May 10, 2017

Dear Colleagues,

The four campuses of the University of Missouri System received guidance April 3 from the University of Missouri System which communicated budget concerns related to the upcoming year. Declining enrollment trends and state budget cuts continue to create challenges. In response, each campus is identifying a plan that demonstrates recognition of the magnitude of the challenges and defines the plan to mitigate them. As part of the timing of this plan, we have set a milestone to share this with the campus community today and to invite responses. After review of the comments and incorporation of improvements into the plan, it will be submitted to President Mun Choi for review on May 19. The president will review and discuss plans with campus leaders on May 26. He has stated that he will share final plans with the UM System community on June 2.

As you are all aware, this is not a new challenge to UMSL. We faced a major potential deficit in FY17, stemming from declining enrollment and funding cuts from the state. We addressed these issues beginning with the development and execution of the budget realignment proposal last spring. Over the course of the year, campus leadership – including the deans – has collaborated on multiple plans and initiatives that provided a positive financial return. These included updating practices on hiring for both new and replacement positions, execution of the Phased Retirement Enhancement Program (PREP), renegotiation of external contractual arrangements, adjustment of priorities on facilities and maintenance, and proactively working to make changes in our approach to recruiting and retaining students. This has involved more personal engagement and simplification of systems and processes related to the student experience. We have made investments in marketing and recruiting, and have expanded hiring and budgets in programs that have the potential to expand. These actions, along with others, have changed the course of our financial performance. In the beginning of FY17, we committed to reduce our annual deficit from $(15.2 M) to $(3.6M). Despite an unexpected additional cut of state funding of $4.3M, we are on track to finish the fiscal year with a surplus. This is a remarkable accomplishment that required the cooperation and hard work of all members of this campus community.

To this end, I am requesting that budget managers remain diligent by considering the necessity of discretional spending through the end of this fiscal year.

We face similar challenges in FY18. I am assuming that we will experience the same 5% enrollment decline again this year. Although we hope to improve on that number, we are going to plan for a continuation of the trend, but do all that we can to break it. We have already started on that, and I will discuss that in a moment. We are assuming that we will have a funding cut from the state of $5.6M. We have hope that the final approval by the Governor will improve our allocation number, but we are still considering the worst case for planning purposes. We will see an increase to labor and compensation this year of $2.5M. That will include a raise pool for salary adjustments. Finally, we are still adjusting from a missed enrollment projection from last year which brings with it another $4M challenge. In total, we have been looking to identify revenue or reductions to cover $17M in FY18. We have done it before. We will do it again.

In FY18, we will carry forward many of these same initiatives that enabled us to balance the budget in FY17. We will execute the final phase of the Budget Realignment proposal. This is not new or unexpected. Half of this $3.6M initiative for FY18 has already been executed in advance, and the gains were accelerated into FY17.

This year, each budget holder is responsible for developing a budget that demonstrates improvement over last year. This is not solely an exercise in cutting costs and people. Deans and staff leaders are being asked to provide a budget that shows revenue growth, expense cuts, and/or investments that will yield a positive return. In addition, since this exercise began, President Choi has called for an academic review of programs to identify programs of excellence, and to highlight programs that no longer meet those standards and should be eliminated or modified. This exercise will also have a financial impact and will be considered in this section of the budgets. Many alternatives are possible, and deans, chairs, faculty and staff can affect this. I don't expect revenue, expense, investment or the academic review to individually account for our improvement, but rather a combination of all. Our target for the aggregate value of these initiatives is $6.25M. These are still works in progress. Some details and plans are already available, and others will mature over the next few weeks.

Increases in tuition and fees will provide $2.4M of additional revenue. After much debate and deliberation, UMSL will only raise tuition and fees on resident undergraduate students by 2.2%. This is equivalent to the consumer price index and is within statutory guidelines. Non-resident undergraduate tuition and fees will be increased by 4%, and graduate by 5%. This is less than originally considered, and is a challenging position for UMSL in light of our challenges and funding cuts. We decided to stretch as far as possible in attempt to not adversely affect our students' ability to pay for their education. In addition to these fees, we analyzed the cost of our programs relative to our peers, to the value that these programs provide in the job market, and the cost to conduct the program. In some cases, adjustments needed to be made to supplemental fees. Examples include: (1) music, where cost and instruction is highly personalized; (2) graduate business, where instructor cost and graduate earnings are both high; and (3) nursing, where instruction cost is high, and the capital cost of the program is expensive. These changes better align the cost of these programs with the benefits to the students who take them.

We will continue to work on the issues related to declining enrollment. Again, this is not a new issue. Over the course of the last year, we have been taking action to mitigate a 5.2% decline that we experienced last year. In response to that decline, we requested and received permission to offer in-state tuition to all undergraduate students from Illinois. Throughout this year, we have been working on other plans to positively affect our enrollment as well. We accelerated the date of enrollment for summer courses, enhanced academic offerings, and launched two marketing campaigns to students who were home for the holidays and spring break. As a result, our summer enrollment is up by 7% from this time point in the enrollment cycle last year. We are actively working on a brand initiative to reinforce what we already know – that UMSL provides a superior education at a great value to students. We have increased our marketing budget. We are enabling our recruiters to be more effective by increasing budget and staff where appropriate. We are revisiting our plan for the FY18 evening offering to better address a large potential market of workers who would like to attend, but can't due to their work schedule. We are analyzing and revising our scholarship practices. And we expect all to contribute to resolving the challenges of the upcoming year.

We can work more efficiently and effectively in our non-academic staff support areas. We have replicated support functions in each college and support area. As a result, we have multiple ways to do the same job. We have differing skill levels, different tools, and do not always provide a good career path for our staff employees. We will work on the structure and organization of these areas to focus on having the skills, processes and tools available to perform the right task at the right organizational level. Some tasks will remain distributed and some will be centralized. The goal is to improve support and to be able to take advantage of expected attrition.

An additional structural change is being made in the way that we address Continuing Education. We are consolidating all 'for-credit' courses into the general course catalog, which changes the classification of Continuing Education into our operating budget. This will not change how or where courses are offered, nor will it eliminate courses.

Finally, we will continue to work on the size and quality of our employment base. At this point in the plan, we will try to capture savings from attrition by avoiding as much re-hiring as we can. It is not always practical. We know some positions will need to be filled, but it is our intention to avoid layoffs wherever possible, and monetizing our attrition will be the key. I ask that we all work together to accomplish this.

This plan has been widely discussed to date. I am attaching the chart that I have used to brief the University Assembly Budget and Planning Committee, the Faculty Senate/General Assembly, Provost's Council, Student Government Association and Staff Association. I have also presented this information at the Spring Faculty meeting and to the Chancellor's Council and its Finance Committee. Finally, the UM System CFO and President Choi received an early version of this information during a recent quarterly financial review meeting.

We have a significant budget challenge, but we also have a plan to mitigate it. This is the same process that we used this year to overcome a projected deficit and unexpected state funding decrease. I am attaching the financial analysis to demonstrate what we know now. We will continue to mature this plan, and will provide details as we do. I appreciate all that you have done to make FY17 a financial success, and all that I know that you will do to succeed in FY18.

Rick Baniak
Vice Chancellor for Finance and Administration
Chief Financial Officer

Link to Campus Budget Website and Suggestion Box.