FY21 Budget Book

University of Missouri System

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UM Fiscal Year 2021 Operating Budget

Summary

The University's Fiscal Year 2021 Operating Budget was approved at the June 2020 Board of Curators meeting. The FY 21 budget reflects the culmination of planning efforts undertaken by each institution throughout the spring. This year's budgeting cycle has been challenging, as information has changed rapidly throughout the cycle causing significant changes to budget assumptions and related plans. The University of Missouri has a history of following sound management practices and balancing expenditures within available revenues on a consolidated basis, and plans to continue that management throughout the upcoming year. With the amount of change and uncertainty in the current environment, the University's leadership team plans to update spending plans on a quarterly basis to reflect unforeseen changes in financial performance. These spending plans preserve financial resources in the short-term. However, additional work is necessary to achieve the necessary permanent structural changes to sustain the mission of the University and take strategic actions.

The University completed a five-year financial plan this fall, however, that plan did not consider the impacts of the health and economic crisis. As such, the University will not be presenting the five-year plan at this meeting. Updating budgets more frequently than in the past, the University will utilize the budget process to adjust to current and future economic conditions. The five-year financial planning and performance process will continue this fall and be adjusted for the permanent structural changes that are necessary.

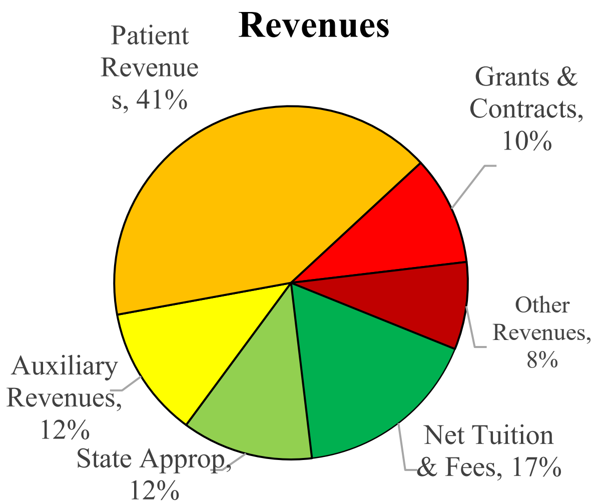
Budget Overview

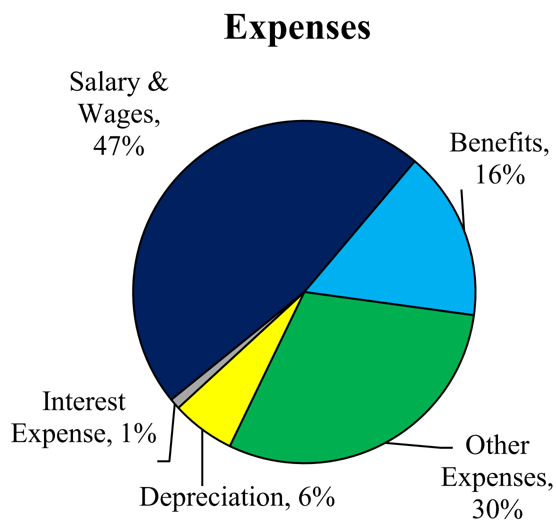
The FY 21 all funds revenue budget is $3.4 billion. The following table shows the FY 21 revenue budget by revenue source.

FY 2021 Revenue Budget	MU	MU Healthcare	UMKC	MO S&T	UMSL	UM System	University Wide Units	Total
Net Tuition & Fees	$ 275.8	$ -	$ 146.9	$ 72.8	$ 88.1	$ (0.2)	$ -	$ 583.4
State Appropriations	217.8	-	73.9	50.2	55.9	12.3	9.5	419.6
Grants & Contracts	215.1	0.1	44.1	36.1	29.8	-	-	325.2
Auxiliary Revenues	269.7	23.9	40.6	19.8	18.2	22.7	-	394.9
Patient Revenues	262.2	1,080.9	40.0	-	-	-	-	1,383.1
Private Gift Revenues	22.7	1.3	11.2	6.6	11.3	0.1	-	53.2
Endowment & Investment	93.3	-	13.2	15.6	9.7	21.9	61.3	215.0
Other Income	51.0	-	13.9	4.4	2.8	3.5	9.3	84.9
Revenue Contingency	(50.2)	-	(15.5)	(7.6)	(7.3)	(1.0)	-	(81.6)
Total Revenue	$ 1,357.4	$ 1,106.2	$ 368.3	$ 197.9	$ 208.5	$ 59.3	$ 80.1	$ 3,377.7

The pie chart on the left shows the major sources of revenues across the University of Missouri. Auxiliary and Patient Service Revenues combine to account for 50% of the revenue budget. The unrestricted portion of the academic enterprise represents 40% of available funds consisting of auxiliaries, tuition, and state support. Healthcare continues to grow and represents another 40% of revenues. The remaining 20% is spread largely across restricted sources, such as gifts and grants. The chart on the right shows that 63% of the total budget is spent for compensation, 6% for depreciation and 31% of all other types of expenditures. Compensation remains the largest expense for the University of Missouri.

FY 21 All Funds Budget





Historical Context

The University of Missouri has a long history of maintaining positive operating performance, even through periods of significant fiscal challenges. The University continues to focus on managing operations into the new reality with the pandemic. The level of action necessary during the FY 21 planning process was not only dependent on the impact of the pandemic, but also the history of past operating performance for each university.

The University has a track record of making the difficult decisions necessary to balance university budgets. Since November 2015 and the related enrollment declines, the University has taken significant action on cost to maintain positive operating performance.

Focus Remains on Sound Management Practices

In an environment with revenue disruptions and upward pressure on expenses, having a system of control around financial performance is key. The University maintains the expectation that leaders will make the necessary decisions to balance the budget and make the appropriate decisions when they need to be made. The first step in this process was the mid-year spending restrictions implemented in FY 20 freezing hiring and significantly curtailing any non-personnel spend. Actions to manage FY 20 performance continued with furloughs and other temporary staffing reductions to manage cash flows and maintain balance sheet positioning. The FY 21 budgeting process is the next step in responding to the revenue reductions more permanently. These measures were primarily taken to maintain financial performance while more strategic permanent solutions are identified.

The President with the Board created the financial performance and accountability framework (140.025) to ensure sound fiscal management through periods of strong growth and periods of financial stringency. The President and Chief Financial Officer recommend the financial performance targets for the enterprise and the board approves those targets. The budgeting process serves as the annual planning exercise to ensure plans meet performance targets as they relate to the annual operating performance of the enterprise. The University's leadership team followed this framework in developing the FY 21 budgets, and worked to ensure reasonable revenue and expense assumptions that ultimately balanced budgets to expected financial performance. Due to the high level of uncertainty surrounding the University's operations for the upcoming year, the University identified both revenue contingencies for potential losses and related expenses that could be cut if revenues were not realized. The budgets that follow show both of those contingencies with related impacts on financial performance.

These budgets that follow only represent the beginning of necessary work over the upcoming year. The University plans to update the Board on a quarterly basis to reflect known changes in operations and the related financial impact. The University maintains the expectation that leaders will make the decisions that need to be made on a more frequent basis during this crisis. The past environment of stable enrollment throughout the year for traditional students is unlikely to exist for the upcoming year, as an outbreak of the virus could change operations and financial performance rapidly. Additionally, the state faces significant economic challenges and the probability of additional withholds throughout the year increase, especially without federal stimulus. Any disruptions of this nature will be accounted for through the quarterly process to reset spending targets. These updates are the tool to ensure that operational leaders adjust throughout the year and additional management actions continue based upon changes in the operating environment.

FY 21 Planning Process

The University completed the five-year planning process in January of 2020 to inform the FY 21 budgeting process. The plans did not anticipate the rapid onset of a pandemic and the disruption to operations that has ensued as a result. The plans were not be presented to the Board this year, as the pandemic changed many of the underlying assumptions and the FY 21 budgeting process was built on a different set of assumptions. For FY 21, each unit was expected to submit a balanced budget with reasonable revenue assumptions based on the most up to date data for FY 21.

The summaries that follow show both the revenue and expense plans for each university and the consolidated system. Financial results will be presented in three columns:

- FY 19 Actuals: actual performance for FY 19, tied to the University's audited financial statements.
- FY 20 Projected: projected performance for FY 20, which includes performance through April with a projection for the final two months to close.
- FY 21 Budget: budgets completed for FY 21.

After the completion of the FY 21 budgeting, the University will begin a process to re-evaluate the performance targets set two years ago during the implementation of the financial management framework with the Board. Much of the benchmarking and planning will likely change as Universities emerge from the crisis, and it is likely that peer benchmarks and the size of institutions will change. In addition, the size and needs of the institutions within the System will change, along with potential strategies, leading to the need to reconsider performance targets and adjust them either up or down. Enterprise level targets will be approved by the board with appropriate competitive market context as the University works to reset five-year financial plans next year.

Consolidated Summary (Schedule 1)

The University of Missouri FY 21 Budget overall demonstrates the University's continued commitment to manage expenses within available revenues. This year's budget process has been characterized by a significant level of uncertainty when compared to past budget cycles. The budgets that follow reflect management's best estimates taking in all information known at this time. Current budgets assume that each institution will open for on-campus instruction for the fall and have the ability to continue in-person instruction throughout the academic year. Each University has developed contingency plans for various revenue impacts and related plans to reduce expenses, and these items are reflected in the contingency lines of both revenues and expenses. All other lines reflect the current plan. The University plans to update budgets on a quarterly basis to manage these contingencies and maintain positive cash flows. Additionally, each University is working to identify the necessary permanent structural changes to their budget sustain the mission of the University and take strategic actions. Schedule 1 contains the detail on the operating budget on a consolidated basis:

Schedule 1. Consolidated FY 2021 Budget (Dollars in Thousands)

Line No.		Actuals FY 2019[1]	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ 857,456	$ 866,002	$ 856,898	-0.1%
2	Less Scholarship Allowances[1]	333,682	378,244	356,142	6.7%
3	Net Tuition and Fees	523,774	487,758	500,756	-4.4%
4	Federal Pell Grants	56,595	54,890	54,900	-3.0%
5	Government Scholarship Funding[1]	33,551	34,121	27,792	-17.2%
6	Grants and Contracts	309,500	363,878	325,184	5.1%
7	Auxiliary Enterprises	408,320	377,555	394,891	-3.3%
8	Patient Medical Services Net	1,345,638	1,276,934	1,383,090	2.8%
9	Other Operating Revenues	69,763	67,568	56,910	-18.4%
10	State Appropriations	408,797	363,138	419,574	2.6%
11	Federal Appropriations	27,026	27,764	28,011	3.6%
12	Private Gifts	85,809	65,079	53,223	-38.0%
13	Spendable Investment Income	194,567	210,100	214,986	10.5%
14	Revenue Contingency	-	-	(81,580)	N/A
15	**Total Operating Revenues**	**$3,463,340**	**$3,328,785**	**$3,377,737**	**-2.5%**
	Operating Expenses				
16	Salaries and Wages	1,547,032	1,562,242	1,518,239	-1.9%
17	Benefits	461,479	488,925	505,775	9.6%
18	Supplies, Services and Other Operating Expenses	1,020,750	949,033	957,966	-6.2%
19	Depreciation	203,860	205,035	203,276	-0.3%
20	Interest Expense	65,058	63,865	73,953	13.7%
21	Expense Contingency	-	-	(53,246)	N/A
22	**Total Operating Expenses**	**$3,298,179**	**$3,269,100**	**$3,205,963**	**-2.8%**
23	**Net Operating Income**	**$ 165,162**	**$ 59,685**	**$ 171,774**	
24	**Net Operating Margin**	4.8%	1.8%	5.1%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	194,426	(185,320)	166,882	-14.2%
26	Spendable Investment Income	(194,567)	(210,100)	(214,986)	10.5%
27	Other Nonoperating Revenues (Expenses)	210	1,880	(520)	-347.1%
28	State Capital Appropriations	-	-	-	N/A
29	Capital Gifts and Grants	67,106	39,409	59,703	-11.0%
30	Private Gifts for Endowment Purposes	30,524	27,313	5,689	-81.4%
31	Pension and OPEB Impact on Income Statement	(96,094)	(123,945)	(80,000)	-16.7%
32	Mandatory Transfers	-	-	-	N/A
33	Non-Mandatory Transfers	-	-	-	N/A
34	**Net Nonoperating Revenues (Expenses)**	**1,605**	**(450,763)**	**(63,232)**	**-4039%**
35	**Increase in Net Position**	**166,767**	**(391,078)**	**108,542**	
36	**Net Position, Beginning of Year**	**4,725,967**	**4,890,237**	**4,499,159**	
37	Cumulative Effect of Change in Accounting Principle	(2,497)	-	-	
38	**Net Position, Beginning of Year, Adjusted**	**4,723,470**	**4,890,237**	**4,499,159**	
39	**Net Position, End of Period**	**$4,890,237**	**$4,499,159**	**$4,607,701**	

Note 1: Actuals for FY 2019 were restated to reflect to a change in accounting principle which requires certain scholarship programs with administrative involvement to be counted in Grants and Contracts. Restatement does not effect total operating revenues and expenses or change in net position.

As schedule 1 demonstrates, the University projects revenues to remain flat over FY 19 and grow over the projection for FY 20 with the disruption:

- Net Tuition and Fees are projected to grow year over year. This reflects growth in enrollment and flat tuition and fees. FY 21 represents the first year since 2015 where the graduating class at MU is smaller than then incoming freshman class, meaning in future years this revenue line can continue grow with the improved focus on enrollment and retention. The long-term success of the academic enterprise is dependent on successful growth of net tuition and fees.
- Grants and Contracts are projected to decline over the prior year, but grow over FY 19. The decrease over FY 20 reflects the expectation that approximately $50 million in CARES funding will not occur a second time. The budget reflects the University's efforts to improve research and creative works.
- State Appropriations are budgeted at the amount Truly Agreed and Finally Passed (TAFP) by the legislature for the 2020 legislative session.
- Net Patient Medical Services revenues are projected to grow by $37 million over FY 19, representing 3% growth. The healthcare enterprise continues to grow at a faster rate than the remainder of the organization, although this growth is slowing after exceeding 5% for several years prior to FY 19 and FY 20. The gains experienced by the healthcare enterprise from market share capture are beginning to slow as the University has become the largest supplier in the market. As such, the MUHC leadership team has begun to focus on cost containment to preserve margin.
- Revenue Contingency represents risks to revenue identified in the FY 21 budgeting process. These risks represent enrollment disruptions, tuition rate changes, and potential losses in state support planned for in the FY 21 budget process.

The University's operating expenses are projected to decline in FY 21 as a result of cost containment measures:

- Salaries and Wages are projected to decline by $44 million over prior year projection. The overall staffing is projected to decrease as the University utilizes both layoffs and salary reductions to respond to the disruption caused by the pandemic. In areas where budgets were reduced affecting personnel, the first priorities were towards capturing vacancies and retirements prior to reducing positions with incumbents. However, with the level of reduction necessary, many incumbents were impacted during this budgeting process.
- Benefits are projected to grow by 1.7%. Benefits remain an area that will apply upward pressure on the institution's cost over the long-term. With the closure of the defined benefit plan to new entrants this October, the University will slow the growth of the pension liability over the coming decades, though the pension plan will remain a significant exposure in the years to come. Investment returns will continue to force the University to increase contributions into the pension plan, at the same time operating budgets can least afford it. Over the coming year, the University will evaluate levers and actions necessary to stabilize the pension and act upon accelerating retirement costs. The University's medical cost growth continues to increase, and the University is evaluating taking significant actions to curtail medical cost growth with calendar year 2021 medical premiums and plan designs.
- Supplies, Services, and Other is projected to decline by $63 million over FY 19 but increase over FY 20 projection. Growth back in FY 21 reflects some cost increases from reopening campuses, but not to previous levels. The University remains focused

on lowering non-personnel spend, and continues to evaluate physical infrastructure that drives a significant portion of these costs.

- Expense Contingency reflect additional expense actions that can be quickly implemented in the case that revenue contingencies are realized. Most of the expense contingencies are temporary in nature and permanent changes will be necessary in the case of permanent revenue reductions. These contingencies will be managed on a quarterly basis along with other changes in operations that require a response by the University. If operations turn more positive than expected, the University will reinvest the funding in strategic research and student educational opportunities. The University will provide quarterly updates to the Board on progress related to financial performance and any use of contingency.

MU (Schedule 2)

The FY 21 MU budget planning process encompassed a wide range of outcomes for the pandemic, including the potential for significant enrollment losses. Each college developed a plan to respond to these scenarios. The leadership team identified the areas of highest opportunity from the college plans, ensuring budgets focused on maintaining the student experience and growing the research prominence of MU. Schedule 2 represents MU's operating budget for FY 21:

Line No.	Schedule 2. MU FY 2021 Budget (Dollars in Thousands)	Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ 419,279	$ 429,637	$ 427,521	2.0%
2	Less Scholarship Allowances	171,671	205,270	187,838	9.4%
3	Net Tuition and Fees	247,608	224,367	239,683	-3.2%
4	Federal Pell Grants	21,702	22,300	22,000	1.4%
5	Government Scholarship Funding	18,955	19,925	14,122	-25.5%
6	Grants and Contracts	210,471	228,977	215,100	2.2%
7	Auxiliary Enterprises	274,339	252,906	269,708	-1.7%
8	Patient Medical Services Net	246,068	222,518	262,166	6.5%
9	Other Operating Revenues	38,916	36,978	32,758	-15.8%
10	State Appropriations	208,149	188,296	217,849	4.7%
11	Federal Appropriations	17,198	17,964	18,256	6.2%
12	Private Gifts	43,752	40,000	22,696	-48.1%
13	Spendable Investment Income	88,646	94,453	93,305	5.3%
14	Revenue Contingency	-	-	(50,238)	N/A
15	**Total Operating Revenues**	**$ 1,415,804**	**$ 1,348,684**	**$ 1,357,405**	**-4.1%**
	Operating Expenses				
16	Salaries and Wages	785,164	789,144	770,497	-1.9%
17	Benefits	216,353	234,598	242,425	12.1%
18	Supplies, Services and Other Operating Expenses	281,557	234,776	230,766	-18.0%
19	Depreciation	87,245	86,193	86,414	-1.0%
20	Interest Expense	29,432	32,279	32,841	11.6%
21	Expense Contingency	-	-	(45,626)	N/A
22	**Total Operating Expenses**	**$ 1,399,751**	**$ 1,376,990**	**$ 1,317,317**	**-5.9%**
23	**Net Operating Income**	**$ 16,053**	**$ (28,306)**	**$ 40,088**	
24	**Net Operating Margin**	1.1%	-2.1%	3.0%	
	Nonoperation Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	63,863	(66,547)	90,043	41.0%
26	Spendable Investment Income	(88,646)	(94,453)	(93,305)	5.3%
27	Other Nonoperation Revenues (Expenses)	967	63	6	-99.4%
28	State Capital Appropriations	-	-	-	N/A
29	Capital Gifts and Grants	24,304	24,751	14,907	-38.7%
30	Private Gifts for Endowment Purposes	22,141	22,004	133	-99.4%
31	Mandatory Transfers	61	-	-	-100.0%
32	Non-Mandatory Transfers	27,828	33,561	28,533	2.5%
33	**Net Nonoperation Revenues (Expenses)**	**50,518**	**(80,621)**	**40,317**	**-20.2%**
34	**Increase in Net Position**	**66,571**	**(108,927)**	**80,405**	
35	**Net Position, Beginning of Year**	**2,868,042**	**2,932,281**	**2,823,354**	
36	Cumulative Effect of Change in Accounting Principle	(2,332)	-	-	
37	**Net Position, Beginning of Year, Adjusted**	**2,865,710**	**2,932,281**	**2,823,354**	
38	**Net Position, End of Period**	**$ 2,932,281**	**$ 2,823,354**	**$ 2,903,759**	

Budgeted enrollment includes a first-time college class that is the same size as prior year, with overall enrollment growth at 2% as the new first-time class will be larger than the previous class who graduated. Tuition rates were assumed flat to prior year in the budget. Auxiliary revenues are budgeted down to FY 19, but above FY 20 levels. Athletics (-9%) decline and Bookstores (-6%) drive the decline over 2019. Housing and Dining budgeted 20% growth over FY 19 with flat rates on housing and higher occupancy with the enrollment growth over FY 19 in fist time college students. Housing occupancy is now at historical levels with the return of enrollment. Patient Medical Services continues on projected volume growth at University Physicians with the recovery of volume from delayed non-emergent cases. Grants and contracts are budgeted to grow moderately over FY 19 but decrease over FY 20 due to the expiration of the CARES act funding. The revenue contingency includes tuition increases at inflation offset by drops in enrollment and declines in state support.

Through the FY 21 budget process, MU identified recurring cost reductions in both personnel and non-personnel spend. The reduction in salaries and wages is the result of the elimination of over 150 full-time equivalent positions, with 100 layoffs and 50 FTE reduced from retirements, contract non-renewals, or voluntary separations. Significant reductions in supplies and other include space and capital reductions, reductions in utilities, and the suspension of travel programs. The cuts identified in expense contingencies represent one-time expense reductions such as furloughs or temporary pay decreases that will be implemented upon the realization of revenue contingencies.

The pandemic and related budget reduction exercises provide the opportunity to further accelerate the implementation of the new resource allocation model. The new resource allocation model invests revenues generated in the areas of growth with a mechanism to capture research investment. If revenues come in above budget, these revenues will flow to areas of investment to generate further growth in revenue and further dollars for research.

UMKC (Schedule 3)

While UMKC remains financially challenged, with weak balance sheet and income statement metrics, UMKC is making important improvement to its financial performance. The FY 21 budget represents significant progress in achieving break even performance. This results in an improvement to the operating margin of over $6 million and represents the third straight year of improvement in operating margin.

Line No.	Schedule 3. UMKC FY 2021 Budget (Dollars in Thousands)	Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ 189,699	$ 193,071	$ 191,832	1.1%
2	Less Scholarship Allowances	59,821	62,220	62,539	4.5%
3	Net Tuition and Fees	129,878	130,851	129,293	-0.5%
4	Federal Pell Grants	13,599	13,500	13,600	0.0%
5	Government Scholarship Funding	4,079	4,026	4,000	-1.9%
6	Grants and Contracts	36,998	39,893	44,143	19.3%
7	Auxiliary Enterprises	41,676	40,036	40,643	-2.5%
8	Patient Medical Services Net	37,515	35,589	40,008	6.6%
9	Other Operating Revenues	11,861	17,000	13,949	17.6%
10	State Appropriations	73,852	64,058	73,852	0.0%
11	Federal Appropriations	-	-	-	N/A
12	Private Gifts	19,092	7,909	11,180	-41.4%
13	Spendable Investment Income	13,030	13,537	13,190	1.2%
14	Revenue Contingency	-		(15,500)	N/A
15	**Total Operating Revenues**	**$ 381,580**	**$ 366,399**	**$ 368,358**	**-3.5%**
	Operating Expenses				
16	Salaries and Wages	193,297	190,680	181,837	-5.9%
17	Benefits	55,606	58,744	58,936	6.0%
18	Supplies, Services and Other Operating Expenses	110,872	92,000	97,436	-12.1%
19	Depreciation	25,166	25,502	24,560	-2.4%
20	Interest Expense	9,140	9,098	9,000	-1.5%
21	Expense Contingency	-	-	(3,470)	N/A
22	**Total Operating Expenses**	**$ 394,081**	**$ 376,024**	**$ 368,299**	**-6.5%**
23	**Net Operating Income**	**$ (12,501)**	**$ (9,625)**	**$ 59**	
24	**Net Operating Margin**	-3.3%	-2.6%	0.0%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	12,622	(6,274)	12,304	-2.5%
26	Spendable Investment Income	(13,030)	(13,537)	(13,190)	1.2%
27	Other Nonoperating Revenues (Expenses)	1,051	400	-	-100.0%
28	State Capital Appropriations	-	-	-	N/A
29	Capital Gifts and Grants	36,657	7,150	24,606	-32.9%
30	Private Gifts for Endowment Purposes	436	400	800	83.5%
31	Mandatory Transfers	25	-	-	-100.0%
32	Non-Mandatory Transfers	1,375	5,976	5	-99.6%
33	**Net Nonoperating Revenues (Expenses)**	**39,136**	**(5,885)**	**24,525**	**-37.3%**
34	**Increase in Net Position**	**26,635**	**(15,510)**	**24,584**	
35	**Net Position, Beginning of Year**	**420,480**	**447,115**	**431,605**	
36	Cumulative Effect of Change in Accounting Principle	-	-	-	
37	**Net Position, Beginning of Year, Adjusted**	**420,480**	**447,115**	**431,605**	
38	**Net Position, End of Period**	**$ 447,115**	**$ 431,605**	**$ 456,189**	

FY 21 budgeted revenues show 2% growth over FY 19, and significant growth in revenue over FY 20. Current budget plans assume campus remains open throughout the year and students show up in the fall. Expense and other contingencies are reflected in line 20, and include additional actions the University will take if the pandemic escalates, both on the revenue and expense side. Primary drivers of the increase year over year are grants and contracts and the Patient Medical Services revenue. The grants and contracts revenue growth reflect significant growth in research awards received during FY 20, with awards trending up around 50% higher from the prior year. Research awards are generally spent over a period of years for larger awards. The increase in patient revenues reflects increased contracts for services provided by the medical school. Tuition and fee revenue remain relatively flat, with the University planning on a 7% decline in enrollment for FY 21 for undergraduates offset with a 7.5% increase in graduates. Budgets for the housing operations reflect 90% occupancy and no additional closures from COVID. UMKC has developed contingency plans in case the closure is necessary and has plans to adjust expenses accordingly. UMKC expects to still fill the on-campus housing to occupancy by cancelling previous contracts to expand housing capacity to third party providers in the immediate area of campus. The revenue contingency includes tuition increases at inflation offset by a contingency for lower enrollment and declines in state support.

UMKC focused the development of the FY 21 budget on finding the costs savings necessary to meet breakeven financial performance. Reductions included elimination of 100 positions, of which 50 were layoffs with the other 50 representing retirements and contract non-renewals. The University also eliminated 75 part-time positions including adjunct teaching appointments. Even with all of these position eliminations, the compensation budget did not decrease enough to meet the targeted cuts, so the University implemented a mandatory pay reduction program which is included in the expense contingency. The pay reduction program will be evaluated on a quarterly basis as the University's leadership team kicks off the UMKC Forward initiative, which seeks to evaluate campus structures, innovate and identify additional opportunities to improve financial performance. In addition to the labor cost opportunities, the University identified over $12 million in savings on Supplies, Services, and Other spend over FY 19. Many of these opportunities are shorter term in nature, and the campus will continue to seek to identify more permanent changes through UMKC Forward.

S&T (Schedule 4)

Missouri S&T's FY 21 budget planning process focused on balancing operations to a new normal with a lower expense base than previous years. After years of positive performance, FY 20 saw a significant decline in enrollment that was then compounded by the ongoing pandemic. S&T took significant cost action to adjust expenses within the new projected operating revenues.

Schedule 4. MO S&T FY 2021 Budget (Dollars in Thousands)

Line No.		Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ 132,300	$ 128,214	$ 121,550	-8.1%
2	Less Scholarship Allowances	58,280	63,767	61,563	5.6%
3	Net Tuition and Fees	74,020	64,447	59,987	-19.0%
4	Federal Pell Grants	7,310	6,475	6,800	-7.0%
5	Government Scholarship Funding	6,587	6,150	6,000	-8.9%
6	Grants and Contracts	33,029	39,506	36,102	9.3%
7	Auxiliary Enterprises	24,114	18,733	19,727	-18.2%
8	Patient Medical Services Net	-	-	-	-
9	Other Operating Revenues	5,102	4,947	4,389	-14.0%
10	State Appropriations	50,186	43,543	50,234	0.1%
11	Federal Appropriations	-	-	-	-
12	Private Gifts	7,815	4,402	6,610	-15.4%
13	Spendable Investment Income	14,809	15,559	15,635	5.6%
14	Revenue Contingency	-	-	(7,612)	N/A
15	**Total Operating Revenues**	**$ 222,972**	**$ 203,762**	**$ 197,872**	**-11.3%**
	Operating Expenses				
16	Salaries and Wages	106,061	104,367	100,770	-5.0%
17	Benefits	30,532	30,639	32,360	6.0%
18	Supplies, Services and Other Operating Expenses	51,609	47,259	37,936	-26.5%
19	Depreciation	17,540	18,600	17,660	0.7%
20	Interest Expense	5,357	5,160	5,150	-3.9%
21	Expense Contingency	-	-	-	N/A
22	**Total Operating Expenses**	**$ 211,099**	**$ 206,025**	**$ 193,876**	**-8.2%**
23	**Net Operating Income**	**$ 11,873**	**$ (2,263)**	**$ 3,996**	
24	**Net Operating Margin**	5.3%	-1.1%	2.0%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	11,613	(11,330)	7,274	-37.4%
26	Spendable Investment Income	(14,809)	(15,559)	(15,635)	5.6%
27	Other Nonoperating Revenues (Expenses)	(75)	1,500	-	-100.0%
28	State Capital Appropriations	-	-	-	N/A
29	Capital Gifts and Grants	2,037	6,750	20,190	891.2%
30	Private Gifts for Endowment Purposes	5,120	2,800	3,255	-36.4%
31	Mandatory Transfers	12	-	-	-100.0%
32	Non-Mandatory Transfers	3,109	4,258	116	-96.3%
33	**Net Nonoperating Revenues (Expenses)**	**7,007**	**(11,581)**	**15,200**	**116.9%**
34	**Increase in Net Position**	**18,880**	**(13,844)**	**19,196**	
35	**Net Position, Beginning of Year**	**502,229**	**520,944**	**507,100**	
36	Cumulative Effect of Change in Accounting Principle	(165)	-	-	
37	**Net Position, Beginning of Year, Adjusted**	**502,064**	**520,944**	**507,100**	
38	**Net Position, End of Period**	**$ 520,944**	**$ 507,100**	**$ 526,296**	

Missouri S&T budgeted for an 8% decline in undergraduate enrollment over the prior year. Freshman enrollment is currently trending higher over prior year, but the enrollment growth is not sufficient to offset the significant decline experienced in FY 20 and replace the larger graduating class. Budgeted revenues for auxiliary enterprises also decline over FY 19, but increase over FY 20. The primary driver of S&T's auxiliary revenues are housing and dining operations, which is currently planning on a decline in revenues in line with enrollment declines. Current plans for housing include 70% occupancy for the year, including providing students with the option of having single rooms. The revenue contingency includes tuition increases at inflation offset by contingencies for lower than expected enrollment and declines in state support.

Through the FY 21 budget process, S&T identified recurring reductions to operating budgets to adjust expenses within available revenues, including revenue contingencies. For personnel cuts, the University reduced ongoing personnel costs with over 40 layoffs and the capture of an additional 15 positions via retirement or voluntary separation. S&T also implemented a hiring freeze that captured 70 vacant positions that were previously occupied in FY 20. The University also identified significant reductions in supplies and other expense, by reducing supplies, utilities and leased space. Based on the reductions and restructurings identified, the University does not need to implement pay reductions or other temporary measures to meet budget targets at this time, so there is no expense contingency.

UMSL (Schedule 5)

UMSL continues to struggle to generate enrollment and revenue growth, but the leadership team has shown a history of managing breakeven financial performance, with the exception of FY 15. The FY 21 budget process focused on finding cost opportunities to balance to prior year deficits and manage to expectations for FY 21.

Schedule 5. UMSL FY 2021 Budget (Dollars in Thousands)

Line No.		Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ 116,178	$ 115,080	$ 115,995	-0.2%
2	Less Scholarship Allowances	43,758	46,841	44,098	0.8%
3	Net Tuition and Fees	72,420	68,239	71,897	-0.7%
4	Federal Pell Grants	13,984	12,615	12,500	-10.6%
5	Government Scholarship Funding	3,930	4,020	3,670	-6.6%
6	Grants and Contracts	28,707	35,691	29,750	3.6%
7	Auxiliary Enterprises	18,456	15,225	18,187	-1.5%
8	Patient Medical Services Net	32	40	51	59.4%
9	Other Operating Revenues	2,690	2,320	2,804	4.2%
10	State Appropriations	55,817	48,436	55,914	0.2%
11	Federal Appropriations	-	-	-	-
12	Private Gifts	12,601	11,150	11,304	-10.3%
13	Spendable Investment Income	9,090	9,577	9,678	6.5%
14	Revenue Contingency	-	-	(7,221)	N/A
15	**Total Operating Revenues**	**$ 217,727**	**$ 207,313**	**$ 208,534**	**-4.2%**
	Operating Expenses				
16	Salaries and Wages	105,659	109,260	102,205	-3.3%
17	Benefits	32,026	34,150	34,170	6.7%
18	Supplies, Services and Other Operating Expenses	58,531	45,355	48,712	-16.8%
19	Depreciation	17,882	17,911	17,417	-2.6%
20	Interest Expense	5,985	5,776	5,557	-7.2%
21	Expense Contingency	-	-	(3,525)	N/A
22	**Total Operating Expenses**	**$ 220,083**	**$ 212,452**	**$ 204,536**	**-7.1%**
23	**Net Operating Income**	**$ (2,356)**	**$ (5,139)**	**$ 3,998**	
24	**Net Operating Margin**	-1.1%	-2.5%	1.9%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	6,378	(4,757)	6,482	1.6%
26	Spendable Investment Income	(9,090)	(9,577)	(9,678)	6.5%
27	Other Nonoperating Revenues (Expenses)	38	106	(200)	-626.3%
28	State Capital Appropriations	-	-	-	N/A
29	Capital Gifts and Grants	1,110	758	-	-100.0%
30	Private Gifts for Endowment Purposes	2,815	2,108	1,500	-46.7%
31	Mandatory Transfers	(139)	-	-	-100.0%
32	Non-Mandatory Transfers	1,994	1,797	238	-88.1%
33	**Net Nonoperating Revenues (Expenses)**	**3,106**	**(9,565)**	**(1,658)**	**-153.4%**
34	**Increase in Net Position**	**750**	**(14,704)**	**2,340**	
35	**Net Position, Beginning of Year**	**367,615**	**368,365**	**353,661**	
36	Cumulative Effect of Change in Accounting Principle	-	-	-	
37	**Net Position, Beginning of Year, Adjusted**	**367,615**	**368,365**	**353,661**	
38	**Net Position, End of Period**	**$ 368,365**	**$ 353,661**	**$ 356,001**	

The FY 21 budget for UMSL reflects a decline revenue over FY 19 and up about $1 million over the projection for FY 20. Tuition and fee budgets were built on flat enrollment overall with no increases in tuition and mandatory fees. The increase over the projection for FY 20 largely reflects the assumption that campus will remain open and select refunds will not be necessary. The budget also shows growth in grants and contracts over FY 19, tracking with recent trends showing awarded amounts growing. Any misses on revenue related to grants and contracts will be balanced with related expenditure cuts. The auxiliaries show growth over prior year, largely driven by housing and the performing arts center. UMSL plans for 80% occupancy in dormitories, above previous levels of performance. The leadership team raised occupancy by identifying areas where students are currently working with third parties where the housing stock would be a better option and thinks those conversions can be made.

The UMSL leadership team approached the reduction process with a focus on protecting the mission and vital services to students. Overall, the team sought to reduce budgets to bring operating performance above breakeven and match expenses with expected shortfalls in revenue. The percentage reductions across units ranged from as high as 33% to as low as 5%. To fill the remaining gap, the leadership team instituted a temporary pay reduction that will add up to $4.3 million, with 9 months of that reduction included in expense contingency. As UMSL moves into the next year, they will use the quarterly budgeting process to find and book additional opportunities and remove the temporary pay reduction program depending on the circumstances. Additional areas UMSL plans to explore for reduction in FY 21 include increasing teaching loads, reviewing endowed professorships to identify additional salary support, unit consolidations and eliminations, evaluating shared programs with S&T, and reevaluating the space and real estate footprint of the campus.

MUHC (Schedule 6)

University of Missouri Health Care's (MUHC) FY 21 budget is a product of an extensive planning process. Coming off five solid years of financial performance prior to the disruption from COVID-19, MUHC has set the foundation for continuing solid financial performance.

Schedule 6. MUHC FY 2021 Budget (Dollars in Thousands)

Line No.		Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ -	$ -	$ -	-
2	Less Scholarship Allowances	-	-	-	-
3	Net Tuition and Fees	-	-	-	-
4	Federal Pell Grants	-	-	-	-
5	Government Scholarship Funding	-	-	-	-
6	Grants and Contracts	159	19,500	89	-44.0%
7	Auxiliary Enterprises	23,631	23,853	23,906	1.2%
8	Patient Medical Services Net	1,062,023	1,018,787	1,080,865	1.8%
9	Other Operating Revenues	159	31	30	-81.1%
10	State Appropriations	-	-	-	-
11	Federal Appropriations	-	-	-	-
12	Private Gifts	1,878	1,502	1,318	-29.8%
13	Spendable Investment Income	-	-	-	-
14	Revenue Contingency	-	-	-	-
15	**Total Operating Revenues**	**$ 1,087,850**	**$ 1,063,673**	**$ 1,106,208**	**1.7%**
	Operating Expenses				
16	Salaries and Wages	323,980	333,818	331,490	2.3%
17	Benefits	105,964	110,181	117,856	11.2%
18	Supplies, Services and Other Operating Expenses	506,987	515,656	533,466	5.2%
19	Depreciation	46,935	47,420	52,049	10.9%
20	Interest Expense	12,134	11,233	11,074	-8.7%
21	Expense Contingency	-	-	-	-
22	**Total Operating Expenses**	**$ 996,000**	**$ 1,018,308**	**$ 1,045,935**	**5.0%**
23	**Net Operating Income**	**$ 91,850**	**$ 45,365**	**$ 60,273**	
24	**Net Operating Margin**	8.4%	4.3%	5.4%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	1,715	(15,600)	1,715	0.0%
26	Spendable Investment Income	-	-	-	-
27	Other Nonoperating Revenues (Expenses)	(1,040)	(194)	(228)	-78.1%
28	State Capital Appropriations	-	-	-	-
29	Capital Gifts and Grants	2,998	-	-	-100.0%
30	Private Gifts for Endowment Purposes	10	-	-	-100.0%
31	Mandatory Transfers	-	-	-	-
32	Non-Mandatory Transfers	(26,607)	(23,645)	(18,328)	-31.1%
33	**Net Nonoperating Revenues (Expenses)**	**(22,924)**	**(39,439)**	**(16,841)**	**-26.5%**
34	**Increase in Net Position**	**68,926**	**5,926**	**43,432**	
35	**Net Position, Beginning of Year**	**781,881**	**850,807**	**856,733**	
36	Cumulative Effect of Change in Accounting Principle	-	-	-	
37	**Net Position, Beginning of Year, Adjusted**	**781,881**	**850,807**	**856,733**	
38	**Net Position, End of Period**	**$ 850,807**	**$ 856,733**	**$ 900,165**	

This presentation format matches the higher education presentation of revenues and expenses. The health system follows the healthcare convention in their presentations to the Health Affairs Committee. The main difference is the classification of gift revenues (line 11) and interest expense (line 19) which is an operating revenue in higher education and a non-operating item in healthcare.

Executive leadership worked collaboratively with leadership in the School of Medicine (SOM) to develop the core patient volumes for the plan. The FY 21 budget process focused the leadership team on managing costs within volumes, as the health system faces stronger revenue headwinds than in the previous five years of planning.

The health care service sector is expected to see continued downward pressure on operating margins reflecting inflationary cost increases, continued downward pressure on third-party reimbursements, and moderate organic growth. Reimbursement rates continue to be a focus for MUHC with shifts to value-based versus volume initiatives, increasing risks to net revenues. Medicaid reimbursement, specifically, is an area with recent payment reductions and uncertainty of future reductions. Uninsured patients are likely to increase with higher levels of unemployment, putting further pressure on reimbursement. Inflationary cost increases are projected to exceed aggregate reimbursement rate increases. To manage within the revenues, MUHC leadership took significant steps to reduce the number of administrators and staff providers to the volumes in each unit. Over 70% of the employees for MUHC work in variable staffed units that flex staffing to the volumes of the operation. In addition to the variable labor, MUHC eliminated 63 positions with incumbents and 48 previously filled positions from fixed staffing units to meet plan targets. In addition to the permanent staffing changes, MUHC reduced executive salaries by 10% for three months and implemented a one-week furlough for 1,2000 employees to reduce cash expenses for the temporary volume disruption from elective procedures cancelled for COVID-19. MUHC has demonstrated the ability to manage budgets within available resources over time.

UM System (Schedule 7)

The UM System Business Unit includes the administrative and support functions including service centers that provide unduplicated support to the four campuses and health system. Operating losses in FY 19 and FY 20 were largely driven by increased royalty payments to inventors related to significant intellectual property transactions from stock sales. Revenues from the transactions flow into non-operating investment income and related expenses flow through supplies, services, and other, resulting in an operating deficit. Each unit provided 10% and 15% reduction scenarios. The FY 21 budget for expenditures at UM System is down 15% as demonstrated in Schedule 7:

Schedule 7. UM System FY 2021 Budget (Dollars in Thousands)

Line No.		Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ -	$ -	$ -	-
2	Less Scholarship Allowances	118	115	71	-39.8%
3	Net Tuition and Fees	(118)	(115)	(71)	-39.8%
4	Federal Pell Grants	-	-	-	-
5	Government Scholarship Funding	-	-	-	-
6	Grants and Contracts	136	311	-	-100.0%
7	Auxiliary Enterprises	26,104	26,802	22,720	-13.0%
8	Patient Medical Services Net	-	-	-	-
9	Other Operating Revenues	11,288	6,515	3,431	-69.6%
10	State Appropriations	11,326	9,338	12,258	8.2%
11	Federal Appropriations	-	-	-	-
12	Private Gifts	669	115	113	-83.1%
13	Spendable Investment Income	17,985	21,800	21,905	21.8%
14	Revenue Contingency	-	-	(1,009)	N/A
15	**Total Operating Revenues**	**$ 67,390**	**$ 64,766**	**$ 59,347**	**-11.9%**
	Operating Expenses				
16	Salaries and Wages	33,435	34,636	31,440	-6.0%
17	Benefits	11,192	11,621	10,852	-3.0%
18	Supplies, Services and Other Operating Expenses	20,180	17,477	14,305	-29.1%
19	Depreciation	4,326	4,643	2,764	-36.1%
20	Interest Expense	-	-	-	-
21	Expense Contingency	-	-	(625)	N/A
22	**Total Operating Expenses**	**$ 69,133**	**$ 68,377**	**$ 58,736**	**-15.0%**
23	**Net Operating Income**	**$ (1,743)**	**$ (3,611)**	**$ 611**	
24	**Net Operating Margin**	-2.6%	-5.6%	1.0%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	43,132	5,273	25,604	-40.6%
26	Spendable Investment Income	(17,985)	(21,800)	(21,905)	21.8%
27	Other Nonoperating Revenues (Expenses)	(637)	5	2	-100.4%
28	State Capital Appropriations	-	-	-	-
29	Capital Gifts and Grants	-	-	-	-
30	Private Gifts for Endowment Purposes	-	-	-	-
31	Pension and OPEB Impact on Income Statement	-	-	-	-
31	Mandatory Transfers	-	-	-	-
32	Non-Mandatory Transfers	63,270	(2,341)	(718)	-101.1%
33	**Net Nonoperating Revenues (Expenses)**	**87,779**	**(18,863)**	**2,983**	**-96.6%**
34	**Increase in Net Position**	**86,036**	**(22,474)**	**3,594**	
35	**Net Position, Beginning of Year**	**167,106**	**253,142**	**230,668**	
36	Cumulative Effect of Change in Accounting Principle	-	-	-	
37	**Net Position, Beginning of Year, Adjusted**	**167,106**	**253,142**	**230,668**	
38	**Net Position, End of Period**	**$ 253,142**	**$ 230,668**	**$ 234,263**	

In total, the System plans to reduce spend by $8 million across administrative units, with the remaining reductions coming from the MOREnet. System reductions include over 20 layoffs and the elimination of 29 positions that were previously occupied in 2020. In addition to the personnel reductions, the System plans to move into owned space terminating an office space lease and reduced contracts for services and software. MOREnet provides high speed internet service to schools, higher education, and libraries across the state. The budgeted decrease in auxiliary revenues represents reductions in services purchases at MOREnet from those entities as a result of the pandemic. Planned reductions at System will occur prior to any review of administrative structures that could identify opportunities to consolidate administrative functions geographically.

University-wide Units (Schedule 8)

University-wide Business Units are used to hold resources and deliver programs that are utilized by the entire institution. These include the endowed chair programs that were established with recurring state appropriation to match endowment distributions, self-insurance related to health, welfare and risk management programs, and activities of the central bank. Most of the activity in the University-wide units relates to consolidating entries for non-operating items that is not spread to the other Universities, primarily related to the benefit plans, insurance and investments.

Schedule 8. University-Wide Units FY 2021 Budget (Dollars in Thousands)

Line No.		Actuals FY 2019	Projected FY 2020	Budget FY 2021	% Chg 19-21
	Operating Revenues				
1	Tuition and Fees	$ -	$ -	$ -	-
2	Less Scholarship Allowances	34	31	33	-2.9%
3	Net Tuition and Fees	(34)	(31)	(33)	-2.9%
4	Federal Pell Grants	-	-	-	-
5	Government Scholarship Funding	-	-	-	-
6	Grants and Contracts	-	-	-	-
7	Auxiliary Enterprises	-	-	-	-
8	Patient Medical Services Net	-	-	-	-
9	Other Operating Revenues	(252)	(223)	(451)	79.0%
10	State Appropriations	9,467	9,467	9,467	0.0%
11	Federal Appropriations	9,828	9,800	9,755	-
12	Private Gifts	2	1	2	0.0%
13	Spendable Investment Income[1]	51,007	55,174	61,273	20.1%
14	Revenue Contingency	-	-	-	N/A
15	**Total Operating Revenues**	**$ 70,018**	**$ 74,188**	**$ 80,013**	**14.3%**
	Operating Expenses				
16	Salaries and Wages	(564)	337	-	-100.0%
17	Benefits	9,806	8,992	9,176	-6.4%
18	Supplies, Services and Other Operating Expenses	(8,987)	(3,490)	(4,655)	-48.2%
19	Depreciation	4,766	4,766	2,412	-49.4%
20	Interest Expense	3,010	319	10,331	-
21	Expense Contingency	-	-	-	-
22	**Total Operating Expenses**	**$ 8,031**	**$ 10,924**	**$ 17,264**	**115.0%**
23	**Net Operating Income**	**$ 61,987**	**$ 63,264**	**$ 62,749**	
24	**Net Operating Margin**	88.5%	85.3%	78.4%	
	Nonoperating Revenues (Expenses)				
25	Investment Income (Losses), Net of Fees	55,104	(86,085)	23,460	-57.4%
26	Spendable Investment Income[1]	(51,007)	(55,174)	(61,273)	20.1%
27	Other Nonoperating Revenues (Expenses)	(93)	-	(100)	7.5%
28	State Capital Appropriations	-	-	-	-
29	Capital Gifts and Grants	-	-	-	-
30	Private Gifts for Endowment Purposes	2	1	1	-
31	Pension and OPEB Impact on Income Statement	(96,094)	(123,945)	(80,000)	-
32	Mandatory Transfers	41	-	-	-
33	Non-Mandatory Transfers	(70,969)	(19,606)	(10,000)	-85.9%
34	**Net Nonoperating Revenues (Expenses)**	**(163,016)**	**(284,809)**	**(127,912)**	**-21.5%**
35	**Increase in Net Position**	**(101,029)**	**(221,545)**	**(65,163)**	
36	**Net Position, Beginning of Year**	**(381,387)**	**(482,416)**	**(703,961)**	
37	Cumulative Effect of Change in Accounting Principle	-	-	-	
38	**Net Position, Beginning of Year, Adjusted**	**(381,387)**	**(482,416)**	**(703,961)**	
39	**Net Position, End of Period**	**$ (482,416)**	**$ (703,961)**	**$ (769,124)**	

Note 1: Spendable investment income for University Wide Units includes an adjustment of approximately $25 M reflecting the difference in methodology between healthcare and higher education. The University places this adjustment to show the consolidated numbers consistent with Moody's methodology.

While the units show a positive net operating income, this is primarily driven by investment income distribution adjustments. $25 million of income relates to the hospital portion of investment income distribution moving up to operating, where it is a non-operating item for healthcare. This is a difference between the higher education and healthcare in Moody's performance methodology. For the consolidated analysis, the University gets credit for the hospital's investment balances in the Moody's methodology and makes the adjustment in these holding units. The remainder of activity primarily relates to benefits, insurance, and investments and generally flows through non-operating. The growth in non-operating expenses generally reflects the growth in benefit liabilities, which will continue to raise contributions and benefit charges to the operating units on a forward basis. The University will evaluate both the investment income distribution and the benefit liabilities in the process of updating financial performance targets.

Fund Accounting View

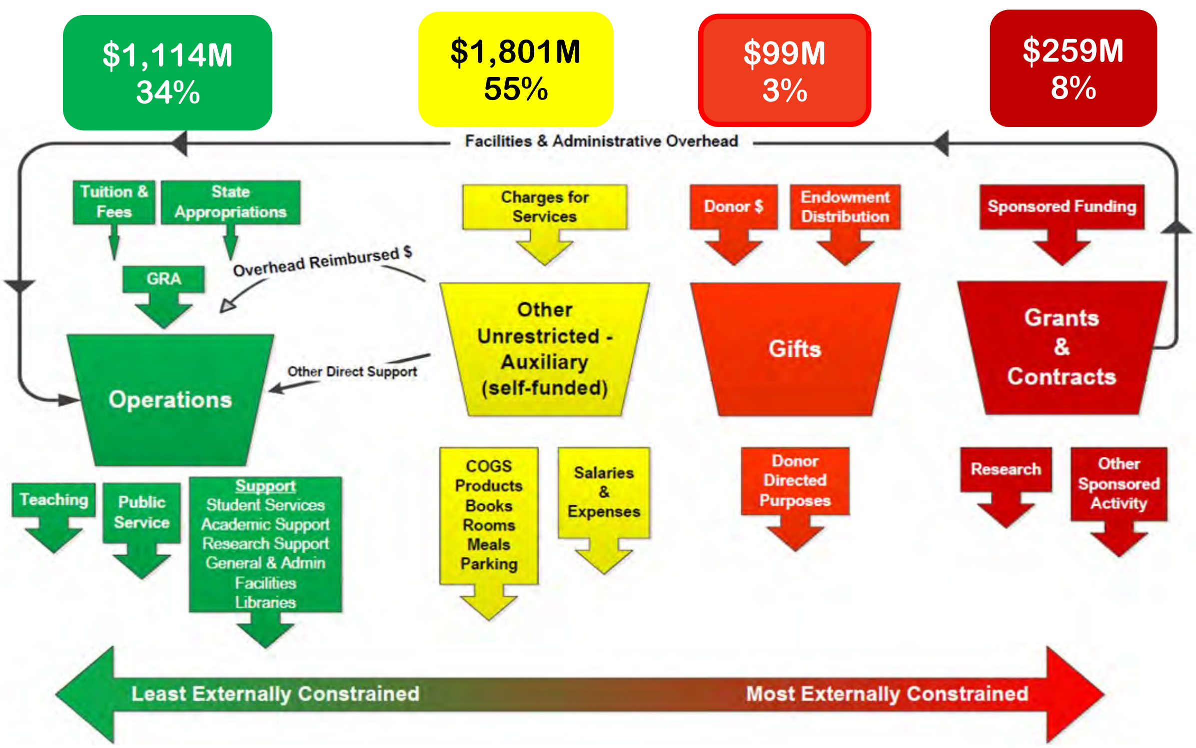
The following section shows the fund accounting format on the consolidated level. The University will still utilize the fund accounting format internally and it remains important for internal users. Fund accounting segregates the enterprise into its different components. However, it also leads focusing leaders mainly on the operating fund which constitutes a smaller and smaller portion of the overall enterprise over time. The segregation of current and non-current funds and the institution's historical focus on mainly current funds has led to a shorter-term focus. The separation of plant funds and lack of related consistent funding streams drives leaders to focus away from capital investment, a long-term risk for the organization. Shifting to the new format, which accounts for capital costs in operating income, and a better capital planning process will help the University address these problems over time. Presenting and focusing on the new format will clarify that our leaders are accountable for the entire enterprise and should look across it, not just the portion that accounts for state and student money.

Current Fund Budgets

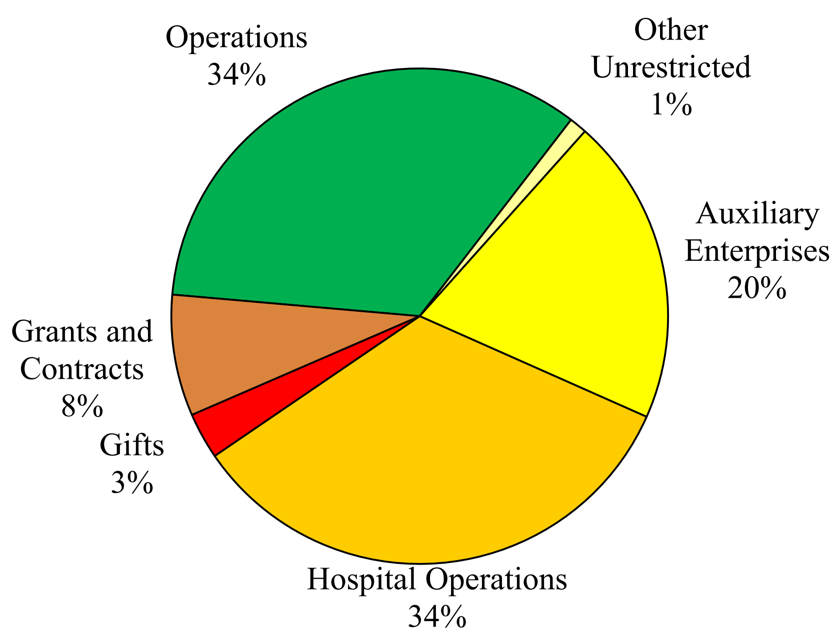
Current funds include resources of the University that are expendable for any purpose directly related to the primary missions of the University, i.e., instruction, research, public service, and economic development as well as related support services. Current funds are further broken down into fund groups, depending on their purpose and external restrictions. Current funds generally drive the "Operating" items in the formats utilized above.

The diagram below shows funding streams spending flexibility of current funds.

Current Fund Budget Diagram



FY 21 Budget Revenue By Fund



The operations fund, shown in green on the chart is where the bulk of the University's teaching, academic creative works, public service, and supporting service activities occur. Its primary funding sources are tuition and fees and state appropriations, although it does receive some support from unrestricted auxiliary and other enterprise like operations in the form of overhead payments for services provided by the operations fund (such as accounting, procurement, legal, grant management, facilities, etc.). In addition, the operations fund receives facilities and administrative cost recovery funding from grants and contracts to partially offset the costs of providing space and support services (overhead) to grants and contracts. Operations fund revenues are the most valuable because they are the least constrained by third parties. Operations fund revenues contribute 34% of total current fund revenues.

Other unrestricted funds are shown in shades of yellow on the chart. The primary source of funding for this group is fees for services provided. These operations are treated as separate enterprises and are expected to set fees for their services to cover their current operating costs plus depreciation, which is set aside for future capital and equipment replacement. Included in this category are University Hospitals and Clinics, student auxiliaries (housing, dining, bookstores, and recreation centers), intercollegiate athletics, student unions, research reactor, service operations (energy management, facilities design and construction, telecommunications, etc.), continuing education and self-insurance funds. These activities comprise 55% of the current fund budget.

Third parties, primarily donors and granting agencies, restrict the remainder of the current funds. These funds are shown in red on the chart because there is very little flexibility in how the funds are spent. The primary funding sources are gifts, spendable distributions from the endowment funds, and external grants and contracts. Grants and contracts are primarily for specific research, although some grants and contracts fund public service and instructional activities. This fund is also where federal financial aid is budgeted and accounted for due to the restricted nature of these funds. Restricted funds contribute 11% of the current funds budget.

Loan, Endowment, and Plant Fund Budgets

Loan, endowment and plant funds primarily affect the University's balance sheet and make up only about 3% of the revenue budget. The primary funding streams for the plant fund are investment from the university's current funds, capital gifts, and capital appropriations. The primary uses of funds are for debt payments and capital expenditures. Because capital expenditures are investment in the physical plant, the primary expenses in the plant fund are interest expense and depreciation.

The primary funding streams for loan and endowment funds are gift revenue and investment returns. These gifts are typically permanently restricted. The loan fund benefits the university's students by providing loans to students. The endowment fund's spending distribution provides endowment income to the current funds. In public universities, these funds are primarily restricted in use by the donor and provide funding for scholarships, professorships, and other university support.

Schedule 9 provides the consolidated budget by fund type:

Schedule 9:University of Missouri FY2021 Original Budget (Dollars in Millions)

	Operations	Other Unrestricted	Auxiliary Enterprises	Hospital Operations	Restricted Funds	Total Current Funds	Loan, Endowment, & Plant	Total All Funds
Revenues								
Tuition and Fees	$845.8	$10.4	$0.0	$0.0	$0.5	$856.7	$0.2	$856.9
Less: Scholarship Allowances	(220.9)	(0.4)	-	-	(134.9)	(356.2)	-	($356.2)
Net Student Fees	$624.9	$10.0	$0.0	$0.0	($134.4)	$500.5	$0.2	$500.7
State Appropriations	414.5	-	-	-	5.1	419.6	-	$419.6
Grants and Contracts	-	-	-	-	407.5	407.5	0.3	$407.8
Gift Income	0.4	-	10.7	-	41.7	52.8	65.9	$118.7
Recovery of F&A	58.1	-	-	-	(58.1)	-	-	$0.0
Endowment & Investment Inc.	42.3	19.4	0.5	1.6	57.4	121.2	45.7	$166.9
Sales & Services & Patient Rev.	24.0	3.5	645.7	1,104.6	0.1	1,777.9	0.1	$1,778.0
Revenue Contingency	31.7	5.0	-	-	38.5	75.2	11.2	$86.4
Miscellaneous Income	(81.6)	-	-	-	-	(81.6)	-	($81.6)
Total Revenues	$1,114.3	$37.9	$656.9	$1,106.2	$357.8	$3,273.1	$123.4	$3,396.5
Expenditures								
Salaries and Wages	$628.5	$53.9	$344.9	$331.4	$162.4	$1,521.1	$0.0	$1,521.1
Employee Benefits	209.5	110.2	98.8	117.8	50.3	586.6	-	$586.6
Total Compensation	$838.0	$164.1	$443.7	$449.2	$212.7	$2,107.7	$0.0	$2,107.7
Operating Expense	200.3	(85.7)	150.4	532.6	130.5	928.1	27.5	$955.6
Capital Expenditures	21.5	0.3	3.5	-	7.7	33.0	(33.0)	$0.0
Interest Expense	-	0.1	-	(0.3)	-	(0.2)	74.7	$74.5
Depreciation	-	-	-	-	-	-	203.3	$203.3
Expense Contingency	(53.2)	-	-	-	-	(53.2)	-	($53.2)
Total Expenditures	$1,006.6	$78.8	$597.6	$981.5	$350.9	$3,015.4	$272.5	$3,287.9
Internal Transfers (In) Out	$38.3	$25.9	($9.9)	$18.4	$1.9	$74.6	($74.4)	0.2
Transfers for Plant	19.1	9.4	71.0	24.4	-	123.9	(123.9)	-
Total Transfers	$57.4	$35.3	$61.1	$42.8	$1.9	$198.5	($198.3)	$0.2
Change in Net Assets	$50.3	($76.2)	($1.8)	$81.9	$5.0	$59.2	$49.2	$108.4

Slight variances due to rounding