

## Magrath explains management, research budgets

UM President C. Peter Magrath has responded to questions raised by Shaila Aery, commissioner of higher education, concerning an increase in the budget for executive management and a decrease in the budget for academic research.

Magrath points out the actual increase in the executive management budget is about 3.4 percent, not 60.5 percent as apparently calculated by Aery's staff.

He notes both the calculation of a 60.5 percent increase in the executive management budget and a 13.2 percent decrease in funds for academic research were based on comparison of non-comparable figures. Actual expenditures from 1986 were compared with budget estimates for 1987.

"The University of Missouri's record in controlling administrative costs is excellent, and we are proud of our accomplishments," Magrath says. "Over the last decade, UM has substantially reallocated funds from administration to the primary missions of the University."

In explaining the confusion over executive management, Magrath notes the larger budget figures for executive management in

1987 result from the common management practice of retaining a contingency fund in reserve in the office of the president to respond to both unanticipated demands and special opportunities as they arise.

Funds held in contingency reserves are labeled as executive management funds until they are allocated to and spent by instructional, research or service units of the University. As a result of the transfer of contingency funds from executive management accounts during the year, actual expenditures for executive management are invariably dramatically lower than the amounts budgeted.

By comparing non-comparable figures — actual expenditures from one year to the budget of another — CBHE staff concluded executive management costs would rise by 60.5 percent in 1987. The actual growth in executive management expenditures is expected to be about 3.4 percent in 1987 when the contingency reserves, savings from an overestimate of fringe benefit needs and revenue from auxiliary and service operations such as the hospital and residence halls are taken into account. This compares with an overall growth of 5.6 percent in the

University's general operating budget.

Magrath says the reported 13.2 percent decrease in support for academic and research budgets stems from two factors. First, non-recurring expenditures for computing and other special equipment were made in 1986. These purchases were made possible by a one-time appropriation from the state and by balances accumulated at the research reactor. In addition, funds from the Sinclair Research Farm and the Environmental Trace Substances Research Center have been reallocated this year to higher priority programs.

"The financial report for 1986 shows 19.9 percent of general operating expenditures went to the administrative budget categories of student services, such as counseling, admissions and registration and financial aid offices; institutional support, such as executive management and supporting services; and the operation and maintenance of the physical plants," Magrath says. "In fiscal 1975, those administrative costs were 24.4 percent of total expenditures."

"This change means \$18.9 million more was spent in the primary mission areas of instruction, research, public service and aca-

demical support in 1986 than would have been spent had the 1975 percentage of the general operating budget been used for administration."

As a more recent indicator of these shifts, Magrath notes the amount of reallocation that took place in 1986 at the system level, not including extension or academic/research, totaled \$1,058,366. This reallocation was the result of decisions to reduce or eliminate some existing administrative activities.

Of that reallocated amount, \$307,518 was used to fund higher priority activities within the central level of the University, including additional funds for University Relations, the Treasurer's Office and legal counsel. The remaining \$750,848 was distributed for primary mission activities related to instruction, research and extension, with the bulk of that amount actually flowing to the campuses to fund priorities identified in the University's long-range plan. More reallocation from the system level to the campuses will be achieved in 1987, along with further administrative reductions in 1988.

## CBHE makes capital, operations recommendations for 1987-88

1987-88 Capital Appropriations Request

	UM request	CBHE recommendation
<b>Maintenance and Repair</b>	\$ 53,374,085	\$ 31,305,758
Columbia:		
General Campus	20,564,627	14,686,213
Hospital & Clinics	10,488,093	5,916,818
Agricultural Experiment Stations	4,811,890	787,895
Kansas City	4,882,229	3,955,139
Rolla	11,136,625	5,660,969
St. Louis	1,490,621	298,724
<b>Life Safety, Handicapped Accessibility &amp; Animal Welfare</b>	\$ 27,025,639	\$ 540,999
Columbia:		
General Campus	11,043,659	60,199
Hospital & Clinics	2,100,653	
Agricultural Experiment Stations	479,367	321,354
Kansas City	3,433,270	
Rolla	7,438,059	159,446
St. Louis	2,530,631	
<b>Capital Equipment Replacement</b>	\$ 14,624,400	\$ 2,400,000
Medical Equipment (UMCHC)	6,150,000	
Engineering Equipment (UMC)	888,000	
Engineering Equipment (UMR)	1,646,400	
Fixed Scientific Equipment (UMKC)	2,000,000	
Teaching & Research Lab Equipment (UMR)	1,540,000	
Video Classroom-Intercampus Instruction	2,400,000	2,400,000
<b>New Construction and Major Renovation</b> (listed in order of UM priority)	\$ 41,945,000	\$ 120,000
Engineering Lab & Classroom (UMC)	16,350,000	
Auditorium, Music & Alumni (UMR)	5,975,000	
Ellis Library Phase II (UMC)	120,000 (P)	120,000
Library Addition Phase II (UMSL)	4,040,000	
Reactor Addition (UM)	250,000 (P)	
Veterinary Medicine Addition (UMC)	210,000 (P)	
Electrical Engineering & Science Renovation (UMR)	4,000,000	
Engineering Complex Renovation (UMC)	5,400,000	
Technology & Agricultural Center (MRP)	250,000 (P)	
Agriculture Research Lab (UMC)	250,000 (P)	
General Library Addition (UMKC)	4,850,000	
Science & Technology (UMKC)	250,000 (P)	
<b>TOTAL</b>	<b>\$136,969,124</b>	<b>\$ 34,366,757</b>

(P) Planning

University faculty and staff may see some improvements in salaries next year. UM's operations request for 1987-88 was received favorably by the Coordinating Board for Higher Education, with the board endorsing figures that could allow for a 4.5 percent merit salary increase.

The CBHE recently recommended a 13 percent increase in state funding for UM operations. That recommendation is about \$2 million shy of UM's request of \$261 million, but it is an increase of nearly \$30 million over last year's appropriation.

The operations request also includes nearly \$19 million for the CBHE program of challenge grants for equipment and \$2 million for the challenge grants in endowed professorships.

The total UM request for capital approp-

riations is nearly \$137 million, \$33 million above last year's request. The CBHE recommendation of \$34 million is more than twice as large as last year's capital appropriation of \$16 million.

According to James McGill, UM vice president for administrative affairs, the CBHE's recommendation is 73 percent of its total higher education capital recommendation. In addition, the CBHE notes that its recommendations reflect projected state revenues available for capital funding and are not the demonstrated total capital need of higher education in the state.

McGill adds that of the \$6.4 million withheld from UM's fiscal year 1987 capital appropriations, the CBHE is recommending only \$5 million be funded in fiscal year 1988.

1987-88 Operations Request

	UM request	CBHE recommendation
General operations	\$261,739,160	\$259,892,782
	13.62%*	12.81%*
Higher Education Research Fund	1,200,000	\$ 1,200,000
	50%*	50%*
Hospital and Clinics	\$ 18,653,103	\$ 16,726,000
	20.34%*	7.91%*
Missouri Institute of Psychiatry	\$ 2,396,254	\$ 2,348,540
	6.32%*	4.20%*
Missouri Kidney Program	\$ 4,264,197	\$ 4,144,846
	5.54%*	2.58%*
State Historical Society	\$ 647,650	\$ 634,124
	6.28%*	4.06%*
Engineering Equipment	\$ 2,534,400	\$ 2,534,400
Challenge-Equipment	\$ 18,960,000	\$ 2,619,806
Challenge-Endowment	\$ 2,000,000	\$ 1,500,000

\*increases based on 1986-87 appropriations

## MIX provides broader access to library holdings

UM faculty, staff and students can now enjoy expanded access to library collections through MIX, the Missouri Information Exchange. The program allows individuals to borrow library materials from any of the 13 publicly supported colleges and universities in the state.

Participants in the MIX program are Central Missouri State University, Harris-Stowe State College, Lincoln University, Missouri Southern State College, Missouri Western State College, Northeast Missouri State University, Northwest Missouri State University, Southeast Missouri State University, Southwest Missouri State University, UM-Columbia, UM-Rolla, UM-St. Louis and UM-Kansas City.

MIX was developed to uncomplicate direct, on-site access to library collections. In the past, extensive paperwork was required to authorize borrowing by individuals not affiliated with a given institution. Library directors from the 13 institutions appointed a committee charged with streamlining the borrowing procedure. The program began its trial run in September.

"This type of cooperative venture is always beneficial for libraries," says Tom Shaughnessy, UM director of libraries, "but it is particularly appropriate for publicly supported schools that derive much of their funding for book purchases from the same source."

"Books and journals owned by one institution are now more readily available to a broader population, which may allow libraries to reduce their purchases of some less frequently used materials duplicated in other collections. This will free up money for the acquisition of unique materials, which can then be used by patrons throughout the state."

Shaughnessy notes the MIX program made substantial gains under last year's special one-time appropriation for library acquisitions.

"I believe this funding was a key factor in the implementation of the MIX program," he says. "And, the program is in keeping with the long-range plan that identifies the UMC library as the state's major public research collection."

Shaughnessy says an on-line catalog such as LUMIN — Libraries of Missouri Information Network — is an essential part of MIX. Libraries and their patrons need an easy way to determine which collections have needed materials. When the on-line circulation component is added to LUMIN in 1988, borrowers across the state will be able to verify whether a library has a certain holding and whether it is available on the shelves.

Those eligible for using the MIX service include all full- or part-time students currently enrolled and validated at their parent institutions and all full- or part-time staff or faculty members who are employed at one of the 13 institutions at the time of application for a MIX card. MIX cards may be obtained from the circulation departments of all participating libraries.

## Reform amends tax benefit program

Some UM employees participating in the University's Tax-Deferred Annuity program will see certain changes in the program's provisions as a result of the 1986 Tax Reform Act.

Mary Ann Tipton, manager of UM employee benefits, says the new tax law raises a number of questions about participation in the Tax-Deferred Annuity program. Those questions will be addressed later in this article. First, some background:

The University's Tax-Deferred Annuity program, or TDA, allows employees to redirect a portion of their salaries or wages into a TDA account by executing a salary reduction agreement, or SRA, with the University.

A designated amount is deposited with one or more of the companies authorized to participate under the University's program. Employees select both the amount of the salary reduction and the company with which they will participate.

At the time the deferred salary is earned, it is not subject to income taxes. However, any future withdrawals from the plan are taxable at the time they are withdrawn.

"Tax-deferred vehicles such as TDA were created to provide an opportunity for employees to save some money for retirement," Tipton says. "Social security was never intended to be an employee's entire retirement income. Vehicles such as individual retirement accounts, or IRAs, TDAs, or Keoghs were created to make saving for retirement easier."

Some of the more common questions about TDA and the impact of the new tax law follow.

### How are contributions or investments in the TDA program made?

Before calculating required income tax withholdings, contributions are deducted from an employee's salary or wages. The University reduces the salary or wage by an agreed upon amount and deposits the money directly in a mutual fund, commercial annuity company or other investment option as indicated in the SRA. The new tax law will not affect this procedure.

### What are the limitations on contributions to a TDA account?

At the present time, the Internal Revenue Code limits the amount that can be excluded from an individual's income as approximately 20 percent of the gross salary. The top limit is \$30,000 a year.

Effective January 1987, the maximum annual contribution by an employee to the TDA program will be \$9,500.

"If an employee's current contributions exceed the \$9,500 limit, that employee should reduce the contributions to remain in compliance with the law and the terms of their SRA with the University," Tipton says.

The only exception is employees eligible to elect a new "catch-up" option.

"This option is only available to employees with 15 years of University service who have contributed on an average less than \$5,000 per year," Tipton says. "The new 'catch-up' option allows contributions to exceed \$9,500 by no more than \$3,000 in any one year with a lifetime maximum of \$15,000."

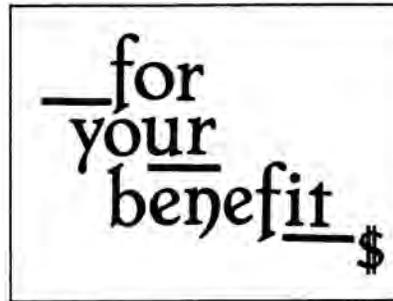
Tipton added that salary reduction levels will be strictly monitored in 1987 so no employee will be allowed to exceed the \$9,500 limit. For contributions below the \$9,500 limit, the old "catch-up" options still apply.

### What are the tax implications of contributing to a TDA account?

All contributions not exceeding the maximum exclusion allowance are sheltered from federal and state income taxes. However, once withdrawn, the distributions are fully taxable for federal and state tax purposes.

"Starting Jan. 1, 1987, if an employee withdraws before age 59 1/2, there will be a

10 percent excise tax unless that employee is exempted under one of the safe harbor rules such as death, disability, early retirement, medical emergencies and certain court orders in marital dissolution cases," Tipton says. "In addition, some companies have early withdrawal penalties or fees."



### Are there opportunities to change an investment choice?

All or part of the assets accumulated in a TDA account may be transferred to a new investment and the investment of future contributions changed.

"This type of transfer is not a taxable event as long as the transfer is made in an approved manner to a vendor approved under the University plan," Tipton says.

"However, federal law does not permit an employee to execute more than one SRA with an employer during any calendar year.

So those employees who make a change to lower their annual deferral to \$9,500 will have made the one 1987 change allowable by law."

### Are there any new loan restrictions?

Certain insurance companies participating in the TDA program offer loan options in their contracts.

"This allows employees to participate in the tax-deferred program and have loan privileges," Tipton says. "The new law as amended treats this more like a personal loan. There is a \$50,000 limit on loans from the plan, there is a five-year repayment period except for loans to acquire a home and there are equal periodic payments."

In addition, the new law denies an income tax deduction for interest paid on a plan loan.

"The underlying tone of the new tax law as it applies to tax-deferred retirement programs is one of consistency," Tipton says. "The new law makes the various provisions more consistent."

"Conceptually, all of these plans — individual retirement accounts, tax-deferred annuities, Keoghs and others — are identical. What tax reform 1986 is trying to do is ensure these are no longer used as savings accounts from which money can be withdrawn and then re-invested. These are retirement programs, and the new law helps ensure they be used as such."

## Jobs

The following administrative/professional and academic vacancies were listed with *Spectrum* as of Nov. 21. Anyone interested in a position should contact the appropriate department or personnel office.

**UMC:** assoc. dean/director of resident instruction, agriculture dean's office; vice provost, extension; asst. director, Center for Dispute Resolution; asst./assoc. professor of economics/director of Missouri Council on Economic Education; asst. professor, classical studies, family and community medicine, cultural anthropology, physical anthropology/archaeology, philosophy, physiology/Dalton Research Center, communication, curriculum and instruction, German, philosophy, public administration; asst./assoc. professor, electrical and computer engineering, English, management, pulmonary medicine, psychology, radiology, economics (2), veterinary microbiology/veterinary pathology, physics and astronomy, finance, art (graphic design), social work; instructor/asst./assoc. professor, business administration; asst./assoc./full professor, electrical/computer engineering (2); Missouri Bankers' Chair/professor, finance; assoc./full professor and department chairman, marketing; instructor/asst./assoc./full professor, nursing (3); postdoctoral research fellow, biological sciences, biological sciences/medicine; postdoctoral research associate, anatomy; assoc./full professor, biological sciences (2); research specialist (3); residence hall coordinator; director, development fund; spectrometrist; administrative associate I; TV director, KOMU; asst. director, energy management-campus facilities; asst. supervisor, custodial services; information specialist; student services advisor, residential life/Greek life; director, procurement/materials control-purchasing; chief engineer, KOMU-TV; asst. director, Memorial Union/Brady Commons; radio producer, FM station; supervisor, skilled trades; police officer, university police; chemist (2); sr. continuing education coordinator, continuing medical education; sales manager, KOMU-TV; sales representative, KOMU-TV. **UM:** assistant to the president for development; research scientist, research reactor; manager, reactor health physics; staff

associate, human resources services; research chemist, Environmental Trace Substances Research Center; manuscript specialist, UMC branch of Western Historical Manuscript Collection.

**UMCHC:** asst. division director, marketing; asst. manager, diagnostic radiology, medical records/utilization review; supervisor, sterile processing; physical therapist (2); manager, surgery services, sterile processing/distribution, pathology technical/administrative services; sr. pharmacist; therapeutic recreation specialist; staff pharmacist (2); risk/liability coordinator.

**UMKC:** asst./assoc. professor, oral/maxillofacial surgery, neurophysiology, accounting; asst. dean, School of Business and Public Administration; visiting professor, theater; asst. professor, law, pharmacology; instructor/asst. professor, communication studies; research associate, Institute for Human Development; theater assistant (10); visiting research associate, physics; lecturer, arts/sciences continuing education (foreign language), basic life sciences, administration of justice, health services administration, geography, history, psychology, Chinese, public administration, computer science, engineering; assoc./full professor, music education; asst. professor, mathematics; assoc. professor, music; adjunct faculty, biology; clinical faculty, dentistry; visiting asst./assoc./full professor, computer science; asst./assoc./full professor, computer science; research aide, Institute for Human Development (2).

**UMR:** asst./assoc. professor, electrical engineering; professor and chairman, computer science; asst. professor, economics; research asst. professor, chemistry (2); postdoctoral fellow, materials research-chemical engineering.

**UMSL:** asst. professor, marketing, administration of justice, optometry, statistics, behavioral management (2); assoc. professor, optometry; asst./assoc./full professor, accounting, finance, management science/information systems; radio program director; chief broadcast engineer; administrative associate I.

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