



TABLE

Fiscal Year 2023 Operating Budget
UM

The FY 2023 budget reflects the culmination of planning efforts undertaken by each institution throughout the spring. The FY 2023 budget represents a return to normal

FY 2023 All Funds Budget

The pie chart on the left indicates major sources of revenues for the University of Missouri. The unrestricted portion of the academic enterprise represents 39% of available funds consisting of auxiliaries, tuition, and state support. Healthcare continues to grow and represents another 40% of revenues. The remaining 21% is spread largely across restricted sources, such as gifts, endowment distributions and grants. The Expenses chart shows 61% of the total budget is spent for compensation, 6% for depreciation, and 33% of all other types of expenditures. Compensation remains the largest expense for the University.

The FY 2023 budgets reflect a return to more normal operations but in the face of inflationary pressure. Expenses for the FY 2023 budget process will experience pressure if inflation remains in the 8% range instead of the 5% range that was more in line with trends when budget planning started in the early winter. The state budget continues to perform well on tax collections, but cost pressures will impact state programs as well and have the potential to adversely affect higher education. These inflationary forces will be an ongoing challenge, and the Universities will have to find both cost efficiencies and ways to increase prices in line with inflation to continue to support the mission and strategic investments. The recent

over the next five years. MU Healthcare has a history of strong operating performance and revenue growth. The key limiting factor for healthcare will be setting priorities on balance sheet capacity and the ability to invest in capital and new initiatives. Significant underperformance on healthcare operating margin poses a financial risk for the institution.

necessary strategic investments. Capital investments drove the need for a higher operating margin at MU and MU Healthcare through the planning process. This results in the sum of individual unit targets operating margin exceeding the consolidated target for credit purposes, as units' future capital plans drove the need for higher operating margins to finance capital plans.

Budgeted revenue numbers reflect the best available information at the time of the budget, which is finalized in mid-May. Each institution's operating budget reflects stable enrollment or slight growth over the prior year. Universities will adjust operating expenditures as they monitor final enrollments and other key revenue drivers.

The performance of MU Health Care remains a critical component for the enterprise on a forward basis. The FY 2023 budget for MU Healthcare reflects improvement upon performance to close FY 2022. While the healthcare industry has been struggling with staffing and cost as the pandemic winds down, MU Healthcare has a significant capital investment plan requiring solid operating performance to underwrite the investment. The successful development and execution of a financial improvement plan for MU Healthcare is critical over the next several years.

The summaries that follow show both the revenue and expense plans for each university and the consolidated system. Financial results will be presented using the Moody's framework, in

The University's budget includes a revenue increase of 7.5% over FY 2021 and 3.1% over FY 2022:

- Net Tuition Revenues are

- Salaries and Wages are projected to grow by \$102.9 million or 6.1%. The increased budget for salaries and wages largely reflects the impact of a 4 or 5 percent market and merit pool across the different business units. New investments in people have largely been funded through efficiency measures within individual units to prioritize resources towards each unit's strategic priorities.
- Benefits are projected to grow in line with the growth in Salaries and Wages. Benefits budgets will remain stable as a share of payroll with the changes enacted by the Board to the pension plan at the April Board of Curators meeting. The University's employer share medical costs remain flat emerging from the pandemic, and the budget reflects the

APPENDIX 1: BUDGET DETAILS BY UNIT

The details that follow show the breakout of the consolidated budget by operating unit. The key drivers of consolidated performance remain MU and MU Healthcare, which in total encompass three quarters of the University's operating expenditures.

MU

MU launched Mizzou Forward with the goal of enhancing the university's research and education missions. Mizzou Forward will provide investments to achieve excellence as a public research, AAU institution guided by accountability and ambition. To achieve excellence, the following investments are included in the FY 2023 budget:

- Funding for additional faculty hires for the Mizzou Forward Initiative and promotions and raises for existing excellent faculty.
- Investments in infrastructure in both the Provost's Office and Office of Research to support academic growth.
- Capital investments in the Indoor Practice Facility, Veterinary Medicine Diagnostic Lab, Research Reactor, NextGen Precision Health, and the School of Nursing.

Schedule 2: MU FY 2022 Budget (Dollars in Thousands)

Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP - Unaudited

Line No.		Actuals FY 2021	Projected FY 2022	Budget FY 2023	% Change FY 2022 - 23
Operating Revenues					
1	Tuition and Fees	\$ 449,414	\$ 493,400	\$ 519,067	5%
2	Less Scholarship Allowances	200,455	226,152	236,360	5%
3	Net Tuition and Fees	248,959	267,248	282,707	6%
4	Federal Pell Grants	23,794	24,677	24,700	0%
5	Government Scholarship Funding	15,963	17,415	17,000	-2%
6	Institutional CARES Act Funding	57,044	21,600	-	-100%
7	Grants and Contracts	230,748	264,000	279,840	6%
8	Auxiliary Enterprises	296,614	297,000	313,616	6%
9	Patient Medical Services, Net	269,641	280,423	294,105	5%
10	Other Operating Revenues	32,254	30,763	36,359	18%
11	State Appropriations	219,719	225,461	244,462	8%
12	Federal Appropriations	18,075	18,542	18,555	0%
13	Private Gifts	37,238	38,000	38,000	0%
14	Spendable Investment Income	72,936	109,966	78,386	-29%
15	Total Operating Revenues	1,522,985	1,595,095	1,627,730	2%
Operating Expenses					
16	Salaries and Wages	801,930	850,466	908,186	7%
17	Benefits	232,867	241,472	266,967	11%
18	Supplies, Services and Other Operating Expenses	252,351	306,807	301,937	-2%
19	Depreciation	93,077	102,212	102,000	0%
20	Interest Expense	36,687	34,562	32,616	-6%
21	Total Operating Expenses	1,416,912	1,535,519	1,611,706	5%
22	Net Operating Income	106,073	59,575	16,024	-73%
23	Net Operating Margin	7.0%	3.7%	1.0%	
Nonoperating Revenues (Expenses)					
24	Investment Income (Losses), Net of Fees	313,566	106,260	137,946	30%
25	Spendable Investment Income	(72,936)	(109,966)	(78,386)	-29%
26	Other Nonoperating Revenues (Expenses)	2,273	506	510	1%
27	State Capital Appropriations	-	500	15,500	3000%
28	Capital Gifts and Grants	28,941	16,216	27,788	71%
29	Private Gifts for Endowment Purposes	43,072	40,450	30,264	-25%
30	Mandatory Transfers	85	-	-	0%
31	Non-Mandatory Transfers	16,402	23,695	35,518	50%
32	Net Nonoperating Revenues (Expenses)	331,402	77,661	169,140	35%
33	Increase in Net Position	437,475	137,237	185,164	
34	Net Position, Beginning of Year	2,970,602	3,408,077	3,545,314	
35	Cumulative Effect of Change in Accounting Principle	-	-	-	
36	Net Position, Beginning of Year, Adjusted	2,970,602	3,408,077	3,545,314	
37	Net Position, End of Period	\$ 3,408,077	\$ 3,545,314	\$ 3,730,478	

- The enrollment numbers presented in the Schedule 3 represent projected fall census. MU is budgeting a fall undergraduate enrollment increase of 1% over prior year which remains in line with current new and existing enrollment trends. MU continues to see growth in graduate and professional degree programs.
- The gross tuition and fee budgeted amounts include rate increases approved by the Board in May 2022.
- Institutional aid is budgeted to remain flat over FY 2022 projection reflecting the shape of the current class in relation to the University’s scholarship programs. Increases in donor aid reflect programming to improve the University’s use of donor funded scholarships.

Operating Expenses

Overall, MU’s operating expenses are projected to increase by 5%. Schedule 4 and 5 provides additional detail changes in Salaries and Wages and Supplies, Services and Other for the FY 2023 budget.

Schedule 4: MU Salaries and Wages Detail (Dollars in Thousands)

	Actuals FY 2021	Projected FY 2022	Budget FY 2023
Salaries and Wages			
<i>Teaching and Research</i>			
Unrestricted	\$ 338,633	\$ 357,196	\$ 380,880
Restricted (Gifts & Grants)	77,423	85,047	90,150
Total Teaching and Research Salaries	416,056	442,243	471,030
<i>Staff and Supporting Services</i>			
Operations and Service Operations	167,647	176,093	188,066
Auxiliary Enterprises	86,099	97,561	106,731
Patient Services	87,645	92,047	97,284
Restricted (Gifts & Grants)	44,483	42,522	45,075
Total Staff and Supporting Services Salaries	385,874	408,223	437,156
Total Salaries and Wages (Line 16)	\$ 801,930	\$ 850,466	\$ 908,186
Benefits (Line 17)	\$ 232,867	\$ 241,472	\$ 266,967

Salaries and Wages

- All wages for FY 2023 budget include the effect of a 5% performance-based merit and market raise pool.
- *Teaching and Research (Unrestricted)* represent faculty and teaching salaries funded from tuition and state appropriations and are budgeted to increase by \$23.7 million or 6.6% from FY 2022. The budgeted increase represents performance-based merit and market increases and new Mizzou Forward faculty hires.
- *Teaching and Research (Restricted)* represent faculty and researcher salaries funded from grants and gifts. Spending on these salaries is contingent upon available revenues and is anticipated to increase by 6% or \$5.1 million from FY 2022 projection.

- *Operations and Service Operations* are budgeted to increase from FY 2022 projection by \$12 million or 6.8%. \$8.8 million of the increase reflects of the 5% raise pool. The remaining increase represents staff support for Mizzou Forward initiatives.
- *Auxiliary Enterprises* wages are budgeted to increase by \$9.1 million over the prior year. The budget for FY 2023 addresses market compensation pressure and vacant positions needed to support revenue growth.
- *Patient Services* staff wages are budgeted to increase by \$5.2 million correlating with the growth in anticipated volumes.
- *Staff (Restricted)* funded from grants and gifts are anticipated to increase by \$2.5 million. This compensation and workforce size are dependent on the availability of the related revenues to fund research.

Schedule 5: MU Supplies, Services and Other Operating Expenses Detail (Dollars in Thousands)

Supplies, Services and Other Operating Expenses

- *Operations and Service Operations* expenditures are budgeted to decrease \$4.1 million over FY 2022 projection. Nonrecurring non-capital investments in classroom facilities are included in the FY 2022 projections and will not be continued in FY 2023. The increase from FY 2021 to FY 2022 represents the resumption of on-campus activities and travel during FY 2022.
- *Auxiliary Enterprises* expenditures are budgeted to increase by \$4.8 million over FY 2022 projection.

UMKC

UMKC Forward's overall objective is to provide students with the best educational experience and faculty and staff with the best resources and support to continue world-class work. Academic realignment was a necessary process to fund this initiative and reallocate resources to provide financial stability to UMKC. Through the academic review process eleven schools/colleges will be scaled down to ten and several programs will be discontinued due to the lack of demand and affordability.

Investments in student success included in the FY 2023 budget are as follows:

- *Student Support Services* include expansion of counseling services, additional hires for academic recruiters, additional staffing to support KC Scholars program, and mentoring program for first generation students (First Gen Roo).
- *Professional Mobility Escalators* - a unique system of personalized support and services which will propel students from their academic studies to higher-paying careers. This system is intended to improve retention, graduation, and post-graduation outcomes for UMKC's students. MOExcels funding was awarded to UMKC in FY 2023 to support this initiative.
- *Scholarship Support* includes expanding the UMKC Advantage Grant to cover all student activity and course fees, in addition to tuition. Additional scholarships and stipends are included in the budget to retain and recruit top performing students.

UMKC Forward Faculty and Research Excellence, Career Expansion and Community Engagement investments include:

- *Center for Advancing Faculty Excellence (CAFE)* - which will feature a comprehensive program of mentoring, development opportunities and resources to support, attract and retain high quality and engaged faculty.
- Investments in increasing and improving research infrastructure.

Schedule 6: UMKC FY 2022 Budget (Dollars in Thousands)

Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP – Unaudited

Line No.		Actuals FY 2021	Projected FY 2022	Budget FY 2023	% Change FY 2022 - 23
Operating Revenues					
1	Tuition and Fees	\$ 195,267	\$205,251	\$ 220,014	7%
2	Less Scholarship Allowances	61,676	73,000	76,485	5%
3	Net Tuition and Fees	133,591	132,251	143,529	9%
4	Federal Pell Grants	12,996	12,000	12,600	5%
5	Government Scholarship Funding	3,917	4,655	4,000	-14%
6	Institutional CARES Act Funding	24,299	10,577	-	-100%
7	Grants and Contracts	48,278	63,423	66,117	4%
8	Auxiliary Enterprises	33,664	36,000	43,113	20%
9	Patient Medical Services, Net	38,261	39,000	40,511	4%
10	Other Operating Revenues	16,567	17,300	20,619	19%
11	State Appropriations	74,060	77,992	82,301	6%
12	Federal Appropriations	-	-	-	0%
13	Private Gifts	27,074	15,000	11,274	-25%
14	Spendable Investment Income	13,165	19,237	16,508	-14%
15	Total Operating Revenues	425,872	427,435	440,572	3%
Operating Expenses					
16	Salaries and Wages	187,092	201,136	211,021	5%
17	Benefits	57,400	61,027	65,549	7%
18	Supplies, Services and Other Operating Expenses	81,344	116,000	124,090	7%
19	Depreciation	23,887	25,900	23,462	-9%
20	Interest Expense	7,616	7,500	7,100	-5%
21	Total Operating Expenses	357,339	411,563	431,222	5%
22	Net Operating Income	68,533	15,872	9,350	-41%
23	Net Operating Margin	16.1%	3.7%	2.1%	
Nonoperating Revenues (Expenses)					
24	Investment Income (Losses), Net of Fees	53,705	22,468	25,062	12%
25	Spendable Investment Income				

Overall, UMKC's operating margin is \$9.3 million, or 2.1%. UMKC's margin is above target of 1% and includes \$10 million of strategic investments for UMKC Forward.

Operating Revenues:

Schedule 7: UMKC Net Tuition Revenue Detail

	Actuals FY 2021	Projected FY 2022	Budget FY 2023
Enrollment - Full-time Equivalent			
Undergraduate			
<i>Resident</i>	4,341	4,122	4,122
<i>Non-Resident</i>	3,384	3,305	3,305
Total Undergraduate	7,725	7,427	7,427
Graduate/Professional	3,619	3,954	4,073
Gross Tuition and Fees \$'s in thousands			
Undergraduate Tuition			
<i>Resident</i>	\$ 39,885	\$ 38,550	\$ 40,280
<i>Non-Resident</i>	29,036	29,000	30,467
Total Undergraduate Tuition	68,921	67,550	70,747
Graduate/Professional Tuition	101,016	111,301	121,439
Undergraduate Supplemental Fees	6,723	6,400	6,603
Graduate/Professional Supplemental Fees	4,966	6,700	6,137
Activity and Facility Fees	7,732	7,800	9,080
Continuing Education Fees	3,377	3,000	3,353
Other Educational Fees	2,532	2,500	2,655
Total Tuition and Fees (Line 1)	\$ 195,267	\$ 205,251	\$ 220,014
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Unrestricted			
<i>Undergraduate</i>	\$ (13,633)	\$ (14,700)	\$ (16,224)
<i>Graduate/Professional</i>	(19,741)	(26,000)	(29,720)
Total Unrestricted Aid	(33,374)	(40,700)	(45,944)
Restricted Donor Aid			
<i>Undergraduate</i>	(6,838)	(8,000)	(6,377)
<i>Graduate/Professional</i>	(3,016)	(4,000)	(4,347)
Total Restricted Donor Aid	(9,854)	(12,000)	(10,724)
Restricted Non-Gift Aid/Waivers	(1,535)	(3,645)	(3,217)
Federal Pell Grant Aid	(12,996)	(12,000)	(12,600)
Government Scholarships	(3,917)	(4,655)	(4,000)
Total Scholarship Allowances (Line 2)	\$ (61,676)	\$ (73,000)	\$ (76,485)
Net Tuition and Fees (Line 3)	\$ 133,591	\$ 132,251	\$ 143,529
Federal Pell Grants (Line 4)	\$ 12,996	\$ 12,000	\$ 12,600
Government Scholarship Funding (Line 5)	\$ 3,917	\$ 4,655	\$ 4,000

- The enrollment numbers above represent budgeted enrollment as of fall census. UMKC's budget plans for a flat undergraduate enrollment over prior year.
- The gross tuition and fee budgeted amounts include the Board approved rates from May 2022. UMKC's budget anticipates student's course consumption remain at experienced spring 2022 level.
- UMKC's primary revenue driver remains graduate and professional programs, with the professional programs driving nearly 60% of the tuition program. Professional program enrollments remain stable with solid demand.

Operating Expenses

Overall, UMKC's operating expenses are projected to increase by 5%. Schedule 8 and 9 provide additional detailed changes in Salaries and Wages and Supplies, Services and Other for the FY 2023 budget.

Schedule 8: UMKC Salaries and Wages Detail (Dollars in Thousands)

Salaries and Wages

- All wages for FY 2023 budget include the effect of a 4% performance-based merit and market raise pool.
- *Teaching and Research (Unrestricted)* funded from tuition and state appropriations is budgeted to increase by \$5.3 million from FY 2022 projection.
- *Teaching and Research (Restricted)* funded from grants and gifts are anticipated to remain flat from FY 2022 projection as spending is contingent upon available revenues.
- *Operations and Service Operations* are budgeted to increase by \$4.4 million from FY 2022 projection;

Schedule 9: UMKC Supplies Service and Other Operating Expenses Detail (Dollars in Thousands)

Supplies, Services and Other Operating Expenses

- *Operations and Service Operations* expenditures are budgeted to increase \$6.9 million over FY 2022 projection. This inTw (in)TeCID 7 >>BDC /C20B .1e

Schedule 10: S&T FY 2023 Budget (Dollars in Thousands)

Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP - Unaudited

Line No.		Actuals FY 2021	Projected FY 2022	Budget FY 2023	% Change FY 2022 - 23
Operating Revenues					
1	Tuition and Fees	\$ 119,678	\$ 119,300	\$ 124,421	4%
2	Less Scholarship Allowances	61,046	64,500	69,713	8%
3	Net Tuition and Fees	58,632	54,800	54,708	0%
4	Federal Pell Grants	6,032	5,350	6,300	18%
5	Government Scholarship Funding	4,865	5,800	5,000	-14%
6	Institutional CARES Act Funding	15,809	7,168	-	-100%
7	Grants and Contracts	37,656	41,000	41,575	1%
8	Auxiliary Enterprises	21,094	21,600	22,866	6%
9	Bad Debt	68,500	67,000	68,370	2%

Overall, S&T's operating margin is \$3.9 million, or 1.8%. Missouri S&T's margin is below the set target of 2% but is in line with financial plan presented to the Board in February.

Operating Revenues:

The biggest driver of the University's overall revenues is enrollment which drives both teaching revenues and auxiliary enterprises. Lines 1-5 of from Schedule 10 on the previous page are summarized in Schedule 11 below with the key drivers. Other key areas of revenue for S&T include:

- Grants and Contracts are budgeted to increase by 1% over FY2022 projection. Missouri S&T is committed to improving research competitiveness and has planned to make investments in increasing and improving research infrastructure, including those from the Kummer Institute. The smaller growth over prior year growth rates reflects start-up time to recruit the new faculty.
- State Appropriations are projected to increase by \$2.9 million over FY 2022 projection. This increase represents the 5.4% core increase proposed by the governor and approved by the legislature during the 2022 legislative session.
- Auxiliary Enterprise revenues are budgeted to increase by \$1.3 million over FY 2022 projection. The increase revenues are reflective of the Board approved housing and dining rate increase of 3.3% and projected increase in first time college students.
- Private Gifts are projected to increase by \$14.9 million, largely driven by the increase in gift funding received by the Kummer Institute for new programming.

- The increase in undergraduate restricted donor aid is a result of the Kummer gift and Missouri S&T leadership managing and utilizing gift and endowment balances to recruit and retain exceptional students.

Operating Expenses

Overall, Missouri S&T's operating expenses are projected to increase by 7% reflecting increase compensation cost driven by market inflation. Schedules 12 and 13 provide

UMSL

Schedule 17 UMSL FY 2023 Budget (Dollars in Thousands)

Overall, UMSL's operating margin of \$42,000 or 0%. The FY 2023 budget represents the loss of the institutional CARES funding, growth in enrollment, and an expense basis constrained by inflationary pressures.

Operating Revenues:

The primary driver of the University's overall revenues is enrollment which drives both teaching revenues and the majority of auxiliary enterprises. Lines 1-5 of from Schedule 17 on the prior page are summarized in Schedule 18 on the next page with the key drivers. Other key areas of revenue for UMSL include:

- Grants and Contracts are projected to decrease by \$1.9 million over the prior year. UMSL experienced strong growth in grants and contracts during FY 2022 but expects grants and contracts to decrease for FY 2023 budget.
- State Appropriations are projected to increase by \$4 million over FY 2022 projection. This increase represents the 5.4% core increase, or \$3.2 million, proposed by the governor and approved by the legislature during the 2022 legislative session. The remaining increase is attributed to additional line items and program support approved by the legislature during the 2022 legislative session.
- Auxiliary Enterprise revenues are budgeted to increase by \$1.8 million over FY 2022 projection. The increase revenues are reflective of operations returning to pre-pandemic levels.

Schedule 18 UMSL Net Tuition Revenue Detail

Actuals Projected Budget

- The enrollment numbers presented in the schedule represent budgeted fall census. UMSL’s student population differs from the other three institutions. Over half of UMSL undergraduate population is part-time and 70% of the graduate students are also part-time. These students’ consumption patterns are more sensitive to economic shifts and are more difficult to predict.
- The gross tuition and fee budgeted amounts include the rates approved by the Board in May 2021. Undergraduate students at UMSL take on average 11 credit hours per semester. Graduate students take 6 student credit hours on average per semester. These student credit hour trends were utilized when budget gross tuition.
- The decrease in supplemental fees is driven by on-line course fees charged to students. When nearly all instruction went on-line during the pandemic and through FY 2022 the students enrolled in those courses were charged a fee, UMSL provided aid to all of the students to cover this on-line course fee.
- The increase in undergraduate unrestricted aid starting in FY 2021 is driven by the aid to cover the on-line course fee charged when the university switched to fully virtual learning. UMSL will discontinue to offer this aid in FY 2023 as the campus will be back to normal operations.

Operating Expenses

Overall, UMSL’s operating expenses are projected to increase by 6% reflecting increase compensation cost driven by market inflation. Schedules 19 and 20 provide additional detail on changes in Salaries and Wages and Supplies Services and Other for the FY 2023 budget.

Schedule 19: UMSL Salaries and Wages Detail (Dollars in Thousands)

	Actuals	Projected	Budget
	FY 2021	FY 2022	FY 2023
Salaries and Wages			
<i>Teaching and Research</i>			
Unrestricted			

Salaries and Wages

- Full-time wages for FY 2023 budget include the effect of a 4.5% performance-based merit and market raise pool. UMSL has experienced high turnover rates and extended fill rates for many staff positions and currently has \$3 million vacancy in FY 2022.

Teaching and Research (Unrestricted) funded from tuition and state appropriations is budgeted to increase by 4% or \$1.6 million from FY 2022 projection. This increase is attributed to raise pool.

- *Teaching and Research (Restricted)* funded from grants and gifts are anticipated to remain flat from FY 2022 projections based on flat restricted funding growth.
- *Operations and Service Operations* are budgeted to increase by \$5.2 million from FY 2022 projection. This increase includes \$1.6 million for a performance-based merit and market raise pool. marlud

MUHC

Schedule 22: MU Healthcare FY 2023 Budget (Dollars in Thousands)

Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP - Unaudited

Line No.		Actuals FY 2021	Projected FY 2022	Budget FY 2023	% Change FY 2022 - 23
Operating Revenues					
1	Tuition and Fees	\$ -	\$ -	\$ -	0%
2	Less Scholarship Allowances	-	-	-	0%
3	Net Tuition and Fees	-	-	-	0%
4	Federal Pell Grants	-	-	-	0%
5	Government Scholarship Funding	-	-	-	0%
6	Institutional CARES Act Funding	-	-	-	0%
7	Grants and Contracts	124	613	26	-96%
8	Auxiliary Enterprises	22,750	22,673	22,930	1%
9	Patient Medical Services, Net	1,174,494	1,282,008	1,350,797	5%
10	Other Operating Revenues	(21)	(34)	(5)	-85%
11	State Appropriations	-	-	-	0%
12	Federal Appropriations	-	-	-	0%
13	Private Gifts	1,152	1,242	705	-43%
14	Spendable Investment Income	-	-	-	0%
15	Total Operating Revenues	1,198,499	1,306,502	1,374,453	5%
Operating Expenses					
16	Salaries and Wages	347,591	408,843	425,038	4%
17	Benefits	116,641	122,661	134,677	10%
18	Supplies, Services and Other Operating Expenses	588,861	658,698	670,261	2%
19	Depreciation	53,668	59,436	61,400	3%
20	Interest Expense	10,782	10,509	14,220	35%
21	Total Operating Expenses	1,117,543	1,260,147	1,305,596	4%
22					

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 13) and interest expense (line 20) which is an operating revenue in higher education and a non-operating item in healthcare.

In FY 2022, MU Health Care experienced a decline in operating margin from cost increases outpacing available revenue. Much of the cost increase reflected significant labor challenges in clinical staffing, as nursing agency contract rates during the pandemic increased dramatically. Additionally, drug cost increases from changes to the 340b program further reduced operating income. Both of these changes will take time to adapt to, and MU Healthcare is focused on improving financial performance, but must do so within a challenging marketplace to recruit staff and consistent shortages of needed supplies and drugs. The FY 2023 budget reflects a performance improvement over FY 2022, but does not go all the way to meeting the financial performance target and the performance in the five-year plan. MU Health Care is currently developing a three year plan to respond to the operational and financial pressures created by the pandemic. This plan will be incorporated into the fall financial planning process.

Leadership from MU Health Care, MU School of Medicine and University Physicians have collaborated in developing core patient volumes for the plan, based upon historical performance, market assessments and internal growth plans. The overall budget includes 3% volume growth year over year, tied to recruitment plans for new physicians. MU Health Care continues to keep an eye towards the mid-Missouri market and is currently evaluating new growth opportunities to maintain its status in the current market while growing into new markets to reflect its position as an academic medical center. Reimbursement for services will remain under pressure especially if inflation continues, as many contractual increases are tied to fixed percentage increases in reimbursement developed during the previous period of historically low inflation.

To manage expenditures within available revenues, MU Health Care has significant stewardship initiatives built into the budget. A key success factor remains replacing external agency labor with employed clinical care staff and reducing the agency hourly rate, both of which have been incorporated into the budget. The budget also includes a 5% market and merit pool to maintain competitive salaries, supply efficiencies, including a reduction in medical supplies previously used to respond to the pandemic, and reducing in external staffing costs post revenue cycle conversion. The budget also incorporates supply efficiencies, including a reduction in medical supplies previously used to respond to the pandemic.

UM System Administration

The UM System Business Unit includes the administrative and support functions including service centers that provide unduplicated support to the four universities and health system. As described in the Report to the Board on Administrative Efficiencies from the November 2020 Board Meeting:

“Instead of funding administration with state appropriations and investment income, these services will be funded via a cost allocation to the Universities based upon their share of total operating expenses or other cost drivers. The cost allocation for services will also force administrative units to justify the scale and cost of their function to the Universities they support.”

FY 2022 projection and FY 2023 budget reflect the funding structure change, with the universities and hospital now paying the cost of system administration. The funding structure moved state appropriations and investment income out to the Universities, then charged a related amount to have each University pay system administration for the services provided. UM System Administration’s budget growth lags the university’s growth to ensure that administration continues to be a smaller part of the organization.

Schedule 23: UM System Administration FY 2023 Budget (Dollars in Thousands)

Simplified View Statement of Revenues, Expenses, and Changes in Net Position - non-GAAP - Unaudited

Line No.		Actuals FY 2021	Projected FY 2022	Budget FY 2023	% Change FY 2022 - 23
Operating Revenues					
1	Tuition and Fees	\$ -	\$ -	\$ -	0%
2	Less Scholarship Allowances	168	50	44	-12%
3	Net Tuition and Fees	(168)	(50)	(44)	-12%
4	Federal Pell Grants	-	-	-	0%
5	Government Scholarship Funding	-	-	-	0%
6	Institutional CARES Act Funding	885	-	-	0%
7	Grants and Contracts	106	1,812	-	-100%
8	Auxiliary Enterprises	23,989	20,080	22,855	14%
9	Patient Medical Services, Net	-	-	-	0%
10	Other Operating Revenues	4,244	4,478	3,979	-11%
11	State Appropriations	10,130	-	-	0%
12	Federal Appropriations	-	-	-	0%
13	Private Gifts	223	146	126	-14%
14	Spendable Investment Income	22,931	10,720	7,024	-34%
15	Total Operating Revenues	62,340	37,186	33,940	-9%
Operating Expenses					
16	Salaries and Wages	33,173	40,143	43,284	8%
17	Benefits	11,270	14,000	15,096	8%
18	Supplies, Services and Other Operating Expenses	8,788	(19,485)	(27,039)	39%
19	Depreciation	3,503	2,528	2,492	-1%
20	Interest Expense	-	-	-	0%
21	Total Operating Expenses	56,734	37,186	33,833	-9%
22	Net Operating Income	5,606	-	107	100%
23	Net Operating Margin	9.0%	0.0%	0.3%	
Nonoperating Revenues (Expenses)					
24	Investment Income (Losses), Net of Fees	45,053	12,640	9,888	-22%
25	Spendable Investment Income	(22,931)	(10,720)	(7,024)	-34%
26	Other Nonoperating Revenues (Expenses)	(1)	2	2	0%
27	State Capital Appropriations	-	-	-	0%
28	Capital Gifts and Grants	-	-	-	0%
29	Private Gifts for Endowment Purposes	-	-	-	0%
30	Mandatory Transfers	-	-	-	0%
31	Non-Mandatory Transfers	(1,586)	(1,388)	(3,977)	187%
32	Net Nonoperating Revenues (Expenses)	20,535	534	(1,111)	-288%
33	Increase in Net Position	26,141	534	(1,004)	
34	Net Position, Beginning of Year	211,269	237,410	237,944	
35	Cumulative Effect of Change in Accounting Principle	-	-	-	
36	Net Position, Beginning of Year, Adjusted	211,269	237,410	237,944	
37	Net Position, End of Period	\$ 237,410	\$ 237,944	\$ 236,940	

The primary remaining revenue at UM System is MOREnet which supplies high speed internet service to schools, higher education, and libraries across the state. MOREnet submitted a balanced budget in FY 2023. In total, the rest System Administration's budget expenses grew in line with overall revenue growth and includes a 5% performance-based market and merit raise pool. The negative \$27 million in Supplies, Services, and Other reflects the collections from the other Universities and Hospital on charges for services. UM System Administration's spending increased by 5.7%, largely driven by the implementation of a 5% merit and market raise pool.

University-wide Units

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

Activity reflected in the unit's operating margin relates to benefits and insurance. The impact on the margin will fluctuate due to the actual cost of medical and insurance claims. The non-operating revenues (expenses) reflect the impact on benefit liabilities, which will continue to raise contributions and benefit charges to the operating units on a forward basis.

Schedule 24: University-wide Units FY 2023 Budget (Dollars in Thousands)

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 operations fund, shown in green on Schedule 25 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.

Schedule 25: University of Missouri FY23 Original Budget by Fund



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