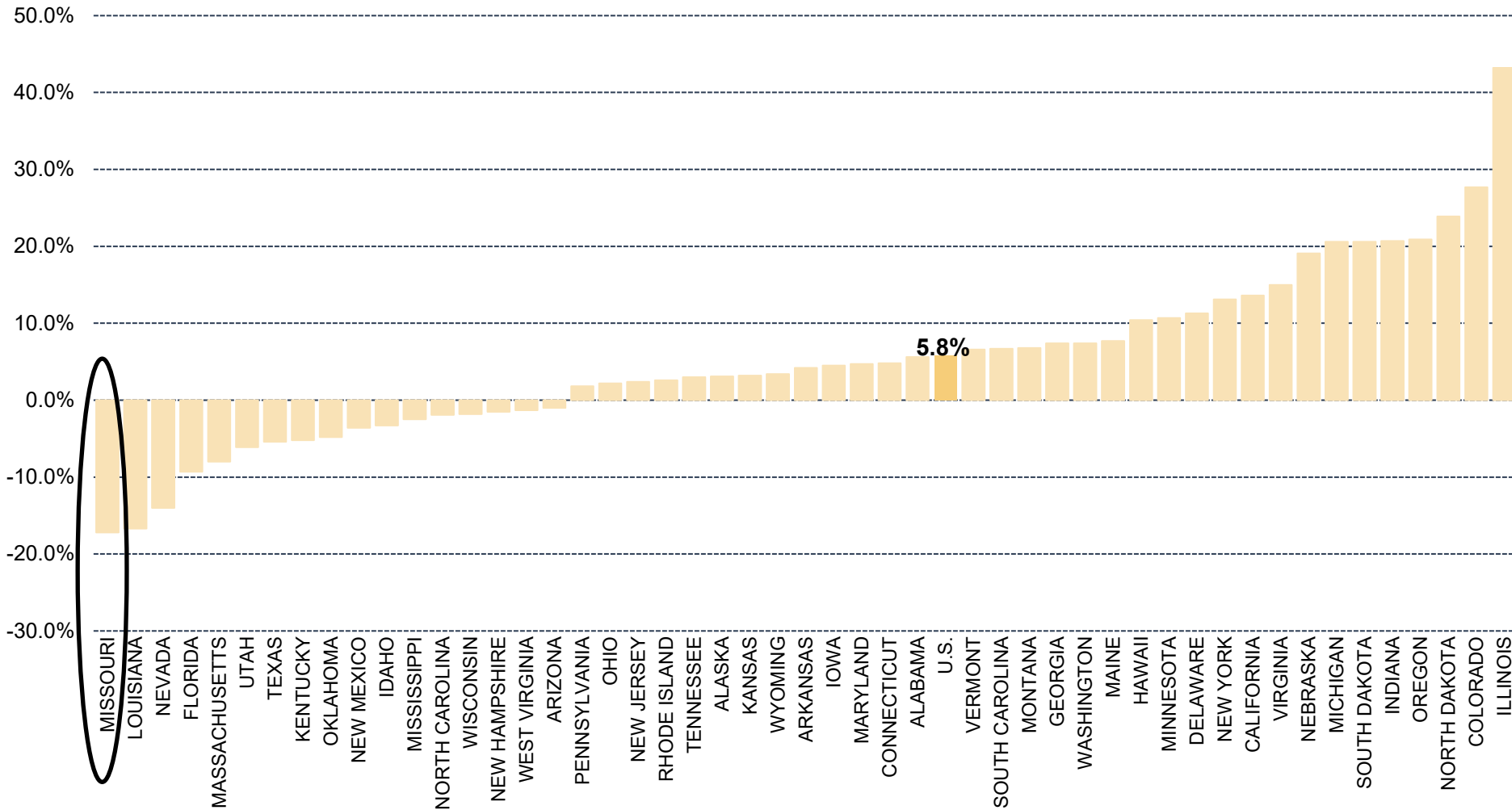
DISCRETIONARY GENERAL REVENUE  
\$1,881,921,936



- Higher Education is 53% of Discretionary General Revenue
- 4-year Institutions are 69% of HE
- UM is 56% of 4-years

***The University of Missouri is 1/5<sup>th</sup> of the discretionary budget***

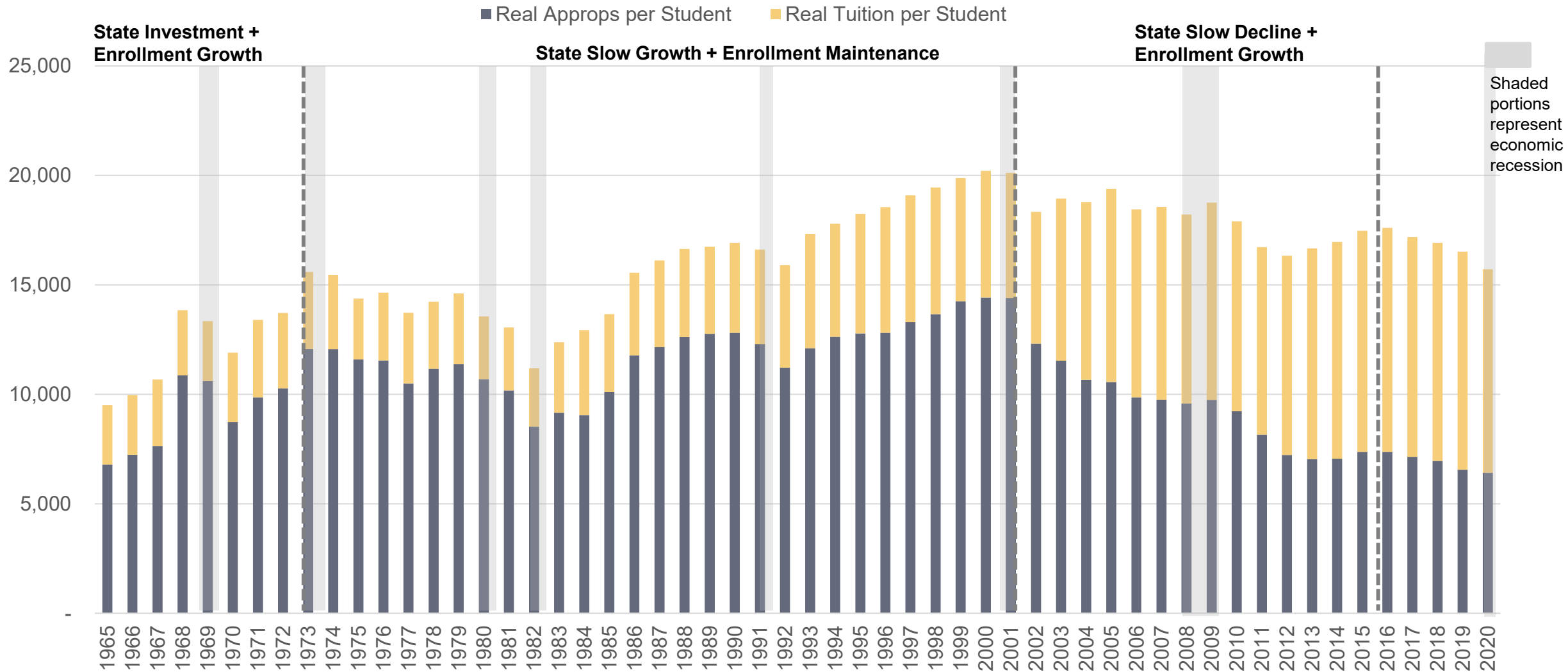
# Missouri Ranks Last in Revenue per FTE Student Growth Since the Great Recession (through 2017)



- Over this timeframe, Missouri ranks 50<sup>th</sup> in growth in tuition per student and 42<sup>nd</sup> in growth in state support per student.
- Missouri was one of two states to see a decline in both state support and tuition.
- From 2016 to 2017, Missouri saw the largest annual drop in total revenues per student at 8.4%.

Source: SHEEO

# Real Resources per Student has Changed in Proportion and is Declining



# We have a RECURRING problem, not a one-time problem with a one-time solution

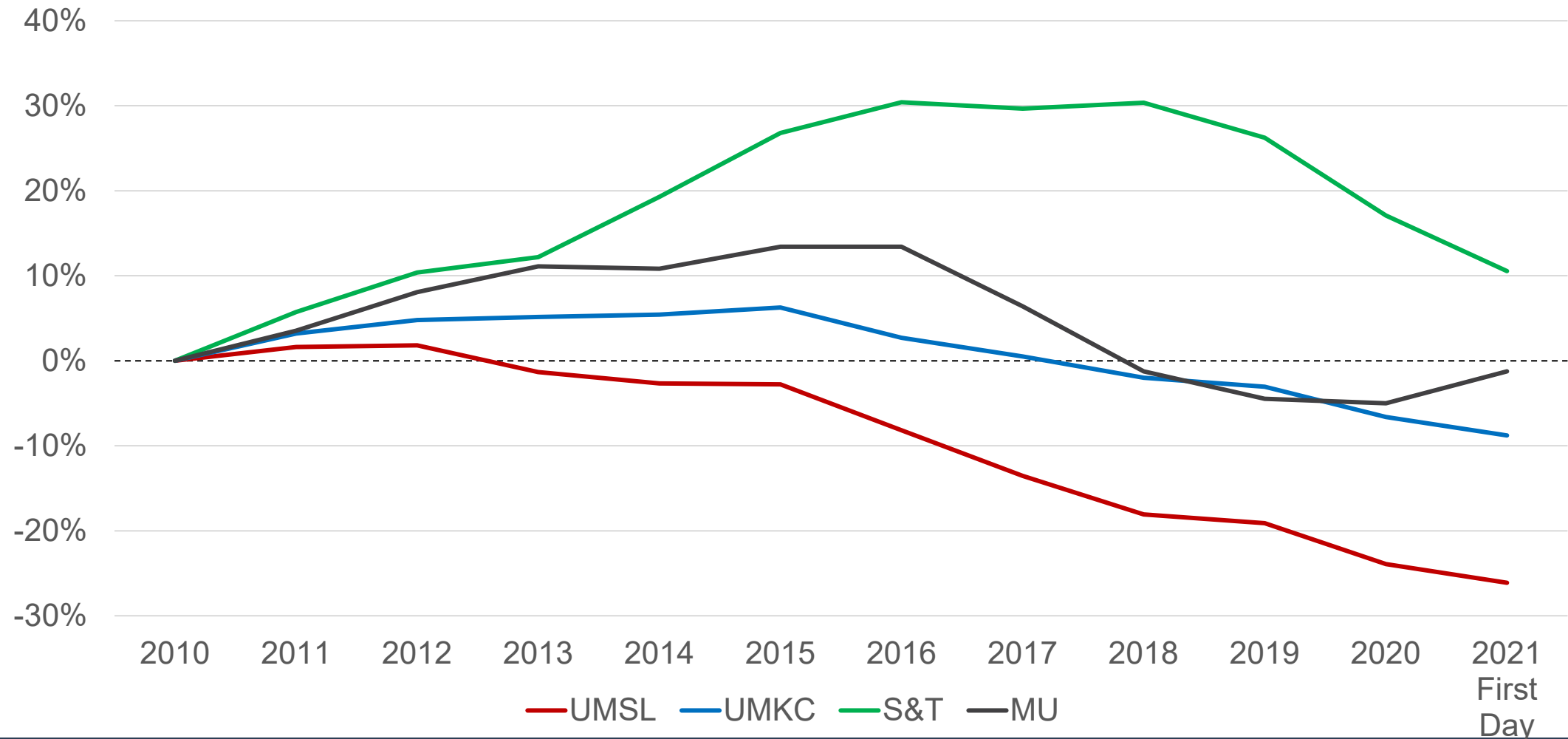
*The pandemic only accelerated trends we are already experiencing*



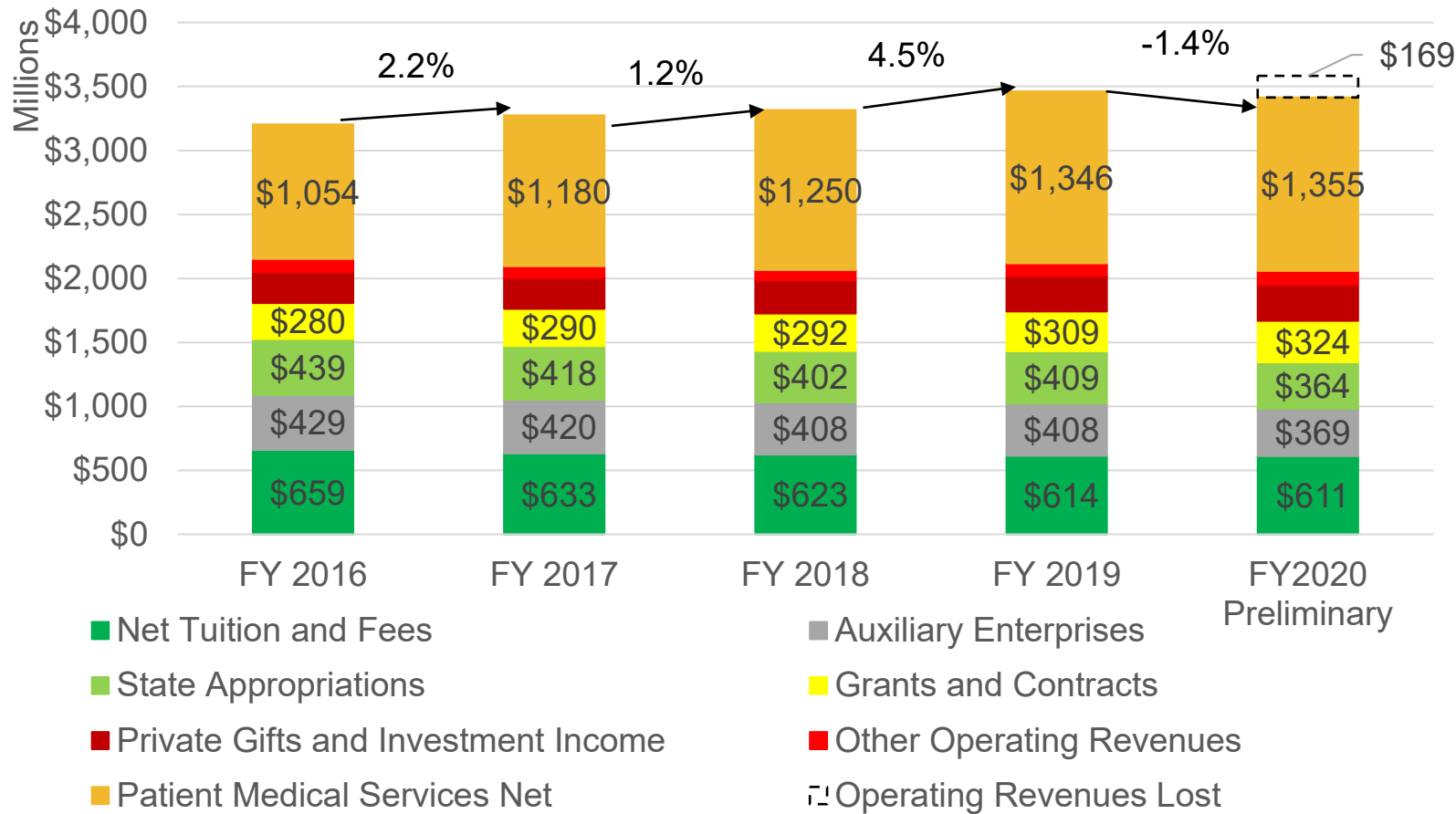


# Enrollments have been falling for 5 years

10 Year Change in Enrollment by Fiscal Year



# The only significant revenue growth has come from healthcare



## From 2016-2020:

- Net tuition dropped \$48M
- State appropriations dropped \$75M
- Grants grew by \$44M
- Giving & Endowment income grew \$30M

# Since the Pandemic...

- Budgeted revenue decline of \$115M over FY2019 in the academic enterprise
  - State withholding and stabilization drops core by \$55M
  - Declining tuition and auxiliary revenues on declining enrollments
  - *Budget looks more like a recurring problem than a one-time problem*
- Additional exposure of \$120M-\$320M if further disruptions occur during FY2021
  - Would not have to shut down campus again, could be driven by students slowing consumption
  - Requires significant action to stem the resource consumption

# Stimulus provided one-time support

- \$34 million from CARES direct institutional dollars
  - \$17M had to be issued as aid to students
  - \$17M covered costs of refunds and other shut down costs
- Additional \$49 million available from the state for costs to reopen
  - Only for unbudgeted costs incurred from the pandemic
  - Will help with one-time response
  - But does not solve the recurring budget hole

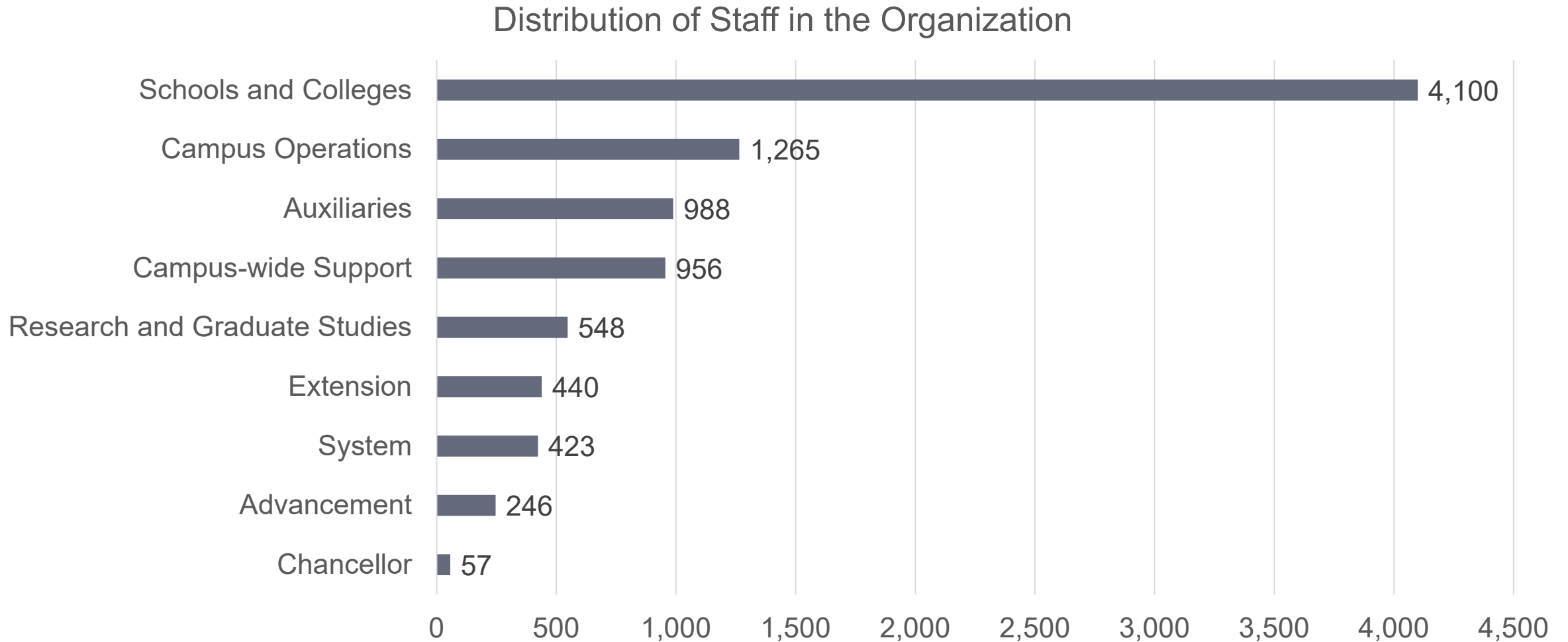
# Difficult decisions have been made, but will need to identify lasting impact

Action	MU	UMKC	UMSL	S&T	System Admin	Total
Temporary Pay Decrease	1,485	955	793	13	52	3,298
Short-Term Furlough (< 1 week)	1,791	119	46	48	92	2,096
Long-Term Furlough	259	9	107	30	3	408
Layoff	151	38	57	34	24	304
Total	3,686	1,121	1,003	125	171	6,106

One-time savings

- *The majority of realized savings from payroll are one time in nature*
- *Only 5% of actions have permanently reduced workforce*

# Staffing is Distributed across the Enterprise



# Where do we go from here to solve our recurring problems?

*Business as usual will not work and WE ALL have to be part of the solution*



# Challenge to the University Remains

## ***GROW REVENUE AND PRIORTIZE MISSION!***

- We can't cut our way to greatness
  - But we can spend our way to bankruptcy if revenues don't change
  - Necessary cuts are a result of the paradigm shift in revenues
- Past growth strategies will not work
  - State revenues will remain challenged, even with significant support we enjoy
  - Traditional tuition rates and enrollments subject to market forces
- New, paying students/learners and programs to serve them are the key to our future
- Focus on productivity while growing... if we want the best faculty we need the paying students to support them
- Administrative cost cutting can not solve the entirety of the shortfall



# What do Academic Leaders need to do?

- YOU control your unit's destiny
  - You must understand your budget and how it works
- Think of spend in terms of mission and resource generation
  - Prioritize those activities that directly support teaching and research
- Understand revenue streams
  - Enrollment
  - Research
  - Philanthropy
- Align spending to how resources are produced
  - Mission (how it relates to our core purpose)
  - Market (what stakeholders demand)
  - Margin (how much money we make/consume on the activity)

## Academic Excellence

Program Review and Rationalization  
Degree/Certificate Market Analysis  
Academic Productivity

Reinvestment

Reinvestment

## Revenue Enhancement

Pricing flexibility  
Long-term Enrollment Strategy  
Auxiliary Operation Rationalization  
Development Opportunities

## Future Academy

Research & Creative Works  
Outreach & Engagement  
Student Success

## Resource Utilization

Data Driven Allocation Models  
Reserve Practices & Policies  
Implement 5 Year Financial Plan

Reinvestment

Reinvestment

## Operational Efficiency

Expansion of Enterprise Services  
Organizational Consolidation  
Streamline Process through Functional Efficiency