FY2021: Rethinking Public Higher Education for Financial Reality
State appropriations have not grown – our largest priority has only received $8M over the past three years.
Revenues remain well below Hancock limits

- 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

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

- 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 1/5th of the discretionary budget
Missouri Ranks Last in Revenue per FTE Student Growth Since the Great Recession (through 2017)

- Over this timeframe, Missouri ranks 50th in growth in tuition per student and 42nd 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

### Revenue Growth from 2016 to 2020

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Tuition</th>
<th>State Appropriations</th>
<th>Grants</th>
<th>Private Gifts and Investment Income</th>
<th>Other Operating Revenues</th>
<th>Operating Revenues Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016</td>
<td>$280</td>
<td>$439</td>
<td>$429</td>
<td>$659</td>
<td>$1,054</td>
<td>$1,180</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$290</td>
<td>$418</td>
<td>$420</td>
<td>$633</td>
<td>$1,180</td>
<td>$1,250</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$292</td>
<td>$402</td>
<td>$408</td>
<td>$623</td>
<td>$1,250</td>
<td>$1,346</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$309</td>
<td>$408</td>
<td>$408</td>
<td>$614</td>
<td>$1,346</td>
<td>$1,355</td>
</tr>
<tr>
<td>FY 2020 Preliminary</td>
<td>$324</td>
<td>$364</td>
<td>$369</td>
<td>$611</td>
<td>$1,355</td>
<td>$1,355</td>
</tr>
</tbody>
</table>

Preliminary figures indicate a decrease in net tuition and fees, with state appropriations decreasing significantly. Grants and contracts have shown modest growth, while private gifts and investment income have seen notable gains. Other operating revenues have shown mixed results, with a slight decrease in fiscal years 2018 and 2020.
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

- 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

Distribution of Staff in the Organization

<table>
<thead>
<tr>
<th>Department</th>
<th>Staff Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools and Colleges</td>
<td>4,100</td>
</tr>
<tr>
<td>Campus Operations</td>
<td>1,265</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>988</td>
</tr>
<tr>
<td>Campus-wide Support</td>
<td>956</td>
</tr>
<tr>
<td>Research and Graduate Studies</td>
<td>548</td>
</tr>
<tr>
<td>Extension</td>
<td>440</td>
</tr>
<tr>
<td>System</td>
<td>423</td>
</tr>
<tr>
<td>Advancement</td>
<td>246</td>
</tr>
<tr>
<td>Chancellor</td>
<td>57</td>
</tr>
</tbody>
</table>
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 PRIORITIZE 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)