Effectiveness & Efficiency Accountability Report
Fiscal Years 1998 - 2008
UM

Since 1998, the University of Missouri System has systematically collected and reported on initiatives that have resulted in increased effectiveness and efficiency of University operations. The results of these efforts have been impressive and demonstrate the University's commitment to responsible stewardship of University assets and resources. The fiscal and economic conditions in the State of Missouri during the first half of this decade heighted the University's efforts to improve efficiencies through process redesign, consolidation of operations, utilization of technology, strategic reallocation, and various revenue enhancement initiatives.

While effectiveness and efficiency efforts have always been a part of the University mode of operations, the development of a standardized format for demonstrating results has given the system and campuses a more definitive method of reporting and sharing operational improvement knowledge across the entire enterprise. In addition, the report demonstrates to citizens, students, and government officials how the University is containing costs, operating more efficiently, reallocating resources to strategic priorities, and enhancing revenues beyond receipts from state appropriations and students fees.

Reporting Categories

To ensure consistency in reporting, each effectiveness and efficiency initiative is reported in one of four categories described below.

Cost avoidance: An initiative is classified as cost avoidance if funds are provided by a third party, which allows the business unit to avoid spending general operating (GO) dollars. Examples include, but are not limited to, gifts/endowments that provide funds for existing salaries (e.g., and endowed position); student scholarships; and academic program development/improvements. These actions support a new business model for funding operations such that activities previously funded through the GO budget are sourced from other revenue streams, thus freeing up GO resources to be redeployed to other strategic priorities.

Cost management: An initiative is classified as a cost management action if the initiative produces cost savings or eliminates costs. Actions are considered cost savings if the initiative represents an actual decrease in current operating expenses. In other words, the action will result in the fulfillment of a business objective but at a lower cost than previously incurred. Examples include, but are not limited to a position that is permanently reclassified to a lower salary range; acquisition of equipment, materials, and consumable supplies through strategic contracting at lower cost; and energy conservation resulting in lower utility cost. Actions are consider cost elimination if the initiative represent an eradication or removal of costs from an operating unit. Examples include, but are not limited to, elimination of a position, closure of an operating unit, discontinuance of a service, and closure of a program.

Revenue Enhancement: An initiative is classified as revenue enhancement if the action directly increases the operating resources (unrestricted and restricted) of the business unit. This category should exclude governmental appropriations. Revenue enhancement may result from increases in facilities and administrative costs (indirect cost recovery), entrepreneurial activities, technology transfer, sale of capital assets, sale of surplus property, grants and contracts, private gifts, and net student fees due to enrollment increases.

Initiatives Funded through Reallocation: An initiative is classified as a reallocation if the action redirects existing resources from one operating unit, function, or expense class to another that has higher strategic priority. The strategic intent of the priority governs the extent to the action is considered a reallocation to higher, more strategic priorities. In general, reallocation implies the desire to improve the effectiveness of the entity or object of expenditure receiving the funds. The reallocation actions may also be required in order to be responsive to policies set by the governing board (e.g., salary and wage policies, funding of maintenance and repair, etc.). In addition, the entity from which funds are extracted is expected to continue operations with lower resource levels. Items included under this category could also be reported in one of the other three categories, thus presenting a source use funding flow.

Common Terminology Used in Describing Effectiveness and Efficiency Initiatives

In preparing the narrative description of each initiative taken, efforts have been made to use common terms and phrases to the provided clarity and consistency in reporting across business units. The following terms or phrases, while not all inclusive, provide guidance in reporting cost avoidance and cost management initiatives.

- Academic program elimination/consolidation
- Business process improvement/redesign
- Energy conservation
- Workforce reduction
- Strategic partnership with external entities
- Reduction of service
- Technology initiatives
- Competitive contracting
- Outsourcing

Likewise, the following terms or phrases, while not all inclusive, provide guidance to business units in describing initiatives that enhance revenue.

- Indirect cost recovery
- Entrepreneurial activities
- Technology transfer
- Sales of capital assets
- Sales of surplus property
- Grants and contracts
- Private gifts
- Net student fees attributed to enrollment growth

Results from Effectiveness and Efficiency Initiatives Fiscal Years 1998-2005*

Effectiveness and efficiency actions taken from fiscal year 1998 through fiscal year 2005 resulted in a total financial impact of $228,092,290. Of this amount, $83,684,290 was realized in cost management initiatives, $143,749,000 came from initiatives to enhance revenues, and $659,000 involved strategic reallocation.

Of the $83,684,290 resulting from cost management initiatives, specific actions taken to produce these results are presented below by broad operational action categories.

Consolidation of organization entities	$ 3,705,000
Energy conservation	6,167,000
Business process improvement	40,127,790
Workforce reduction	1,605,000
Outsourcing	46,500
Technology initiatives	1,020,000
Competitive contracting	5,793,000
Debt structuring	25,220,000
Total	$83,684,290

Initiatives to increases private giving and grow external research grants and contracts accounted for $141,000,000 of the $143,749,000 in revenue enhancement, or 98 percent of the total.

Results from Effectiveness and Efficiency Initiatives Fiscal Years 2006 – 2007*

Effectiveness and efficiency actions taken in fiscal year 2006 and fiscal year 2007 resulted in a total financial impact of $20,419,552. Of this amount, $253,300 was realized in cost avoidance measures, $16,792,948 came from cost management initiatives, and $3,373,304 involved strategic reallocation.

Of the $16,792,948 resulting from cost management initiatives, specific actions taken to produce these results are presented below by broad operational action categories.

Consolidation of organization entities	$ 554,000
Elimination of programs/initiatives	3,609,941
Business process improvement	3,364,000
Workforce reduction	3,787,439
Reduction of service level	2,890,337
Management of reserves	1,805,641
Technology initiatives	781,590
Total	$16,792,948

Results from Effectiveness and Efficiency Initiatives Fiscal Year 2008*

Effectiveness and efficiency actions taken in fiscal year 2008 resulted in a total financial impact of $31,861,740. Of this amount, $21,587,740, or 68% of the total, was realized through cost management initiatives. Strategic reallocation of resources accounted for $7,129,000, or 22%. Revenue enhancement initiatives accounted for $2,980,000, or 9% and cost avoidance initiatives contributed $165,000, or approximately 1% of the total.

Of the $21,587,740 resulting from cost management initiatives, specific actions taken to produce these results are presented below in broad operational categories.

Eliminated of programs	$ 824,000
Energy conservation	165,000
Business process improvement	678,740
Workforce reduction	185,000
Technology initiatives	5,000
E-procurement on three campus	3,000,000
Renegotiated commodity contracts through e-Pro	3,000,000
Competitive contracting outside e-Pro	1,230,000
Present value savings by advance refunding facility bonds	9,000,000
Benefit cost savings allocated to ranked faculty salaries	3,500,000
Total	$21,587,740

*Details can be found in the links titled Effectiveness and Efficiency Accountability Report FY 1998 – FY 2005; Effectiveness and Efficiency Accountability Report FY 2006 – FY 2007; Effectiveness and Efficiency Accountability Report FY 2008