



BUDGET BOOK

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**Fiscal Year 2024 Operating Budget
UM**

At the June 29, 2023, Board of Curators Meeting, Executive Vice President for Finance and Operations Ryan Rapp will present the FY2024 budget. The FY2024 budget reflects the culmination of planning efforts undertaken by each institution throughout the spring. For FY2024, each University and MU Healthcare has submitted a budget in line with the financial plans approved by the Board at the February meeting.

The FY2024 all funds revenue budget is \$1.2 billion. The following table shows the FY2024 revenue budget by revenue source (\$s presented in millions).

Next Steps

universities in the last fiscal year of the current financial plan. Planned enrollment growth differs by university, and most enrollment growth underwrites planned growth expenditures that can be avoided if enrollment growth is not realized. UMSL is dependent on enrollment growth to support its current expenditure base.

4. The federal stimulus packages and current state budget surpluses have allowed for the appropriation of significant capital funding from both the state and federal government. These extramural capital sources have enabled significant capital investments over the coming three years. Over the longer planning horizon, the key source for future capital investment will be each unit's ability to generate a positive operating margin.

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The financial planning process set units' performance targets for the upcoming five-year period. For FY2024, each University and MU Healthcare was expected to submit a budget with operating performance in line with performance submitted as a part of the financial planning process.

Table 1: Operating Margin by Unit

	UM	MU	UMKC	Missouri S&I	UMSL	MU Healthcare
Target	>25%					

measures

The financial performance metric approved during the annual budget process is presented on each Unit's Statement of Revenues, Expenditures, and Changes in Net Position as the "operating margin" on line 23. The operating margin reflects management's ability to balance operating expenses with revenues each year. A positive operating margin indicates available revenues exceed annual operating expenses.

and construction, telecommunications, etc.), continuing education and self-insurance funds. These activities comprise 53% 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 12% of the current funds budget.

Endowment and plant funds primarily affect the University's balance sheet and non-operating revenue sources. The primary funding streams for endowment funds are gift revenue and investment returns. These gifts are typically permanently restricted. The endowment funds spending distribution provides endowment income to the current funds. These funds are primarily restricted in use by the donor and provide funding for scholarships, professorships, and other university support. The primary funding streams for plant funds are reserves from the University current funds, capital gifts or grants and capital appropriations. The capital planning process and project approvals govern the use of plant funds. The University's interest and depreciation expense is recorded in the plant fund. Interest expense is funded by the obligated operations or auxiliaries within the current fund.

The Board approved budget serves as the guide for the year; as the assumptions underlying the budget may change throughout the year causing management to adjust to maintain the financial health of the institution.

In November 2010, the Board approved the following resource allocation principles in accordance with the development of the Council of Chancellors. The change in resource allocation principles provide the Chancellors more autonomy to make their universities successful while at the same time establishing additional accountability for the Chancellors in achieving sustainable financial results.

1. Each university will retain all resources, such as tuition and fees, gifts, sales and services, that it generates through its own activities.
2. Each university will retain resources that it generates through cost reductions.
3. Resource allocation for state funding will consider the different missions and unique nature of each university with funding based on enrollment, programs and levels of students (undergraduates versus graduates and professionals). The Council of Chancellors will propose the allocation of state funding to the Board for approval. The Board has full discretion of the allocation of State Appropriations.

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Revenue growth is expected to be about 2% across the sector and lag inflation. Institutions heavily reliant on student charges with weak student demand will face the greatest challenges.

Rising expenses will lead to operating deficits for a growing share of the sector, forcing more institutions to preserve. Restoration of spending cuts during the pandemic will lead to material expense growth in the industry.

Higher cash and investment growth will provide some cushion, but downward pressure on investment returns and reserve balances remains.

To move the outlook back to stable, Moody's would need to see revenue growth matching inflation, improved investment returns, and sound student demand with steady enrollment.

Moody's 2023 outlook for not-for-profit healthcare sector remains negative for 2023 as

While enrollments in Missouri face demographic headwinds, the University of Missouri System remains well positioned in the higher education marketplace with some of the best performing institutions in the state. The University System also benefits from its diversity of operations, with additional revenue streams for research, public service, and clinical operations. Tuition and state support serve as the cornerstone to sustain quality research

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

Line
No

1	Tuition and Fees	\$ 981,616	\$ 988,629	\$ 1,028,761	4%
2	Less Scholarship Allowances	408,251	442,539	451,418	2%
3	Net Tuition and Fees	573,365	546,090	577,343	6%
4	Federal Pell Grants	53,033	54,361	55,126	1%
5	Government Scholarship Funding	32,903	33,935	32,733	-3%
6	Institutional CARES Act Funding	50,012	-	-	0%
7	Grants and Contracts	400,813	432,377	463,138	7%
8	Auxiliary Enterprises	434,082	450,810	470,706	4%
9	Patient Medical Services, Net	1,587,381	1,706,859	1,811,353	6%
10	Other Operating Revenues	62,539	7,860	72,610	-4%
11	State Appropriations	424,919	453,418	500,871	10%
12	Federal Appropriations	28,290	28,716	28,697	0%
13	Private Gifts	80,261	100,868	101,244	0%
14	Spendable Investment Income	156,303	114,818	119,599	4%

16 **Scholarship Allowances** **389,813** **421,344** **MM** **-** **1** **Te** **116** **1195** **3994**

The University's budget includes a revenue increase of 104% over FY2022 and 59% over FY2023

Net Tuition and Fees (Line 3) are projected to grow by 57% or \$31.3 million year over year. Budgeted amounts include the tuition rate increases approved by the Board in May 2023. Overall enrollment is budgeted to increase by 1%. Tuition and fee growth is mitigated by a changing mix of students, with resident student enrollment increasing and nonresident student enrollment flat to declining. The long-term success of the academic enterprise is dependent on successful growth of these revenue streams. Additional discussion is provided in the appendix for each institution.

Grants and Contracts (Line 7) are projected to grow by 71% or \$30.8 million year over year. MU continues to grow research grants and contracts with the Missouri Forward initiative and investments in new faculty to grow research revenues. For FY2023, MU is projected to grow research revenues by 82%. UMKC is budgeting 45% growth in research grants and contracts.

Auxiliary Enterprises (Line 8) are projected to grow by 44% or \$19.8 million over the prior year. Auxiliary enterprises are a diverse group of service units that offer goods and services to the University community that help maintain a fully functional research university, but do not contribute directly to the institution's core mission. It is expected these units operate sustainably; examples of auxiliary operations include student housing, student dining, athletics and bookstores. The growth in revenues reflects inflationary rate increases and stable enrollment.

Patient Medical Services (Line 9) are projected to grow by 61% or \$104.5 million over the prior year. The overall budget includes 3% volume growth year over year reflecting internal growth plans and an assessment of market opportunities. MU HealthCare continues to keep an eye toward the mid-Missouri market and is currently evaluating new growth opportunities to maintain its status in the current market while moving into new markets to reflect its position as an academic medical center.

Other Operating Revenues (Line 10) are projected to decline by \$3.2 million over the prior year. Other operating revenues include camps held and merchandise sold (i.e. t-shirts) by schools or colleges, pass-through aid from third parties such as KCScholar, and application and deposit fees. These revenues typically will not generate resources for academic units but will cover the cost associated for the goods or services provided.

State Appropriations (Line 11) are budgeted at the amount Truly Agreed and Finally Passed (TAFP) by the legislature for the 2023 legislative session. Appropriations for capital projects

Lever, Hatch, etc.) which require an annual match from the State. Federal appropriations reported under the University-wide unit represent Build America Bond Tax Credits which provide a subsidy for qualified bond interest payments.

Private Gifts (Line 13) are budgeted to remain flat. These funds from donors provide support for scholarships, faculty salaries, and academic programs. Budgeted expenditures supported by private gifts are dependent on the availability of the related revenues.

Spendable Investment Income (Line 14) reflects the earnings from investments that can be utilized towards current operating purposes. This amount includes the spending distribution from endowments, interest on cash balances from the general pool, and the strategic dividend from the general pool.

Details on the remaining revenues can be found for each university in the appendix.

The University's operating expenses are projected to increase over FY2022 by 13.4% and grow over the projection for FY2023 by 5.6%.

Salaries and Wages (Line 16) are projected to grow by \$121.4 million or 6.6%. The increased budget for salaries and wages largely reflects the impact of a 4% market and merit pool across the different business units. Additional investments budgeted include faculty and staff to support research revenue growth and market adjustments to fill vacant positions.

Benefits (Line 17) are projected to grow with the growth in Salaries and Wages. The faster growth in benefits is driven primarily by medical costs. The University's medical claims cost has increased as healthcare utilization has returned to more historical levels. The benefits budget includes this increase in cost to reflect the increase in medical costs.

Supplies, Services and Other Operating Expenses (Line 18) are projected to grow by \$368 million or 3.1%. The increase is largely driven by inflationary pressures on the acquisition of goods and services, as well as increased utility costs, and other miscellaneous expenses. The increase in supplies and services is primarily due to increased costs for materials and supplies, and other operating expenses.

focus on aligning resources to the strategic plans and setting performance targets to reflect the balance between the use of financial resources and strategic priorities. Targets recommended to the Board in February will consider industry trends or significant shifts in strategy necessitating a change in target for either the consolidated enterprise or amongst the units.

The details that follows 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 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 FY2024 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 Veterinary Medicine Diagnostic Lab, MU Research Reactor West Expansion, MU Engineering and Applied Sciences Building, Agriculture, and NextGen Precision Health.

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

Line
No

1	Tuition and Fees	\$ 492,275	\$ 530,951	\$ 543,834	2%
2	Less Scholarship Allowances	226,108	222,998	244,534	1%
3	Net Tuition and Fees	266,167	287,953	299,300	4%
4	Federal Pell Grants	24,200	24,700	25,650	4%
5	Government Scholarship Funding	18,761	19,000	19,000	0%
6	Institutional CARES Act Funding	21,600	-	-	0%
7	Grants and Contracts	257,053	284,910	308,382	8%
8	Auxiliary Enterprises	313,310	327,152	343,677	5%
9	Patient Medical Services, Net	288,366	313,478	336,248	7%
10	Other Operating Revenues	32,875	43,260	39,714	-8%
11	State Appropriations	225,457	242,065	275,815	14%
12	Federal Appropriations	18,127	18,951	18,808	-1%
13	Private Gifts	39,336	42,466	44,808	6%
14	Spentible Investment Income	109,923	82,112	83,172	1%
16	Salaries and Wages	851,109	927,211	996,663	7%
17	Benefits	241,473	261,164	284,916	9%
18	Supplies, Services and Other Operating Expenses	295,898	330,896	348,429	9%
19	Depreciation	102,427	105,718	101,943	-4%
20	Interest Expense	34,398	32,659	30,864	-5%

Operations and Service Operations	\$78,338	\$98,088	\$96,568
Auxiliary Enterprises	137,438	141,868	149,398
Patient Services Auxiliaries	(36,168)	(38,408)	(20,998)
Restricted (Gifts & Grants)	84,418	89,048	101,728
Plant	31,868	30,358	21,748

Supplies, Services and Other Operating Expenses

Operations and Service Operations expenditures are budgeted to decrease by \$1.5 million over FY2023 projection. MU's budget is built on maintaining faculty and staff to support enrollment. The labor market continues to place pressure on wage rate and turnover within the organization. Cost reductions were budgeted to fund the additional compensation need to retain and recruit faculty and staff.

Auxiliary Enterprises expenditures are budgeted to increase by \$75 million over FY2023 projection. This budgeted amount reflects the projected inflationary cost increases in supplies and other for auxiliary operations.

Patient Services expenditures are presented as a negative expense as a charge to the Hospital for clinical services provided by University Physicians, including anesthesia coverage, call coverage, and other purchased services common in healthcare operations. The smaller negative represents a smaller charge to the hospital for physician services, which are budgeted to decrease as MU Healthcare manages expense growth within available revenue budget streams.

Restricted expenditures funded from grants and gifts are anticipated to increase \$12.7 million from FY2023 projection. This increase correlates with the budgeted revenue growth in grants and contracts. These expenditures relate to the specific supplies and services needed by individual gift or grant agreements.

Plant expenditures are projected to decrease by \$8.6 million over the prior year. The decrease reflects less maintenance and repair work.

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Swine Facility Expansion and School of Medicine Building Renovations is anticipated to have \$21 million in spending for FY2024. The project sources include capital reserves and governmental appropriations.

Thompson Center will be supported by capital reserves, gifts and by America Rescue Plan Act funds from the State. The FY2024 budget includes investments totaling \$55 million for this project.

Renovations on the Virginia Ave Parking Structure funded by capital reserves are budgeted to be \$68 million for FY2024.

Renovations on Peshing Hall and Lottes Health Science Library will be funded by capital reserves and budgeted to be \$144 million for FY2024.

Engineering and Applied Sciences Building will be supported by governmental

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Investments in increasing and improving research infrastructure including staffing continue in FY2024

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

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Overall, UMKC's operating margin is \$86 million, or 1.8%. UMKC's margin is above the target of 1%

Tuition and Fees (Line 1) are budgeted to increase by \$108 million or 48% over the prior year. The gross tuition and fee budgeted amounts include the Board approved rates from May 2023. Budgeted enrollment includes an overall increase of 2% with modest increases in undergraduate enrollment and declining international graduate enrollment. 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.

Scholarship Allowances (Line 2) are budgeted to decrease by \$1 million or 1.2% from the prior year.

Private Gifts

Operations and Service Operations	\$54,451	\$61,379	\$62,912
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S&T's budget is built upon the emergence of growth after declining enrollments prior to the pandemic. After receiving the largest gift at a Missouri public institution in FY2021, S&T seeks to become one of the top public STEM focused research institutions in the country. The following investments are included in the budget to support this vision

Student Success and Quality - scholarships and fellowships will be provided for highly qualified students through the continuation of the Kummer Vanguard Scholars program for undergraduates and the Kummer Innovation and Entrepreneurship Fellows program for doctoral students. Additional investments will be made - a Addit

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

Line No					
1	Tuition and Fees	\$ 119,995	\$ 126,023	\$ 131,330	4%
2	Less Scholarship Allowances	63,974	70,700	72,821	3%
3	Net Tuition and Fees	56,021	55,323	58,509	6%
4	Federal Pell Grants	5,445	5,625	5,400	-4%
5	Government Scholarship Funding	5,660	5,925	5,000	-16%
6	Institutional CARES Act Funding	7,168	-	-	0%
7	Grants and Contracts	44,203	40,682	43,775	8%
8	Auxiliary Enterprises	23,098	23,800	24,264	2%
9	Patient Medical Services, Net	-	-	-	0%
10	Other Operating Revenues	3,405	3,500	2,860	-18%
11	State Appropriations	53,086	55,942	60,121	7%
12	Federal Appropriations	-	-	-	0%
13	Private Gifts	8,203	18,700	20,289	8%
14	Spendable Investment Income	18,477	13,200	14,348	9%
16	Salaries and Wages	95,976	105,300	112,935	7%
17	Benefits	29,336	31,800	37,099	17%
18	Supplies, Services and Other Operating Expenses	45,052	50,200	48,670	-3%
19	Depreciation	23,901	24,500	24,918	2%
20	Interest Expense	5,304	5,100	4,847	-5%
24	Investment Income (Losses), Net of Fees	7,601	11,316	13,053	15%
25	Spendable Investment Income	(18,477)	(13,200)	(14,349)	9%
26	Other Nonoperating Revenues (Expenses)	(6,739)	41	50	22%
27	State Capital Appropriations	-	7,300	20,782	100%
28	Capital Gifts and Grants	5,339	27,055	34,694	28%
29	Private Gifts for Endowment Purposes	3,344	3,500	2,250	-36%
30	Mandatory Transfers	18	-	-	0%
31	NonMandatory Transfers	(2,189)	1,854	82	-98%
35	Cumulative Effect of Change in Accounting Principle	(3)	-	-	

Overall, S&T's operating margin is \$61 million, or 26%, which is in line with financial plan presented to the Board in February.

Tuition and Fees (Line 1) are budgeted to increase by \$53 million, or 42%, over the prior year. This increase is a result of tuition rate increases approved by the Board. S&T's enrollment is budgeted to remain flat year over year.

Scholarship Allowances (Line 2) are budgeted to increase by \$21 million, or 30%, over the prior year. Scholarship allowance represents financial aid awarded to students, which includes institutional aid (funded by the institution or donors), federal grants (the largest being Pell), or government scholarships (Access Missouri and Bright Flight). The University operates as a pass through for federal grants and government scholarships; aid is awarded to students and funding is received from the government. 0 0 0

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revenue

Plant expenditures are budgeted to increase by \$96,000 over FY2023 projections due to an increase in planned non-capital M&R plant projects

Capital spend over \$5 million included in S&T's budget are as follows

Missouri Proplex Building is a hub for connecting industry, state and federal agencies and colleges and universities throughout Missouri to develop new manufacturing processes and new products. Funding for this project will be supported by gifts, state appropriations, s"

UMSL's FY2024 budget is built upon recapturing lost endowments to regain revenues to match the institution's current cost base. Stabilizing endowment is UMSL's highest priority. The FY2024 budget includes funding to improve endowment including enhanced recruiting and advising, marketing, branding, revision, investment in Learning and revised financial aid initiatives. To respond to the new expense base from falling endowments, UMSL has expanded shared services and is implementing a space consolidation plan to reduce its capital footprint.

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

Line
No

1	Tuition and Fees	\$ 110,487	\$ 108,655	\$ 119,821	10%
2	Less Scholarship Allowances	46,278	42,824	49,080	14%
3	Net Tuition and Fees	64,209	65,831	70,741	8%
4	Federal Pell Grants	10,729	11,286	11,476	2%
5	Government Scholarship Funding	3,761	3,680	3,788	2%
6	Institutional CARES Act Funding	10,667	-	-	0%
7	Grants and Contracts	35,069	38,377	40,965	7%
8	Auxiliary Enterprises	13,688	14,119	12,321	-13%
9	Patient Medical Services, Net	25	24	24	0%
10	Other Operating Revenues	1,758	2,139	1,988	-7%
11	State Appropriations	59,007	63,063	68,654	9%
12	Federal Appropriations	-	-	-	0%
13	Private Gifts	12,785	11,800	12,531	6%
14	Spendable Investment Income	10,773	8,738	9,087	4%
16	Salaries and Wages	97,797	102,711	106,212	3%
17	Benefits	31,815	33,103	35,050	6%
18	Supplies, Services and Other Operating Expenses	57,754	61,236	67,136	5%
19	Depreciation	17,980	18,213	17,824	-2%
20	Interest Expense	5,368	5,123	4,880	-5%
24	Investment Income (Losses), Net of Fees	6,329	7,742	10,701	38%
25	Spendable Investment Income	(10,773)	(8,738)	(9,087)	4%
26	Other Nonoperating Revenues (Expenses)	565	8	25	213%
27	State Capital Appropriations and Grants	-	13,080	23,787	0%
28	Capital Gifts and Grants	ce 2,312	ce 6,000	" 5,882	00

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Overall, UMSL's operating margin of \$513,000 or 02%. The FY2024 budget represents the recapturing lost end line items to match the institutional expenditure base

Tuition and Fees (Line 1) are budgeted to increase by \$11.2 million or 103% over the prior year. This increase is a result of a 6% approved tuition rate increase and 2% increase in

Salaries and Wages (Line 16) include the effect of a 4% performance based raise pool.

Operations and Service Operations	\$78,191	\$81,900	\$
Auxiliary Enterprises	2,212	1,978	
Restricted (Gifts & Grants)	17,381	18,881	

project will be supported by capital reserves, gifts, and state capital appropriations. The FY2021 budget includes investments totaling \$234 million for this project.



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

This presentation format matches the higher education presentation of revenues and expenses. The health system follows the health care convention in their presentations to the Health Affairs Committee. The main difference is the classification

In FY2022, MU Healthca experienced a decline in operating margin from cost increases

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.”

The following Statement of Revenues, Expenses, and Changes in Net Position 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.

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

The primary remaining revenue at UMSys is MREnt which supplies high speed

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

