

GENERAL FUND BUDGET AND TUITION RATES
FOR FY2013

A Recommendation

1. **Division and Department:** Finance and Administration, Budget and Financial Planning Office

2. **Introduction:** Board of Trustees (Board) approval is requested for the FY2013 General Fund budget and tuition rates. Highlights and assumptions for this proposal are described below.

Attachment A is a FY2013 General Fund Budget Briefing.

Attachment B is the detailed FY2013 Proposed General Fund Budget which provides summarized budget information for each major academic and operating unit of Oakland University (University) and a comparison to the FY2012 General Fund budget.

Attachment C is the proposed Schedule of Tuition Rates Effective Fall Semester 2012.

State Appropriations:

State funding for higher education has drastically eroded over the past ten years, both in gross and on a per student basis. In the FY2013 State of Michigan higher education budget, the base appropriation remains flat from the prior year at \$43,145,000, nearly \$10 million less than the all-time high State funding received in FY2002. This represents a 21.4% State funding decrease since FY2002, unadjusted for inflation. Historically, the University has been under-funded by the State on a per Fiscal Year Equated Student (FYES) basis as compared to the other public universities in Michigan. The University's FY2013 base appropriation per FYES will be \$2,660 as compared to the state average of \$4,128, fourth lowest in the state.

In addition to the base appropriation, the State budget calls for one-time funding according to a formula which rewards universities for: "critical skills" undergraduate degrees/certificates awarded, six-year graduation rate, total degree completions, institutional support as a percent of core expenditures, total research and development expenditures, and "tuition restraint" (defined as a tuition increase of 4.0% or less).

Cost Containment and Budget Reductions:

The University has accumulated data on cost containment initiatives totaling over \$38 million of permanent and one-time savings, such as eliminating positions, reducing program offerings, further deferring needed maintenance, renegotiating vendor contracts, refinancing debt, implementation of "healthy living" employee benefits, lean academic and administrative practice redesign, and an early retirement plan. Per the State's Higher Education Institution Data Inventory (HEIDI) database, the University's General Fund expenditures per FYES was fourth lowest in the state in FY2011, \$4,152 below the state average, substantiating that the University is an efficient and lean organization.

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Protecting the Core Education of Students:

The University's economic and societal impact on the state and region have been steadily increasing over the past decade – due to strategic planning, aggressive fiscal management, outstanding faculty and staff, and creative partnerships with business, industry, and the community. To maintain the University's distinctive and valued educational programming and service, additional revenue is needed to adequately fund operations and strategic initiatives for the benefit of our students. State funding as a percentage of the University's proposed FY2013 General Fund revenue budget drops to an all-time low of 18%. Even with the continuation of cost containment and budget reduction initiatives, a tuition increase is necessary to protect the core education of University students.

Tuition:

In an effort to keep resident undergraduate tuition rates below the state average (currently sixth lowest in the State on an "all-in" basis), while continuing the University's financial aid strategy, program improvements, and pricing transparency with no fees, the proposed FY2013 resident undergraduate average tuition rate for a full time student is \$10,706.25, a \$10.25 per credit hour increase. On average, a full-time undergraduate student receives non-debt financial aid (scholarships, grants, and other awards) of \$3,280, reducing the overall cost by nearly one third, to \$7,426.25. The proposed FY2013 resident graduate tuition rate for a full time student is \$14,286, a \$17.00 per credit hour increase.

Highlights of the Proposed General Fund Budget:

Revenue:

1. State appropriation of \$43,145,000, the same as the prior year.
2. FYES enrollment of 16,527 (excluding School of Medicine), a 1.65% increase over the prior year budget.
3. Average undergraduate in-state tuition of \$10,706.25 for full-time students, an increase of \$10.25 per credit hour, a 2.96% increase.
4. Average graduate in-state tuition of \$14,286 for full-time students, an increase of \$17.00 per credit hour, a 2.94% increase.
5. Continuation of no fee pricing strategy.

Expenditures:

1. Expense budget increases made up of, in part:
 - a. Program improvements: First Year Advising Center, Human Health Building operating expenses, library collections, and faculty positions.
 - b. Operating funding required for approved course offerings with related faculty appointments (reflecting program growth and market demand), debt service obligations, utilities and other contractual obligations.
2. Increased student financial aid funding of \$2.0 million including continuation of the student full aid guarantee and economic hardship fund.

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3. **Previous Board Action:** On June 8, 2011 the Board approved the FY2012 General Fund budget and tuition rates.

4. **Budget Implications:** Approval of the FY2013 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2012 provides the needed authorization for assessing students and expending University resources for instructional, programmatic and operating needs.

5. **Educational Implications:** Provides General Fund budget for academic programming.

6. **Personnel Implications:** Provides General Fund budget for personnel.

7. **University Reviews/Approvals:** The FY2013 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2012 were developed by the Budget and Financial Planning Office, with input from the Executive Council, and reviewed by the Vice President for Finance and Administration, and President. Budget development strategies and assumptions were reviewed with the Senate Budget Review Committee and Student Leadership.

8. Recommendation:

WHEREAS, the FY2013 Proposed General Fund Budget and Schedule of Tuition Rates Effective Fall Semester 2012 require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approves the FY2013 General Fund Budget at an expenditure level of \$209,732,700 (see Attachment B for detail) and approved encumbrances and carry-forwards from the June 30, 2012 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates Effective Fall Semester 2012 (see Attachment C for detail); and, be it further

RESOLVED, that the Board of Trustees approves the spending of General Fund revenues generated from enrollment in excess of that budgeted to adequately cover the instructional, programmatic and operating expenditures necessary to support higher than budgeted enrollment levels.

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9. Attachments:


- A. FY2013 General Fund Budget Briefing
- B. FY2013 Proposed General Fund Budget
- C. Schedule of Tuition Rates Effective Fall Semester 2012

Submitted to the President
on 8/1, 2012 by



John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees

Recommended on 8/1, 2012
to the Board of Trustees for approval by



Gary D. Russi
President



**FY2013 General Fund Budget
August 6, 2012**

FY2013 General Fund Budget

Guiding Principles

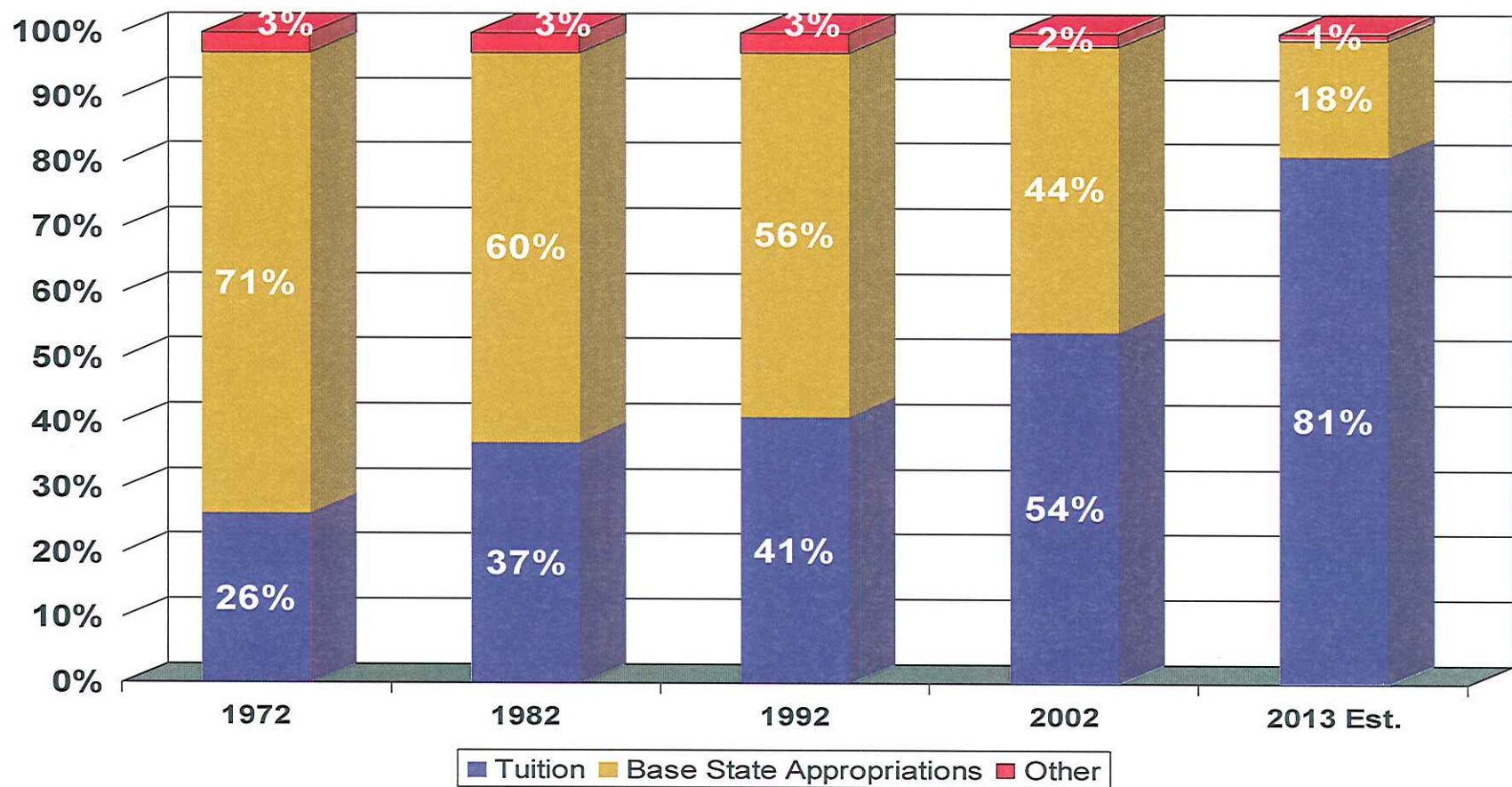
- Commitment to strategic vision
- Protect/strengthen academic mission
- Provide excellent student services
- Minimize net student cost (tuition less financial aid)



General Fund
Funding Model



Oakland University Funding Model



Comparison of general fund revenue sources FY1972 to FY2013



State Appropriations



FY2013 State Funding Per School

<u>Universities</u>	<u>Base</u>	<u>One-time</u>	<u>FY2011 FYES</u>
UM-Ann Arbor	\$ 268,803,300	\$ 4,253,400	42,232
Michigan State	241,120,800	3,408,400	44,039
Wayne State	182,036,900	1,192,200	24,798
Western	93,168,300	2,150,000	21,990
Central	68,108,900	1,466,400	22,522
Eastern	64,619,100	1,678,400	18,718
Grand Valley	52,677,400	2,420,100	22,407
Oakland	43,145,000	888,300	16,217
Ferris	41,324,300	1,657,100	12,076
Michigan Tech	40,733,600	1,676,300	6,583
Northern	38,367,400	1,981,400	8,606
Saginaw Valley	23,561,500	1,926,000	9,031
UM-Dearborn	21,016,300	882,500	6,595
UM-Flint	17,762,400	1,341,100	6,693
Lake Superior	10,789,500	241,200	2,396

Oakland University
State Appropriations, FY2003 – FY2013

<u>Fiscal Year</u>	<u>Base Appropriation</u>	<u>FYES</u>
2003	50,551,147	13,069
2004	46,633,500	13,654
2005	47,261,300	13,833
2006	51,530,500	14,245
2007	46,613,614	14,633
2008	51,932,900	14,871
2009	52,452,200	15,073
2010	52,220,800	15,867
2011	50,761,000	16,217
2012	43,145,000	
2013	43,145,000	

FY2013 Base Appropriation per FYES

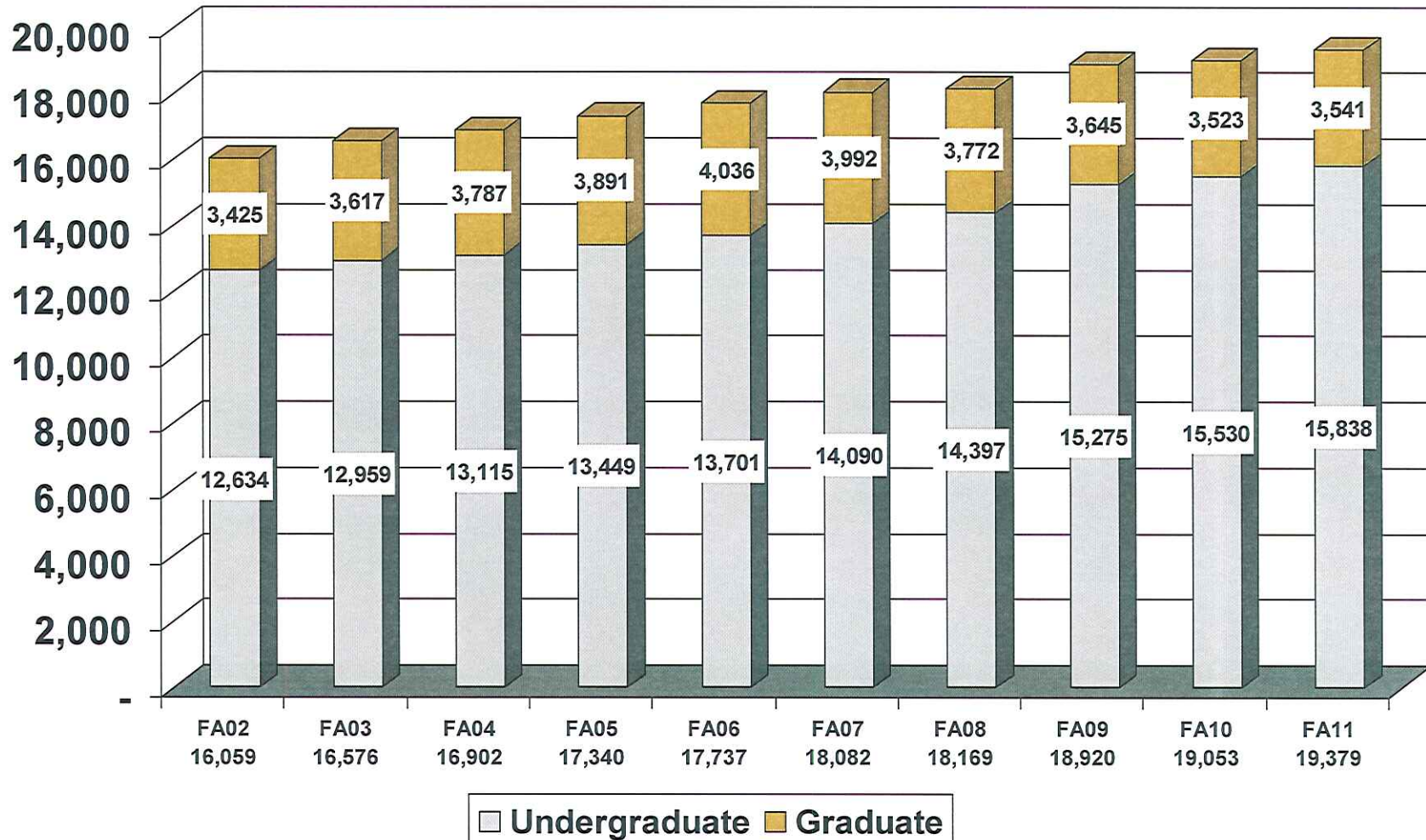
	Appropriation per FYES	FY2011 FYES
Wayne State University	\$ 7,341	24,798
University of Michigan Ann Arbor	6,365	42,232
Michigan Technological University	6,188	6,583
Michigan State University	5,475	44,039
Lake Superior State University	4,503	2,396
Northern Michigan University	4,458	8,606
Western Michigan University	4,237	21,990
Eastern Michigan University	3,452	18,718
Ferris State University	3,422	12,076
University of Michigan Dearborn	3,187	6,595
Central Michigan University	3,024	22,522
Oakland University	2,660	16,217
University of Michigan Flint	2,654	6,693
Saginaw Valley State University	2,609	9,031
Grand Valley State University	2,351	22,407
<i>Average</i>	<i>\$ 4,128</i>	



Enrollment/Tuition Management



10-Year Enrollment Growth, Fall 2002 – Fall 2011



Source: Institutional Research

FY2012 Undergraduate Tuition All-In Price per FYES

University	Tuition and Mandatory Fees *	All Other Fees **	Total All-in Price
UMAA	13,437	1,500	14,937
MTU	13,911	796	14,707
MSU	12,769	492	13,261
WMU	10,140	1,977	12,117
WSU	10,578	966	11,545
UMD	10,236	973	11,209
CMU	10,740	253	10,993
FSU	10,440	375	10,815
GVSU	9,958	612	10,570
OU	10,399	-	10,399
UMF	9,243	1,117	10,360
LSSU	9,395	780	10,175
EMU	8,705	1,375	10,080
SVSU	7,815	1,917	9,732
NMU	8,470	305	8,775
Average	\$ 10,416	\$ 896	\$ 11,312

* Source: HEIDI


** All Other Fees per the President's Council - State Universities of Michigan Tuition and Fee Report and state university websites

FY2012 Average Net Cost

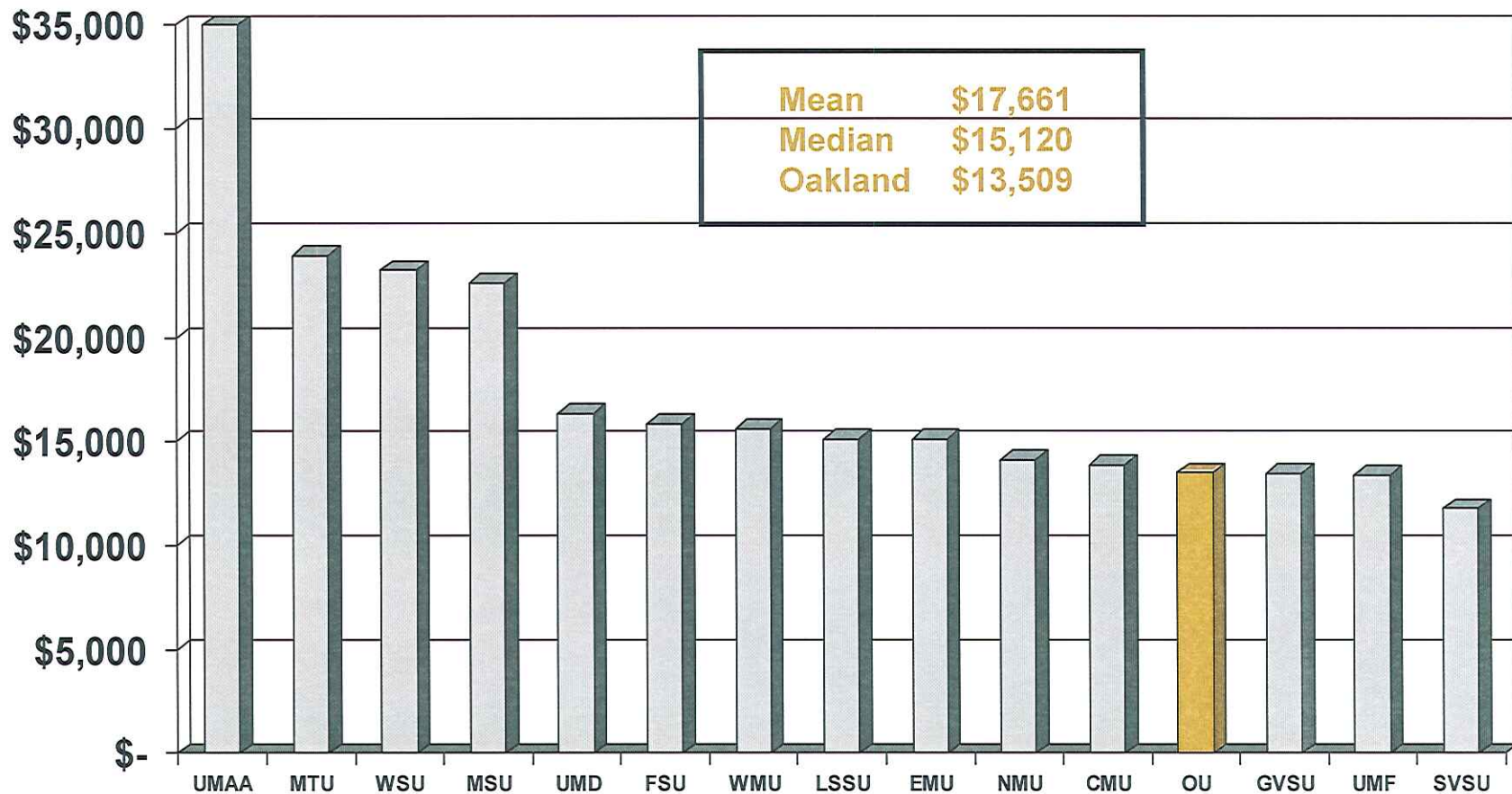
Avg. U/G Tuition	\$ 10,399
Avg. Aid per U/G FYES	<u>(3,280)</u>
Avg. Net Cost	\$ 7,119
Avg. Net Cost %	68.5%



Cost Controls and Efficiency

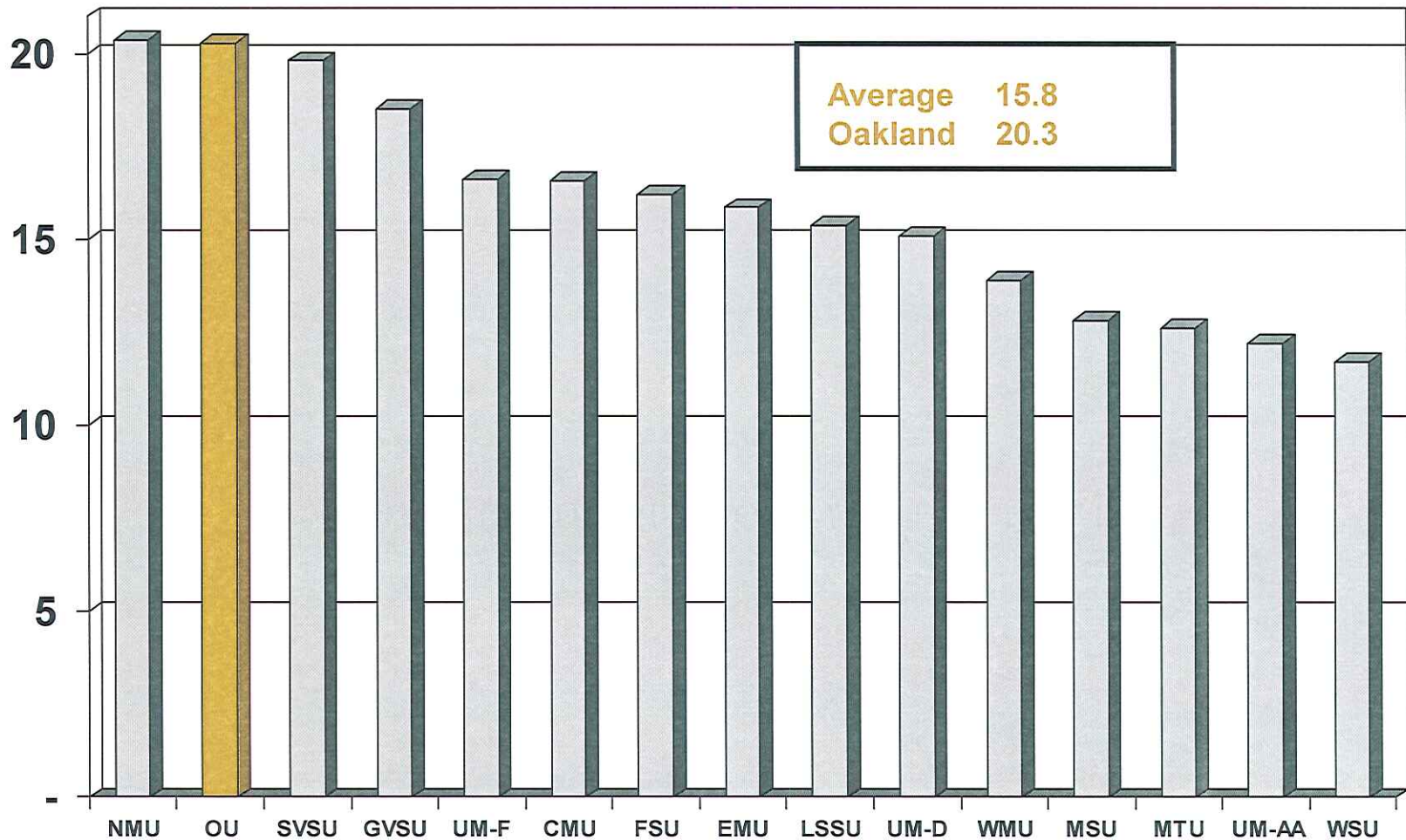


FY2011 General Fund Expenditures per FYES



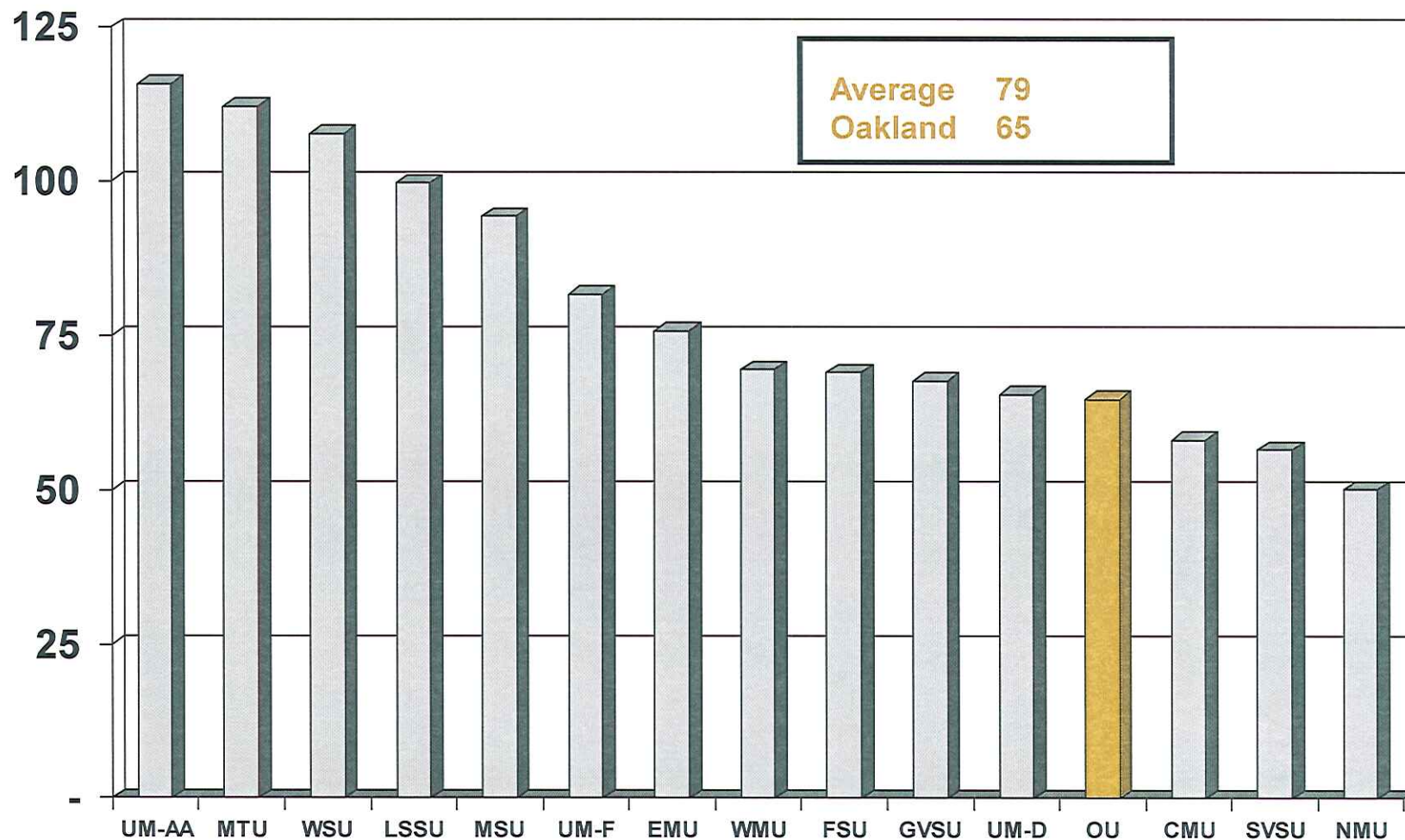
Source: HEIDI

FY2011 Michigan Universities FYES per Faculty FTE



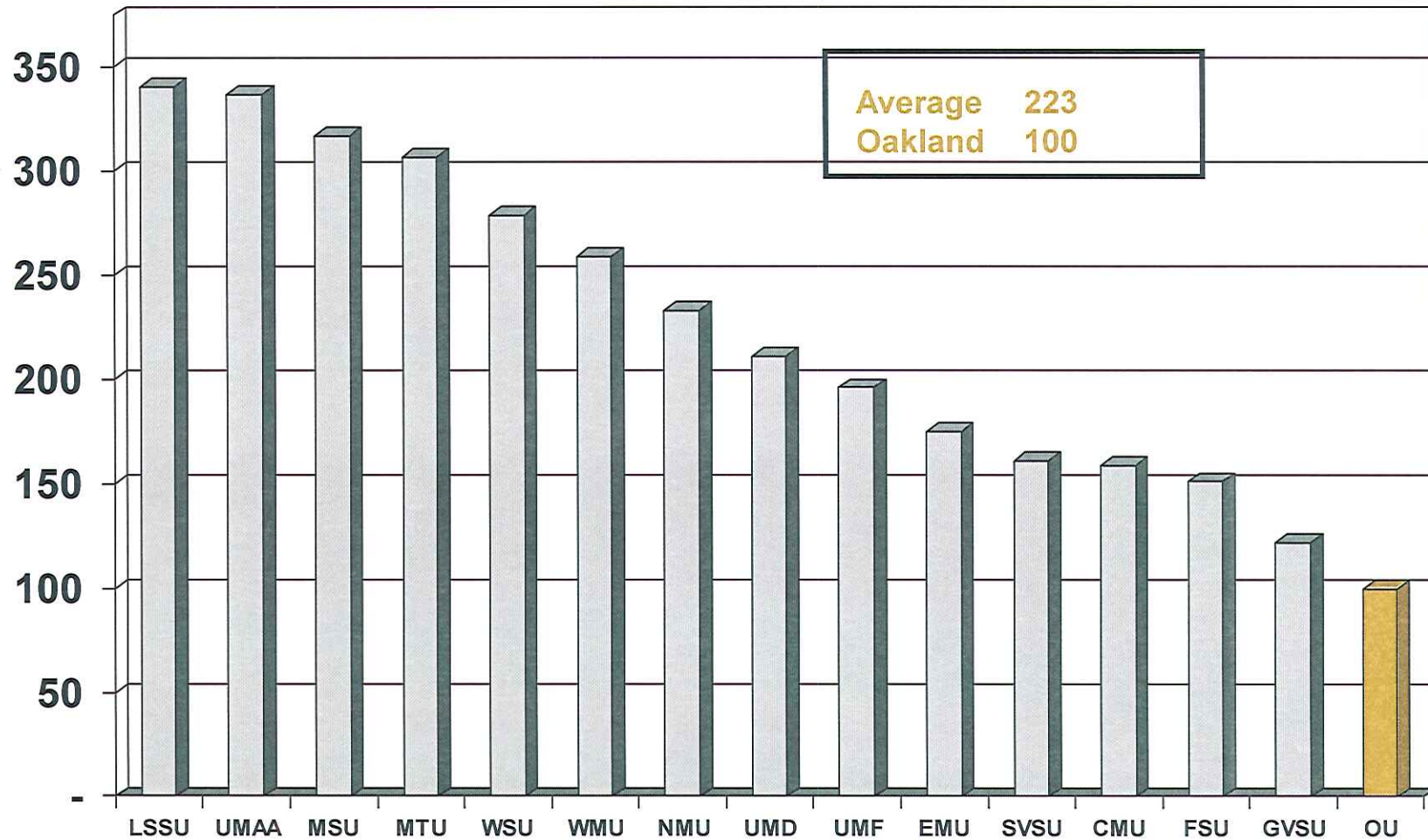
Source: HEIDI

FY2011 Michigan Universities Staff per 1,000 FYES



Source: HEIDI

FY2011 General Fund Building Sq. Ft. per FYES



Source: HEIDI

Lean – Cost Containment and Budget Reductions FY03-12

	<u>Permanent</u>	<u>One Time</u>	<u>Total</u>
Cost Containment			
Benefit and Employment Changes	\$ 5,138,546	\$ 722,763	\$ 5,861,309
Re-organizations	1,476,280	286,910	1,763,190
Outsourcing and Partnerships	4,739,196	1,624,258	6,363,454
Process Re-engineering	1,084,066	717,167	1,801,233
Technology and Telecommunications	854,618	864,911	1,719,529
Utilities/Energy Conservation	1,915,450	9,193	1,924,643
Other Initiatives	977,589	1,333,659	2,311,248
Total Cost Containment	<u>\$ 16,185,745</u>	<u>\$ 5,558,861</u>	<u>\$ 21,744,606</u>
 Budget Reductions			
Faculty Salaries	\$ 1,337,416	\$ 595,320	\$ 1,932,736
Non Faculty Salaries	2,639,824	284,338	2,924,162
Fringe Benefits	1,574,491	238,671	1,813,162
Operational Costs	5,274,337	4,507,671	9,782,008
Total Budget Reductions	<u>\$ 10,826,068</u>	<u>\$ 5,626,000</u>	<u>\$ 16,452,068</u>
 Total Cost Containment and Budget Reductions	<u>\$ 27,011,813</u>	<u>\$ 11,184,861</u>	<u>\$ 38,196,674</u>
 State Appropriation Reductions	<u>\$ 11,868,300</u>	<u>\$ 4,764,400</u>	<u>\$ 16,632,700</u>

Affordability/Retention Strategies

- Board Endorsed Enrollment Growth
- Cost Containment / Lean Initiatives
- Community College Initiatives
- Competitive Pricing
- No Fees
- Student Full Aid Guarantee
- Summer Campus Corps
- First Year Advising Center

FY2013 Higher Education Formula Funding

	<u>Amount</u>							
FY2012 Base Funding	\$ 43,145,000 ←	<table border="0" style="font-size: small;"> <tr> <td>FY2011 Approp.</td> <td style="text-align: right;">\$ 50,761,300</td> </tr> <tr> <td>FY2012 Base cut</td> <td style="text-align: right;"><u>(7,616,300)</u></td> </tr> <tr> <td>FY2013 Approp. Base</td> <td style="text-align: right;">\$ 43,145,000</td> </tr> </table>	FY2011 Approp.	\$ 50,761,300	FY2012 Base cut	<u>(7,616,300)</u>	FY2013 Approp. Base	\$ 43,145,000
FY2011 Approp.	\$ 50,761,300							
FY2012 Base cut	<u>(7,616,300)</u>							
FY2013 Approp. Base	\$ 43,145,000							
Base Adjustments	0							
FY2013 Base Funding	<u>\$ 43,145,000</u>							
<i>One-Time Components:</i>								
Critical Skills Undergraduate Degrees/Certificates	\$ 378,010							
6-Yr Graduation Rate	0							
Total Degree Completions	489,419							
Institutional Support as a % of Core Exp.	0							
Total Research and Development Exp.	20,845							
Tuition Restraint *	TBD							
Total One-time Adjustments	<u>\$ 888,274</u>							
<i>Total FY2013 Base and One-time</i>	<u>\$ 44,033,274</u>							
<i>% Change</i>	2.1%							
Tuition Restraint Limit	4.0%							

* Actual dollar amount will be known when tuition rates for all universities are established

FY2013 State Appropriations

“Reality”

- Flat base appropriation
- Performance funding in one-time dollars
- Tuition metric funding difficult to estimate
- Performance metrics will likely change over time
- Value of each performance metric will change
- Intent: Going forward base appropriation to remain the same, while growing the performance (one-time) funding
- Difficult to build budgets with one-time performance funding

FY2013 General Fund Budget

Assumptions

- Flat base state appropriation
- 1.65% enrollment increase over FY2012 budget (excluding School of Medicine)
- 2.96% tuition increase
- Aggressive financial aid strategy
 - Student full aid guarantee
 - Increase in need and merit based institutional aid
- Continued healthy living benefit savings
- Lean practice cost containment initiatives

FY2013 General Fund Budget

Assumptions

- Program Improvements:
 - Faculty positions
 - First Year Advising Center
 - Library collections
 - New Human Health Bldg. operating costs
- Operating needs funded (e.g. software licenses, utilities)
- Continued pricing transparency (no fees)
- Undergraduate tuition rate below State average (“all-in”)

FY2013 General Fund Budget

Proposed Budget Adjustments

General Categories:

Human Health Building operations	\$ 886,126
Faculty positions	750,000
First Year Advising Center	453,765
Software licensing	204,289

Other Adjustments by Division:

Academic Affairs	443,343
Student Affairs	236,885
President	208,327
Finance and Administration	126,185
Development	39,120
General	10,171

Total	<u><u>\$ 3,358,211</u></u>
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FY2013 General Fund Budget

Executive Council Budget Requests Not Funded

• Central IT positions	\$ 703,364
• Graduate Assistantship Support	615,716
• Faculty (part-time)	540,000
• Move OU Grad. programs on-line	330,992
• Supplies and services CAS	283,000
• Equipment	268,000
• Deferred plant renewal	225,000
• Library subscriptions	175,000
• Other	7,004,604

Total Unfunded Requests \$ 9,442,312

FY2013 General Fund Budget

Oakland University William Beaumont School of Medicine Budget Assumptions

Enrollment:

- Cohort 1 – 49 students
- Cohort 2 – 75 students

Tuition - \$44,470 (proposed 4% increase)

Philanthropy - \$11M

Faculty – 20 new faculty (100% increase)

Meet LCME accreditation standards

FY2013 Budget Summary

- Revenue Budget \$209,732,700
- Expense Budget \$209,732,700
- Financial Aid \$27,613,120
- Graduate Tuition \$14,286 (2.94%)
- Undergraduate Tuition \$10,706 (2.96%)

**Oakland University
Fiscal Year 2013
Proposed General Fund Budget**

Attachment B

Category	FY 2012 Budget	FY 2013 Projected Budget	Amount Change	% Change
State Appropriation - Base	\$ 43,145,000	\$ 43,145,000	\$ 0	0.00%
Student Tuition	179,693,606	191,710,057	12,016,451	6.69%
Financial Aid Offset	(25,610,715)	(27,613,120)	(2,002,405)	7.82% (1)
Net Tuition & Fees Revenue	\$ 154,082,891	\$ 164,096,937	\$ 10,014,046	6.50%
Indirect Cost Recovery	1,800,000	2,200,000	400,000	22.22%
Miscellaneous Income	329,718	290,763	(38,955)	-11.81%
Encumbrances	9,052,435	0	(9,052,435)	-100.00% (2)
Total Funding Sources	<u>\$ 208,410,044</u>	<u>\$ 209,732,700</u>	<u>\$ 1,322,656</u>	<u>0.63%</u>
Less: Budgeted Expenditures	<u>\$ 208,410,044</u>	<u>\$ 209,732,700</u>	<u>\$ 1,322,656</u>	<u>0.63%</u>
Revenues Over (Under) Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	
FYES Enrollment	16,259	16,601	342	2.10%

Notes:

1) The university has adopted financial statement presentation changes as recommended by GASB 34 and 35 and NACUBO principles for financial statement presentation. As a result, institutional financial aid is shown as an offset to revenues.

2) The projected budget does not include any encumbrances and carryforwards. Encumbrances and carryforwards as of June 30 will be added to the budgeted expenditure base for the following fiscal year as a one time allocation.

Wednesday, August 01, 2012 1:33:04

**Oakland University
General Fund Budgeted Expenditures
Fiscal Year 2012 vs. 2013**

	FY2012 Adjusted Total Budget	FY2012 Enc. / Carryforward	FY2012 Adjusted Base Budget	FY2013 Budget Changes	FY2013 Budget
School of Medicine	\$ 2,288,000	\$ 0	\$ 2,288,000	\$ 3,376,280	\$ 5,664,280
College of Arts & Sciences	37,001,897	(326,439)	36,675,458	1,492,106	38,167,564
School of Business Administration	13,004,600	(296,976)	12,707,624	568,508	13,276,132
School of Education and Human Services	8,404,882	(9,681)	8,395,201	345,171	8,740,372
School of Engineering and Computer Science	9,091,764	(210,208)	8,881,556	375,527	9,257,083
School of Health Sciences	4,493,100	(85,222)	4,407,878	257,863	4,665,741
School of Nursing	5,405,263	(150,977)	5,254,286	195,012	5,449,298
Kresge Library	5,244,670	(181,937)	5,062,733	178,412	5,241,145
Instructional and Information Technology	7,020,010	(397,233)	6,622,777	153,715	6,776,492
Academic Affairs - Other	41,640,826	(3,715,342)	37,925,484	2,980,634	40,906,118
Finance & Administration	21,821,896	(579,897)	21,241,999	1,590,234	22,832,233
Student Affairs	16,980,718	(647,496)	16,333,222	947,417	17,280,639
University Relations	4,125,767	(935,555)	3,190,212	148,544	3,338,756
President	11,262,025	(1,515,472)	9,746,553	470,442	10,216,995
General	20,624,626	0	20,624,626	(1,499,414)	19,125,212
Total	\$ 208,410,044	(\$ 9,052,435)	\$ 199,357,609	\$ 11,580,451	\$ 210,938,060

School of Medicine FY2013 Budget Changes includes financial aid of \$1,205,360.

**Oakland University
Schedule of Tuition Rates
Effective Fall Semester 2012**

Tuition Rate Per Credit Hour	Current Rate 2012	Proposed Rate 2013
Resident UG Lower	331.25	341.00
Resident UG Upper	362.00	372.75
Resident Grad	578.25	595.25
Resident Doctoral	578.25	595.25
Non Resident UG Lower	773.00	795.75
Non Resident UG Upper	828.75	853.25
Non Resident Grad	997.50	1,027.00
Non Resident Doctoral	997.50	1,027.00
Competency	50.00	55.00
School of Medicine	42,760.00	44,470.00

Summary comparison of tuition rates:

A) Undergraduate Michigan resident student taking a full 15 credit hour load for two semesters (30 total credit hours):

1) Lower Division Tuition	9,937.50	10,230.00	
2) Upper Division Tuition	10,860.00	11,182.50	
Residential Undergraduate Average	10,398.75	10,706.25	2.96%

B) Graduate Michigan resident student taking a full 12 credit hour load for two semesters (24 total credit hours):

Graduate Tuition	13,878.00	14,286.00	2.94%
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Lower / Upper division undergraduate students defined:

Lower Division - All non-matriculating (non-degree seeking) students, all O.U. freshman and sophomores with less than 56 credits.

Upper Division - Guest students from other colleges, all O.U. undergraduate students who have earned undergraduate degrees and who have been admitted to a second O.U. undergraduate degree program, all O.U. undergraduates with 56 or more undergraduate credits, and all students with post bachelor admission status

The School of Medicine tuition rate is annual.