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FY 20 All Funds Budget

leaders will still be held to the financial targets and have booked budgets that reflect performance on those targets. This year represents the trial run of the accountability process at the campus level, so leaders can learn how the process works and implement plans to address performance to lower levels of their institution.

Budget Overview

The FY 20 all funds revenue budget is $3.5 billion, half of which is from auxiliary and patient revenues. The following table shows the FY 20 revenue budget by revenue source.

FY 20 Revenue Budget	MU	MU Hospitals	UMKC	S&T	UMSL	UM System	University Wide Units	Total
Net Tuition & Fees	$266.8	$0.0	$138.4	72.2	$83.9	($0.1)	($0.0)	$561.2
State Appropriations	217.8	0.0	73.9	50.2	55.9	12.3	9.5	419.6
Patient Revenues	249.6	1,063.2	38.6	0.0	0.0	0.0	0.0	1,351.4
Grants & Contracts	241.0	0.0	48.2	41.8	39.5	0.0	0.0	370.5
Gifts Revenue	82.7	1.8	16.3	14.0	16.5	0.1	0.0	131.4
Endowment & Investment Inc.	87.0	5.0	12.1	9.8	6.4	24.8	33.9	178.9
Auxiliary Revenues	275.1	24.9	42.4	21.9	19.5	24.0	0.0	407.9
Other Income	49.0	0.0	10.3	4.9	2.8	3.4	9.1	79.6
Total Revenue	$1,469.1	$1,094.9	$380.1	$214.9	$224.5	$64.5	$52.4	$3,500.5

The pie chart on the left shows the

Schedule 1. Consolidated FY20 Original Budget (Dollars in Thousands)

Line No.		Actuals FY 2018	Actuals FY 2019	Budget FY 2020
	Operating Revenues			
1	Tuition and Fees	$861,913	$857,456	$885,824
2	Less Scholarship Allowances	294,481	300,131	324,628
3	Net Tuition and Fees	$567,432	$557,324	$561,196
4	Federal Pell Grants	$55,400	$56,594	$57,100
5	Grants and Contracts	292,335	309,499	313,397
6	Auxiliary Enterprises	407,858	408,318	407,850
7	Patient Medical Services Net	1,250,484	1,345,639	1,351,415
8	Other Operating Revenues	53,497	69,764	51,884
9	State Appropriations	401,705	408,797	419,575
10	FeGrar	456	$88518.8 d [(G)145.6 (r8	

As schedule 1 demonstrates, the University projects revenues to grow by 0.7%:

- Net Tuition and Fees are projected to remain flat year over year. This reflects growth in enrollment and price increases in gross tuition and fees, but these factors are both offset with increases in institutionally funded financial aid. FY 20 represents the last year where the graduating class at MU is larger than incoming freshman class, meaning in future years this revenue line should grow with the improved focus on enrollment and retention. The long-term success of the academic enterprise hinges on successful growth of net tuition and fees.
- Grants and Contracts are projected to grow year over year. This is largely reflective of the University's efforts to improve research and creative works. The majority of this growth is reflected at MU, which is responsible for 70% of the sponsored activity across the System.
- State Appropriations will grow by over $10 million year over year. The growth represents the state's support for the Translational Precision Medical Complex (TPMC), for which the University received a line item appropriation. After years of flat to declining appropriations, Universities received an increase from the legislature and governor this year.
- Net Patient Medical Services revenues are projected to grow by $6 million over FY 19, representing 0.4% 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.

The University's operating expenses are projected to grow at a slower rate in FY 20 as a result of cost containment measures:

- Salaries and Wages are projected to grow by 1.5%. Each business unit was directed to [illegible]

MU (Schedule 2)

The FY 20 MU budget planning process involved tasking every college/school/division (CSD) leader with analyzing how they would take a 5 and 10 percent reduction in general revenue for the year. Meetings were held with the leader and fiscal officer of each CSD to go over their scenarios. Each unit worked to protect the key investments that are important to the future of the University. Mizzou is focused on student success, strengthening research productivity and engaging with Missourians to help find solutions to grand challenges. The plan includes focused, strategic investments to ensure that happens.

MU's margin for FY 20 will improve by approximately $26 million, moving from an operating margin of .4% to an operating margin of 1.9%. The margin improvement is largely driven by faster growth in grants and contracts, state appropriation (for TPMC) and growth in patient medical services.

To generate margin improvement, MU did have to focus on significant reductions and budget realignment to achieve the margin improvement. Reductions to colleges, schools or divisions were not across the board. Decisions regarding the level of reduction at each CSD were made after reviewing the numerous budget scenarios.

Schedule 2. MU FY20 Original Budget (Dollars in Thousands)

Line No.		Actuals FY 2018	Actuals FY 2019	Budget FY 2020
	Operating Revenues			
1	Tuition and Fees	$427,145	$419,279	$432,267
2	Less Scholarship Allowances	145,302	152,716	165,465
3	Net Tuition and Fees	$281,844	$266,563	$266,802
4	Federal Pell Grants	$20,403	$21,702	$22,100
5	Grants and Contracts	205,085	210,471	218,900
6	Auxiliary Enterprises	268,546	274,339	275,081
7	Patient Medical Services Net	223,150	246,068	249,630
8	Other Operating Revenues	29,000	38,916	31,005
9	State Appropriations	201,945	208,149	217,849
10	Federal Appropriations	16,910	17,198	17,984
11	Private Gifts	47,765	43,752	48,719
12	Endowment Distribution	47,123	48,913	49,155
13	**Total Operating Revenues**	**$1,341,770**	**$1,376,070**	**$1,397,225**
	Operating Expenses			
14	Salaries and Wages	$757,088	$785,164	$795,115
15	Benefits	204,759	216,353	233,398
16	Supplies, Services and Other Operating Expenses	254,002	281,369	259,339
17	Depreciation	83,261	87,245	82,352
18	**Total Operating Expenses**	**$1,299,110**	**$1,370,130**	**$1,370,204**
19	**Net Operating Income**	**$42,660**	**$5,941**	**$27,022**
	Nonoperating Revenues (Expenses)			
20	Investment Income (Losses), Net of Fees	$87,774	$63,863	$87,032
21	Endowment Distribution	(47,123)	(48,913)	(49,155)
22	Interest Expense	(31,010)	(29,432)	(32,279)
23	Other Nonoperating Revenues (Expenses)	(79)	778	71
24	State Capital Appropriations	3,694	0	0
25	Capital Gifts and Grants	6,908	24,304	12,016
26	Private Gifts for Endowment Purposes	41,412	22,141	22,004
27	Mandatory Transfers	205	61	0
28	Non-Mandatory Transfers	26,140	27,828	33,561
29	**Net Nonoperating Revenues (Expenses)**	**$87,921**	**$60,630**	**$73,364**
30	**Increase in Net Position**	**$130,582**	**$66,571**	**$100,385**
31	**Operating Margin**	**3.2%**	**0.4%**	**1.9%**

UMKC (Schedule 3)

UMKC is making important improvement to its financial performance. The FY 20 budget represents significant progress towards break even performance, with a budgeted net operating loss of $2 million after two straight years of operating losses: a $10 million loss in FY 18 and a loss of $5.7

Schedule 5. UMSL FY20 Original Budget (Dollars in Thousands)

Line No.		Actuals FY 2018	Actuals FY 2019	Budget FY 2020
	Operating Revenues			
1	Tuition and Fees	$115,209	$116,178	$124,841
2	Less Scholarship Allowances	39,974	39,828	40,941
3	Net Tuition and Fees	$75,235	$76,350	$83,900
4	Federal Pell Grants	$14,079	$13,984	$14,000

MUHC (Schedule 6)

University of Missouri Health Care's (MUHC) FY 20 budget is a product of an extensive planning process. The roadmap for achieving our strategic objectives and ensuring the clinical, research and teaching missions are achieved continues to provide the direction in investments. Coming off five solid years of financial performance, MUHC has set the foundation for strategic long-term investments.

Executive leadership worked collaboratively with leadership in the School of Medicine (SOM) to develop the core patient volumes for the plan. Financial targets were built based on those volumes, key financial and operational assumptions and performance expectations. A multidisciplinary leadership team reviewed requests for additional operating and capital investments. Approved investments were added to the financial plan. In May 2018, MUHC executive leadership approved the final financial plan.

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. Inflationary cost increases are projected to exceed aggregate reimbursement rate increases. Despite these headwinds, MUHC's FY 19 operating margin exceeds the 75th percentile of peer academic medical organizations and MUHC's FY 19 plan increases CARTS funding to the SOM and provides investments in the clinical mission with our University Physician partners. The FY 20 MUHC budget reflects an $89 million operating margin.

Schedule 7. UMSYS FY20 Original Budget (Dollars in Thousands)

Line No.		Acutals FY 2018	Actuals FY 2019	Budget FY 2020
	Operating Revenues			
1	Tuition and Fees	$0	$0	$0
2	Less Scholarship Allowances	87	118	71
3	Net Tuition and Fees	($87)	($118)	($71)
4	Federal Pell Grants	$0	$0	$0
5	Grants and Contracts	1	136	0
6	Auxiliary Enterprises	29,104	26,104	24,048
7	Patient Medical Services Net	0	0	0
8				

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 and investment performance.

Schedule 8. University-Wide Units FY20 Original Budget (Dollars in Thousands)

	Acutals FY 2018	Actuals FY 2019	Budget FY 2020
Operating Revenues			
Tuition and Fees	$0	$0	$0
Less Scholarship Allowances	33	34	33
Net Tuition and Fees	($33)	($34)	($33)
Federal Pell Grants	$0	$0	$0
Grants and Contracts	0	0	0
Auxiliary Enterprises	0	0	0
Patient Medical Services Net	0	0	0
Other Operating Revenues	(633)	(253)	(631)
State Appropriations	9,467	9,467	9,467
Federal Appropriations	0	0	0
Private Gifts	2	2	2
Endowment Distribution	(6,155)	(4,695)	(6,155)
Total Operating Revenues	**$2,647**	**$4,487**	**$2,649**
Operating Expenses			
Salaries and Wages	$189	($564)	$0
Benefits	22,868	9,836	266
Supplies, Services and Other Operating Expenses	(4,403)	(14,458)	(2,468)
Depreciation	4,766	4,766	4,766
Total Operating Expenses	**$23,421**	**($419)**	**$2,564**
Net Operating Income	**($20,774)**	**$4,907**	**$85**
Nonoperating Revenues (Expenses)			
Investment Income (Losses), Net of Fees	$34,024	$55,103	$33,855
Endowment Distribution	6,155	4,695	6,155
Interest Expense	(4,559)	(3,010)	(1,178)
Build America Bond Subsidies	9,755	9,828	9,755
Other Nonoperating Revenues (Expenses)	0	(94)	0
State Capital Appropriations	0	0	0
Capital Gifts and Grants	0	0	0
Private Gifts for Endowment Purposes	1	2	1
Pension and OPEB Impact on Income Statement	0	(96,064)	(33,524)
Mandatory Transfers.	47	41	0
Non-Mandatory Transfers	(9,501)	(76,440)	(15,000)

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 e

FY 20 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

Loan, Endowment, and Plant Fund Budgets

Loan, endowment and plant funds primarily affect the University's balance sheet and make up only about 2% 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:

University of Missouri System