

**APPROVAL OF FY 2005-2006 OPERATING BUDGET REQUEST
FOR SUBMISSION TO THE DEPARTMENT OF MANAGEMENT AND BUDGET
OF THE STATE OF MICHIGAN**

A Recommendation

Introduction

Each fall the University is given the opportunity by the State to submit its request for annual operating needs for the following year. The required Operating Budget Request is attached. The tenuous State budget situation clearly diminishes the likelihood of any additional resource allocation actions at the State level again this year. However, the operating budget request process gives the University an opportunity to inform the State of its high priority needs as well as highlighting cost containment initiatives in which the University is engaged. The FY 2005-2006 Operating Budget Request includes:

- A State funding per Fiscal Year Equated Student (FYES) analysis;
- A program enhancement initiative in general education; and
- A report on University cost containment efforts (required data).

Budgetary Implications

The total budget requested for FY 2005-2006 is \$9,006,000. Of this, \$6,506,000 is related to the University's per FYES funding request, while \$2,500,000 is attributable to the University's distinctive undergraduate experience initiative.

Recommendation

RESOLVED, that the Board of Trustees approve the submission of the attached Oakland University FY 2005 - 2006 Operating Budget Request to the Department of Management and Budget, State of Michigan, as representative of the University's budget needs for the University's 2005-2006 fiscal year.

Attachments

1. FY 2005-2006 Operating Budget Request

Submitted to the President
on _____, 2004 by

Thomas P. LeMarbe
Director, Office of Budget and Financial Planning

Recommended on _____, 2004
to the Board of Trustees for Approval by

Gary D. Russi
President

ATTACHMENT 1

OAKLAND UNIVERSITY FY 2005-06 OPERATING BUDGET REQUEST

October 5, 2004

**OAKLAND UNIVERSITY
PROGRAM SUMMARY STATEMENT**

**FY 2005-06 Operating Budget Request
For Submission to the Department of Management and Budget
of the State of Michigan**

Background

Founded in 1957 as an extension of Michigan State University, Oakland University became fully autonomous in 1963, and is now the 8th largest of the 15 public universities in Michigan. At that time, more than 70 percent of its revenues came from State appropriations.

Today Oakland University has over 16,900 students and is a nationally-ranked, academic institution offering students a personal, high-quality education through flexible class schedules, new facilities, student services, classroom technologies, labs, internships, co-ops, research opportunities with corporate partners, and a large number of undergraduate and graduate degree and certificate programs.

As a relatively young but growing institution, Oakland University's general fund revenues are dependent almost solely on a combination of State appropriations (36%) and tuition and fees (62%). Only 2% of Oakland University's FY 2005 general operating revenues will come from other sources.

The University's evolution from a small, primarily undergraduate liberal arts institution to what it is today has been dramatic and challenging. One of the most significant challenges has been managing the precipitous decline in State appropriations per Fiscal Year Equated Student and a greater reliance on tuition and fees, particularly since 2001.

Summary of Request

Oakland University is submitting this Budget Request for FY 2006 to support a record enrollment of over 13,700 Fiscal Year Equated Students (FYES), the 10th consecutive year of enrollment growth. This year's request includes a per FYES funding request and additional funding to support the University's distinctive undergraduate education program initiative. At the forefront of the economic request is the budget crisis resulting from the significant decline in state appropriations per FYES in recent years. At an appropriation of \$3,523 per FYES, the University now receives \$451 per FYES less than it did 10 years ago (see State Appropriation per FYES chart). Comparatively, Oakland University is well below the State average (\$4,497 per FYES), excluding UMAA, MSU and WSU.

Oakland University's single top priority program enhancement initiative focuses on the University's commitment to develop and maintain a highly distinctive undergraduate experience for our students. This initiative impacts many areas across campus, and

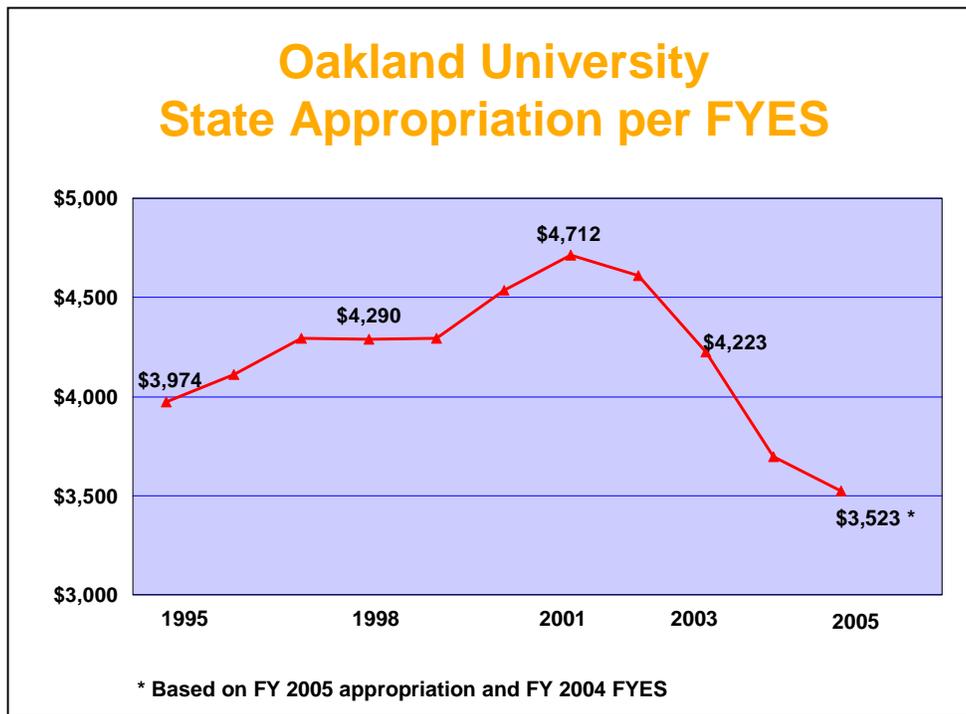
envision a holistic approach to creating a unique experience for undergraduate students. Such an approach encompasses but is not limited to:

- Enhancing research based learning and making it a standard
- Expanding the number of internships and cooperative education opportunities in all disciplines, wherever feasible
- An international center that engages business and industry, featuring both actual and virtual learning experiences
- A focus on interdisciplinary thinking and collaborative learning
- Creating a linkage to communication skills (oral and written) for all courses
- Utilizing technology to foster creative thinking and research
- Cultivating a strong sense of community and belonging for all students

Per FYES Funding Request

\$6,506,000

This year, universities were asked to provide viewpoints regarding the criteria to employ for determining the distribution of state operations support for higher education. Oakland University continues to encourage a funding structure that helps support universities under pressure from increased enrollments. Establishing minimum per FYES levels has helped provide some relief in the wake of appropriation reductions, however, for planning purposes, it is important that a fair and equitable funding strategy be adopted on a consistent basis. Minimum per FYES funding helps universities; particularly growing institutions, deal with the pressure of providing access to higher education without jeopardizing quality.



At \$3,523 per FYES, Oakland University will receive \$974 per FYES less than the twelve-school average. Therefore, the main portion of the University's budget request is to have the appropriation per FYES floor increased to \$4,000. This increase will enable the University to provide increases in operating support sufficient to meet the current increase in the Consumer Price Index (CPI-U), and to provide some catch-up in areas that have experienced above average enrollment growth or a pattern of expenditures, which have been adversely affected by cost increases above the standard rate of inflation.

Per FYES Funding Request:	
FY 2004 Actual FYES	13,653
Proposed per FYES Funding Floor	<u>4,000</u>
Appropriation at Minimum Funding Level	\$ 54,612,000
(Less) FY 2005 Estimated Appropriation	(48,106,101)
Funding Increase Required at Minimum Level	<u><u>\$ 6,505,899</u></u>

Program Request - Distinctive Undergraduate Experience \$2,500,000

Oakland University is requesting funding from the State of Michigan to support a distinctive undergraduate educational experience. Funding is requested for two components of the undergraduate mission: support for innovative elements of a distinctive general education program and support for undergraduate science and research opportunities.

Component 1: Distinctive General Education

Oakland University is in the process of implementing a new general education program. The new program is designed to provide the student with a core understanding of what it means to be an educated person in our society, to provide the foundation for success during their Oakland University experience and beyond, and to enhance the student's ability to effectively apply the knowledge and skills being learned to the workplace and the community. In short the new general education program is designed to help students become informed citizens as well as productive professionals.

In addition to knowledge and skills there are a number of capacities and values that not only contribute to the personal success of graduates but also to the success of society and the organizations within it. These capacities include: social awareness, information literacy, critical thinking, and effective communications, as well as diversity and global understanding. The University seeks funding to create centers that promote these

cross-cutting capacities and values in its students through active engagement.

- **Center for Social Awareness and Civic Engagement**

- **Need:** Democracy is founded on the concept of educated citizens making informed political decisions for their future. The foundation for such citizenry is an understanding of local, national, and global issues. This social awareness coupled with a willingness not only to get involved, but also to provide community leadership is the essence of civic engagement. Young people today continue to demonstrate idealism through volunteer work but have become disengaged from political and civic institutions.
- **Mission:** The Center for Social Awareness and Civic Engagement is designed to increase social awareness and civic understanding through guided service learning, applied research on community problems, public policy analysis, dissemination of knowledge developed through research and practice, and creation of campus dialogues regarding social issues.
- **Benefits - Center activities will:**
 - Integrate social awareness and experience-based learning into general education courses taken by the majority of Oakland University's undergraduate students
 - Enliven the teaching/learning environment
 - Demonstrate relevance of civic education to life and careers
 - Increase awareness of current social issues
 - Develop student leadership skills
 - Help provide human resources to meet local community needs
 - Create an ethic of leadership through service in tomorrow's civic leaders
 - Connect students to local, state, and national government and civic institutions

- **Center for Global Understanding and Diversity**

- **Need:** The importance of understanding other cultures has been underscored by the events of September 11, 2001. Employers are increasingly seeking graduates who understand globalization and can function in multicultural and diverse settings. Emphasis on study abroad programs will help serve this need as these experiences have been shown to have life-changing impact on Oakland University students.
- **Mission:** The Center for Global Understanding and Diversity is designed to mainstream international learning opportunities for Oakland University undergraduates. Focus will be to integrate international components across the general education curriculum, and to create awareness of global interdependence through international student exchanges, international internships, capstone foreign experiences with business and industry partners, visiting international scholars and speakers. The Center will pursue partnerships with other higher education institutions in

Michigan and the U.S., and explore the relationship of the U.S. to international diversity. In addition, a number of faculty exchanges with other Michigan universities, geared toward enhancing the scope of international instruction and ethnic studies at Oakland University will be arranged.

Oakland University is located in Oakland County, which is Michigan's leading center for international commercial activity with 648 companies representing 24 countries doing business there. This affords the University a unique opportunity to create a model for international student experiences that are fostered through business and industry partnerships.

- **Benefits - The Center will:**
 - Internationalize Oakland University's curriculum
 - Increase student global understanding
 - Broaden and enrich Oakland University's educational experience through the presence of international students and scholars
 - Create partnerships with international business and industry
 - Increase the attractiveness of Oakland University graduates to employers through international experience and foreign language proficiency
 - Promote understanding between Oakland University and surrounding ethnic communities
 - Increase the number of Oakland University students studying abroad
- **Center for Information Literacy and Critical Thinking**
 - **Need:** Information literacy is the ability to access, evaluate, organize and use information. It is the ability to judge the relevancy, quality, and suitability of information and to turn it into knowledge. Critical thinking has been defined as the ability to analyze problems and bring appropriate information to bear in forming solutions.

Most students are accustomed to formal learning settings in which information is carefully selected and organized for them. Information literacy allows students to become self-directed learners and problem-solvers, who are able to search out information and apply it to the problems they encounter in their work and their lives. Information literacy frees a person to become a lifelong learner. It provides a foundation for growth throughout their careers and allows them to act as informed citizens.
 - **Mission:** The Center for Information Literacy and Critical Thinking will teach, research, and promote information literacy and critical thinking across the curriculum by actively engaging students in workshops, projects, and selective activities.

- **Benefits – The Center will develop:**
 - Educated citizens able to evaluate the credibility and validity of information to make informed decisions
 - Discerning consumers of information able to sort through a deluge of information to resolve public issues
 - Graduates who can frame significant questions, engage in creative research, and seek out answers
 - Self-directed, active learners and problem solvers
 - Lifelong learners
- **Center for Excellence in Writing and Communications**
 - **Need:** The ability to effectively articulate and communicate ideas in written and oral form is among the most important capacities that potential employers seek in graduates. Effective communication skills are also fundamental to a satisfying and successful personal life.
 - **Mission:** The Center for Excellence in Writing and Communications is designed to be a center for the advancement of effective writing and communications among all academic areas at Oakland University and to be a resource serving writing and communications needs of the external business community. The Center will pursue its mission by promoting a culture and cohesive vision of writing and communications across the University curriculum, providing faculty workshops on incorporating writing as a learning tool in the disciplines, supporting junior and senior level intensive writing courses in general education, creating an on-line writing resource center, promoting research on effective writing, providing outreach to local high schools and spring/summer writing workshops, and by providing writing assistance to local business and industry.
 - **Benefits:**
 - Acquisition of effective writing and communication skills will enhance retention, graduation and placement of Oakland University graduates
 - Effective writing and communications skills will have a positive impact on the contribution of Oakland University graduates in the work force
 - Effective writing and communications skills will impact academic success across the disciplines
 - Oakland University could become a national center for research on effective writing and communication and for interdisciplinary collaboration on writing in the disciplines

Component 2: Science and Research Opportunities for Undergraduate Students

Undergraduate Science Opportunity

- **Need:** Oakland University seeks to provide all undergraduate students a

full science/technology laboratory experience in general education. Currently, Oakland University's ability to meet this goal is limited. The goal of providing a full science laboratory is especially important since the science/technology course taken in general education may be the only science course taken during the baccalaureate degree.

- **Benefits:**
 - The ability to provide a meaningful laboratory experience may interest more students in pursuing careers in science and technology. This opportunity is especially important for female and minority students who elect to pursue science and technology careers less often. Such opportunities are also important for maintaining a scientifically and technologically proficient work force in Michigan.
- **Undergraduate Research Opportunities:** Oakland University has a long tradition of involving undergraduate students in faculty sponsored research projects. This tradition highlighted by the following research accomplishments:
 - Over the past 20 years, nearly 500 students have authored research articles in peer-reviewed professional journals in the natural sciences alone
 - In 1996, Oakland University's program in Biological Communications was one of only 46 institutions in the U.S. to receive funding from the prestigious Howard Hughes Medical Institute
 - In 2001, Oakland University was honored nationally when its interdisciplinary program in Biology and Chemistry received the MERCK-AAAS undergraduate research award to provide opportunities for 10-12 students to work with faculty mentors to conduct interdisciplinary research
- **Need:** By collaborating in such faculty-sponsored research, Oakland University students have reaped great rewards and built a solid foundation of skills for future success. The scope however has been limited and there exists opportunity to enhance Oakland University undergraduate students research opportunities through additional focus in this area.
- **Program:** Therefore, Oakland University proposes an extended research program that would provide opportunities to all students in all disciplines, while also supporting faculty research and mentorship.
 - Each student applicant would be eligible for a \$1,000 research award, which would be used for project research material. Participants also could request up to an additional \$500 for travel support to present their research results at a professional conference. This program is designed to support juniors and seniors and some exceptional proposals from other undergraduates.
 - The program would be flexible enough to recognize the opportunities for group research such as the Port Huron Archaeology Project in which, over the course of nearly 20 years, Oakland University students enrolled in an

archaeology methods course and conducted original archaeological research at the Fort Gratiot and Thomas Edison Homestead sites culminating in the publication of research findings in a 1994 book and other forms of public dissemination. The public interest aroused by the project led to the raising of enough money to create the Thomas Edison Museum in Port Huron. A similar undergraduate research program is now underway at a thousand-year-old Native American village in the town of Romeo.

- **Benefit:** Through this distinctive research program, undergraduate students would receive an opportunity to develop and strengthen the skills they need to lead in tomorrow's workplace and society.

Total Fiscal Year 2006 Funding Request Summary:

Per FYES Funding	\$ 6,506,000
Distinctive Undergraduate Experience	2,500,000
Total	<u>\$ 9,006,000</u>

Oakland University Cost Containment Efforts

Oakland University has taken a number of measures over the last several years to control costs. A review of FY 2003 HEIDI data reveals that Oakland University ranks 13th among the 15 State universities in General Fund Expenditures per FYES. At a cost of \$9,538 per FYES, Oakland University is well below the average (\$11,044) of the twelve universities, excluding the three major research universities.

Comparatively, this illustrates that the University is managing its cost very well, most notably during a period of sustained enrollment growth and infrastructure expansion.

Enrollment increases at Oakland University over the last few years have continued to create cost containment challenges. Continued growth in the number of students has made it necessary to increase the number of faculty, and on a much more limited basis, the staff. Each year, however, the faculty staffing is analyzed and re-aligned based on demand. In FY 2005 over \$3.2 million of faculty salaries from vacant positions resulting from retirements and other turnover was re-allocated among the academic units before any new funding decisions were made. The same approach has been followed with other employee groups and the University has been able to avoid cost increases by redirecting human resources to areas most affected by growth.

Outsourcing

Outsourcing has become a major source of savings at the University. While many activities were outsourced prior to FY 2005, these outsourcing decisions have

continued to generate substantial savings.

Custodial Services: The University has contracted for the custodial services in the newer buildings on campus. Estimated annual savings from competitively bidding these services are \$200,000.

Bookstore: The Bookstore has been outsourced through a competitive bid process since FY 1993. Over \$186,000 in additional revenue is realized from this arrangement on an annual basis. In addition, the University realized annual savings of more than \$25,000 by not having to carry Bookstore inventory.

Central Stores: The University has outsourced office supplies through a competitive bid process since FY 1993. The vendor delivers supplies directly to departments. Annual savings are estimated at \$164,000.

Food Service: The University has contracted food services since FY 1972. Under a contract competitively bid in FY 2002, the University receives \$250,000 annually in commissions from the vendor.

Meadow Brook Music Festival: The University contracts out the management of Meadow Brook Music Festival to the Palace Sports and Entertainment. Historically, the University operated the Festival at a loss. The University now receives a guaranteed minimum commission of at least \$105,000 per year plus 6% of gross box office revenue over \$3 million. In addition, the Palace paid \$450,000 upon signing of the ten-year contract and committed to make \$1,750,000 in capital improvements over the life of the contract. Between the commission, avoidance of an operating loss, amortization of the contract signing bonus and capital improvements, the current revenue picture has improved by approximately \$250,000 on a continuing annual basis.

Meadow Brook Theatre: Beginning in FY 2004, the University entered into an agreement with the Meadow Brook Theatre Ensemble to outsource the operation of the professional theatre. The new ensemble will pay the University a guaranteed fixed amount in addition to per ticket revenue for each performance. The annual University savings, plus the contract revenue impact from this agreement is expected to be around \$125,000.

School of Nursing Partnerships: Oakland University's School of Nursing has been very innovative in partnering with local Health Care Delivery Systems. Currently the School has partnerships with William Beaumont Hospital, St. John's Hospital, Providence Hospital, Detroit Medical Center and Crittenden Hospital.

Through these partnerships, Oakland University's School of Nursing receives the following:

- Hospitals provide half the salary of a recruiter that goes into high schools and other settings and recruits for the Oakland University School of Nursing

- Hospitals cover the cost of recruitment brochures
- Hospitals provide the University with donated equipment and disposable supplies
- Hospitals provide \$47,000 annually in scholarship funding for nursing students

The annual financial benefit to the University is in excess of \$85,000.

Utilities: Utilities are an area under constant review and focus for savings related to the cost of services received and consumption reduction. To this end, Oakland University contracted with Viron Energy Services to review energy consumption on campus and make necessary retrofits, replacements, etc. to lower energy costs. It is estimated that the University will continue to realize significant savings from this contract. Disguising the true impact of cost containment efforts in this area have been the continual addition of new buildings, rising prices for some utilities, and steady demand increases over time. The University has recently begun to experience the benefits of improved monitoring and tracking through dedicated energy management personnel and expect very positive cost containment measures in FY 2005 and beyond. A review of some of the actions taken follows:

Action	Savings FY 03	Savings FY 04	Savings FY 05	Projected Savings FY 06
Viron Performance Contract	\$ 439,600	\$ 450,165	\$ 462,283	\$ 476,096
Add'l Lighting and Misc. Piping Rev.	9,000	9,000	9,000	9,000
Science & Eng. Bldg. Chiller/ Ice Storage Optimization	2,000	32,000	20,000	20,000
Automated Energy Metering and Information System	200,000	200,000	200,000	200,000
Electric Choice Purchasing Contract with Quest Energy	500,000	380,000		

Health Benefits Changes: Over the past three years, Oakland University employee groups have agreed to pay higher prescription drug co-pays, as well as new co-pays for office and emergency room visits. Through the Health Benefits Council, with representation from all employee groups, the employee health benefit plans have been restructured to achieve additional savings. Total estimated annual savings from all of these changes is \$863,000.

Going Paperless: By taking advantage of available technology, the University has been able to save substantial paper, printing and mailing costs. Monthly financial reports that were previously printed and mailed to departments are now delivered

electronically for an estimated annual savings of \$50,000. Beginning in fall 2003, official Oakland University communications with students were done through e-mail and the web, including schedule of classes, grades and much more. This is estimated to save \$75,000 per year.

Restructuring/Re-Engineering: The University regularly reviews staffing levels and configurations, process design and other operational aspects in order to achieve savings. Some major initiatives over the past several years include reorganizations in Facilities Management and Purchasing, changing the service model in the Graham Health Center, restructuring Information Technology and Student Orientation. Combined, these efforts have generated savings of over \$400,000.

Technology/Telecommunications Savings: The University renegotiated a telephone switch lease, which resulted in annual savings of \$75,000. Remote dial-in access for faculty and staff has been significantly reduced, for an annual savings of \$37,000.

Debt Re-financing: The University has recently re-issued outstanding debt and through the re-financing arrangement has been able to reduce debt service obligations by an estimated \$180,000 per year.

Strategies for Identifying Further Cost Containment Initiatives: Academic Affairs is currently conducting a rigorous review of all academic programs to identify high cost, low degree producing programs for further study. An Employee Suggestion Program has been initiated to identify opportunities for process improvements or cost savings. The Pawley Institute for Lean Management Training, an endowed University program, will be used to help the campus community understand how to eliminate waste from its processes and become even more efficient.