

GENERAL FUND BUDGET AND TUITION RATES
FOR FY2014

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 FY2014 General Fund budget and tuition rates. Highlights and assumptions for this proposal are described below.

Attachment A is a FY2014 General Fund Budget Briefing.

Attachment B is the FY2014 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 FY2013 General Fund budget.

Attachment C is the proposed Schedule of Tuition Rates Effective Fall Semester 2013.

State Appropriations:

The FY2014 base appropriation budget is \$45,634,800 and includes the FY2014 performance funding of \$670,700 (1.5%). The 1.5% increase relates to the State's performance funding using Carnegie classification peer comparisons for critical skills degree completions, research expenditures, six-year graduation rates, total degree completions, and institutional support as a percent of core expenditures. Despite the FY2013 and FY2014 appropriation increases, the University's appropriation level is \$1 million below what it was ten years ago. Historically, the University has been underfunded by the State on a per Fiscal Year Equated Student (FYES) basis as compared to the other public universities in Michigan. The University's FY2014 base appropriation per FYES will be \$2,796 as compared to the state average of \$4,414, second lowest in the State.

Again this year, the State implemented a tuition restraint mandate, 3.75%, with which the University must comply or risk losing its \$670,700 FY2014 performance funding.

Cost Containment and Budget Reductions:

The University has accumulated data on cost containment initiatives totaling over \$41 million of permanent and one-time savings, such as eliminating positions, reducing program offerings, further deferring needed maintenance, renegotiating vendor contracts, refinancing debt, energy savings initiatives, 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 fifth lowest in the state in FY2012, \$3,955 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 services, additional revenue is needed to adequately fund operations and strategic initiatives for the benefit of Oakland students. State funding as a percentage of the University's proposed FY2014 General Fund revenue remains at its all-time low of 18%, leaving 81% of the cost of the core operations of the University to be supported by student tuition. Even with the continuation of cost containment and budget reduction initiatives, a tuition increase is necessary to protect the core education of Oakland 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, the proposed FY2014 resident undergraduate average tuition rate for a full time student is \$11,108, a 3.75% increase, \$13.38 per student credit hour. The proposed FY2014 resident graduate tuition rate for a full time student is \$14,820, a 3.74% increase.

In FY2013, on average, a full-time undergraduate student received non-debt financial aid (scholarships, grants, and other awards) of \$3,891, reducing the overall net average cost by nearly one third, to \$6,815.

Highlights of the Proposed General Fund Budget:

Revenue:

1. State appropriation of \$45,634,800, 1.5% higher than FY2013 total appropriation.
2. FYES enrollment of 16,978 (excluding School of Medicine), a 3% increase over the prior year budget. FYES projections include an estimated impact from the University's move to the Horizon League.
3. Average undergraduate in-state tuition of \$11,108 for full-time students, an increase of 3.75%.
4. Average graduate in-state tuition of \$14,820 for full-time students, an increase of 3.74%.
5. Continuation of no fee pricing strategy.

Expenditures:

1. Expense budget increases made up of, in part:
 - a. Program improvements: New academic degree program funding, 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.

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2. Continued focus on student financial aid funding including the student full aid guarantee, economic hardship fund, and competitive merit-based scholarship awards.
3. **Previous Board Action:** On August 6, 2012 the Board approved the FY2013 General Fund budget and tuition rates.
4. **Budget Implications:** Approval of the FY2014 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2013 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 FY2014 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2013 were developed by the Office of Budget and Financial Planning, with input from the President's 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 FY2014 Proposed General Fund Budget and Schedule of Tuition Rates Effective Fall Semester 2013 require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approves the FY2014 General Fund Budget at an expenditure level of \$221,417,394 (see Attachment B for detail) and approved encumbrances and carry-forwards from the June 30, 2013 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates Effective Fall Semester 2013 (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:

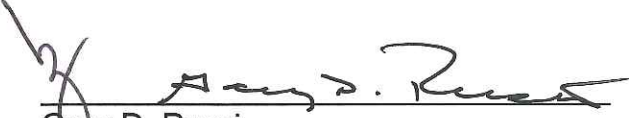
- A. FY2014 General Fund Budget Briefing
- B. FY2014 Proposed General Fund Budget
- C. Schedule of Tuition Rates Effective Fall Semester 2013

Submitted to the President
on 6/20, 2013 by



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

Recommended on 6/24, 2013
to the Board of Trustees for approval by



Gary D. Russi
President



**FY2014 General Fund Budget
June 26, 2013**

FY2014 General Fund Budget

Guiding Principles

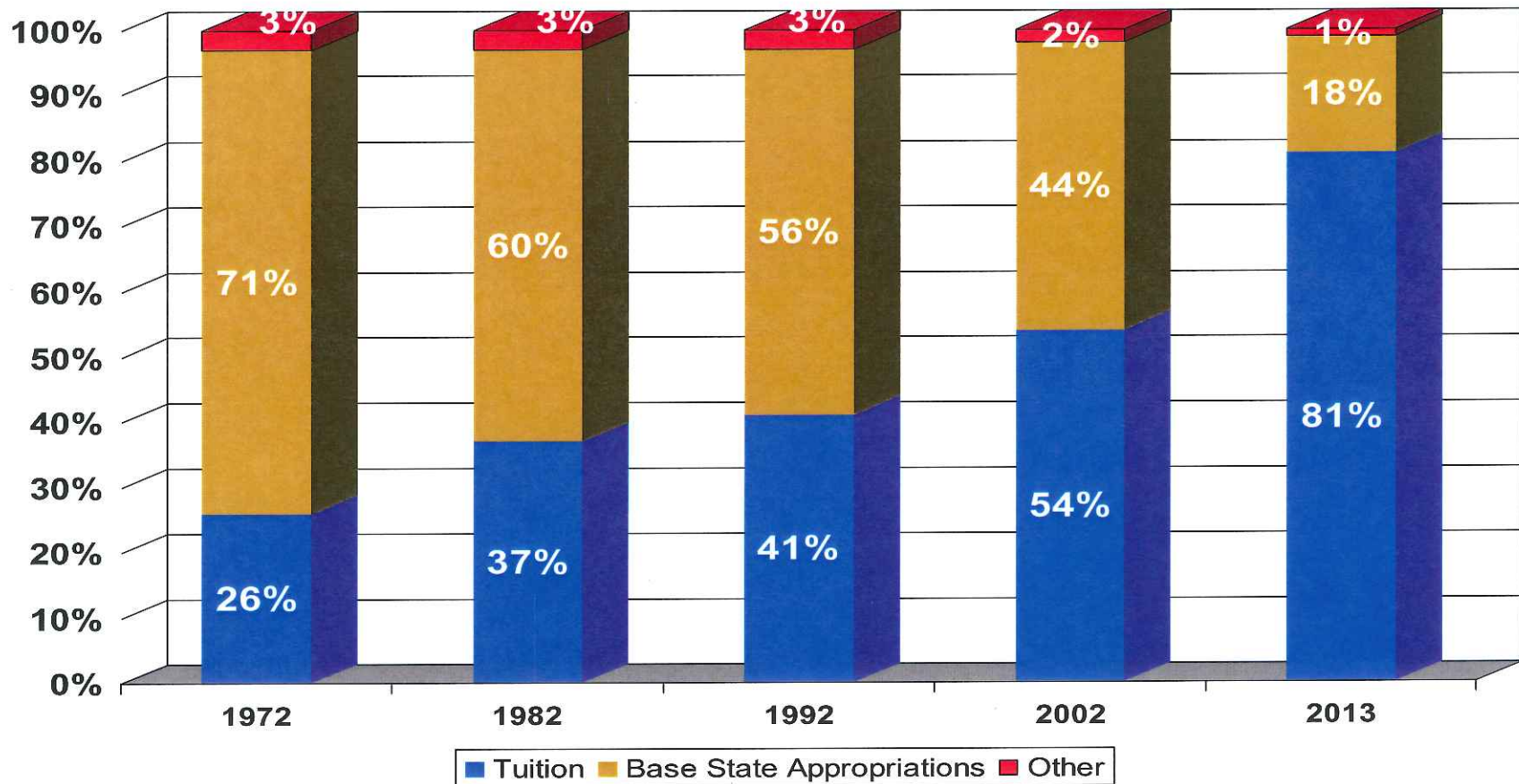
- Commitment to strategic vision
- Protect/strengthen academic mission
- Provide excellent student services
- Minimize net student cost (tuition less financial aid)



General Fund
Funding Model



Oakland University Funding Model



Comparison of general fund revenue sources FY1972 to FY2013



State Appropriations



FY2014 State Funding Per School

| <u>Universities</u> | <u>Base</u> | <u>FY2012 FYES</u> |
|---------------------|-------------------|------------------------|
| UM-Ann Arbor | \$ 279,108,700 | 42,918 |
| Michigan State | 249,486,300 | 44,738 |
| Wayne State | 183,933,000 | 23,873 |
| Western | 97,235,200 | 21,603 |
| Central | 73,486,600 | 22,510 |
| Eastern | 67,255,600 | 18,434 |
| Grand Valley | 57,765,100 | 22,347 |
| Oakland | 45,634,800 | 16,319 |
| Ferris | 45,602,600 | 12,217 |
| Michigan Tech | 43,451,900 | 6,378 |
| Northern | 41,719,800 | 8,568 |
| Saginaw Valley | 25,982,800 | 9,190 |
| UM-Dearborn | 22,503,700 | 6,669 |
| UM-Flint | 19,928,100 | 6,733 |
| Lake Superior | 12,226,500 | 2,418 |

Oakland University
State Appropriations, FY2004 – FY2014

| <u>Fiscal Year</u> | <u>Base Appropriation</u> | <u>FYES</u> |
|--------------------|-------------------------------|-------------|
| 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 | 16,319 |
| 2013 | 43,145,000 | |
| 2014 | 45,634,800 | |

FY2014 Base Appropriation per FYES

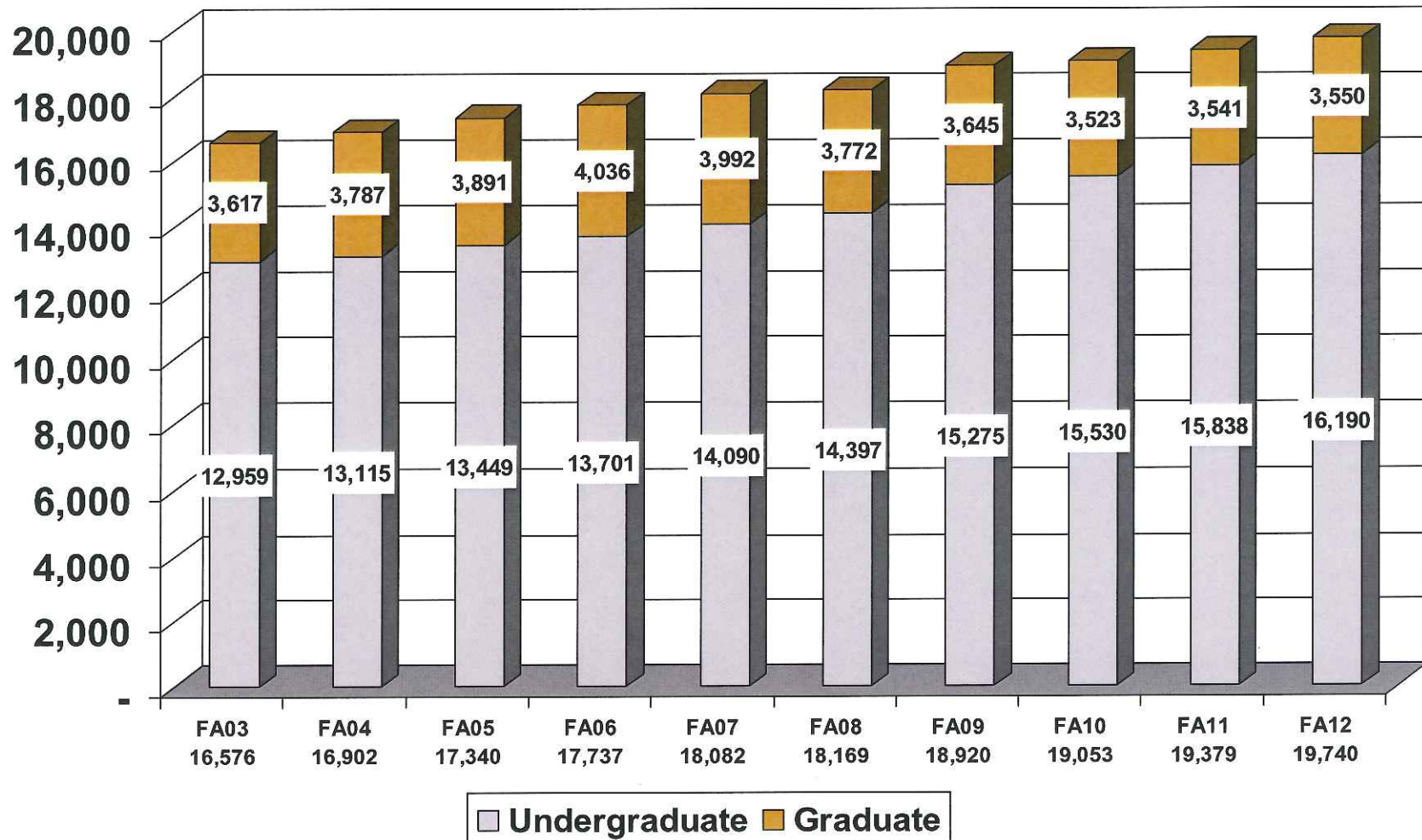
| | Appropriation per FYES | FY2012 FYES |
|-----------------------------------|---------------------------|----------------|
| | <hr/> | <hr/> |
| Wayne State University | 7,705 | 23,873 |
| Michigan Technological University | 6,813 | 6,378 |
| University of Michigan Ann Arbor | 6,503 | 42,918 |
| Michigan State University | 5,577 | 44,738 |
| Lake Superior State University | 5,056 | 2,418 |
| Northern Michigan University | 4,869 | 8,568 |
| Western Michigan University | 4,501 | 21,603 |
| Ferris State University | 3,733 | 12,217 |
| Eastern Michigan University | 3,648 | 18,434 |
| University of Michigan Dearborn | 3,374 | 6,669 |
| Central Michigan University | 3,265 | 22,510 |
| University of Michigan Flint | 2,960 | 6,733 |
| Saginaw Valley State University | 2,827 | 9,190 |
| Oakland University | 2,796 | 16,319 |
| Grand Valley State University | 2,585 | 22,347 |
| <i>Average</i> | \$ 4,414 | |



Enrollment/Tuition Management



10-Year Headcount Enrollment Growth, Fall 2003 – Fall 2012



Source: Institutional Research

FY2013 Undergraduate Tuition All-In Price per FYES

| <u>University</u> | <u>Tuition and Mandatory Fees *</u> | <u>All Other Fees **</u> | <u>Total All-in Price</u> |
|-------------------|---|------------------------------|-------------------------------|
| UMAA | \$ 13,819 | \$ 1,554 | \$ 15,373 |
| MTU | 13,353 | 1,576 | 14,929 |
| MSU | 13,265 | 295 | 13,560 |
| WSU | 10,989 | 968 | 11,957 |
| WMU | 10,461 | 1,092 | 11,553 |
| CMU | 10,950 | 253 | 11,203 |
| FSU | 10,710 | 375 | 11,085 |
| UMD | 10,250 | 689 | 10,939 |
| GVSU | 10,330 | 503 | 10,833 |
| OU | 10,706 | - | 10,706 |
| EMU | 9,026 | 1,441 | 10,467 |
| UMF | 9,574 | 707 | 10,281 |
| LSSU | 9,671 | 593 | 10,264 |
| SVSU | 8,120 | 1,117 | 9,237 |
| NMU | 8,709 | 365 | 9,074 |
| Average | \$ 10,662 | \$ 769 | \$ 11,431 |

* Source: HEIDI

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

Average Undergraduate Net Cost

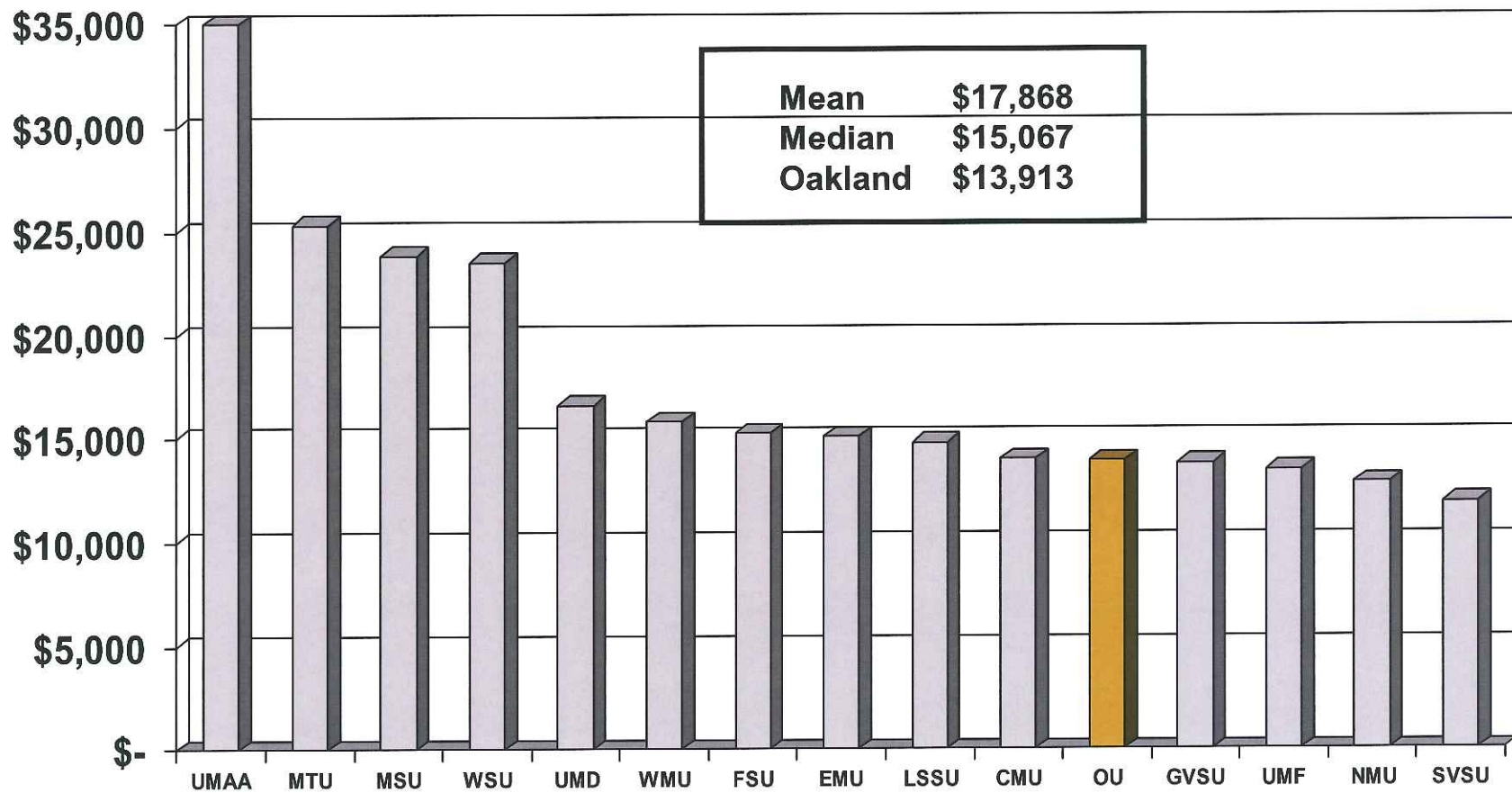
| | <u>FY2012</u> | <u>FY2013</u> |
|-----------------|---------------|---------------|
| Tuition | \$ 10,399 | \$ 10,706 |
| Financial Aid | (3,280) | (3,891) |
| Avg. Net Cost | \$ 7,119 | \$ 6,815 |
| Avg. Net Cost % | 68.5% | 63.7% |



Cost Controls and Efficiency

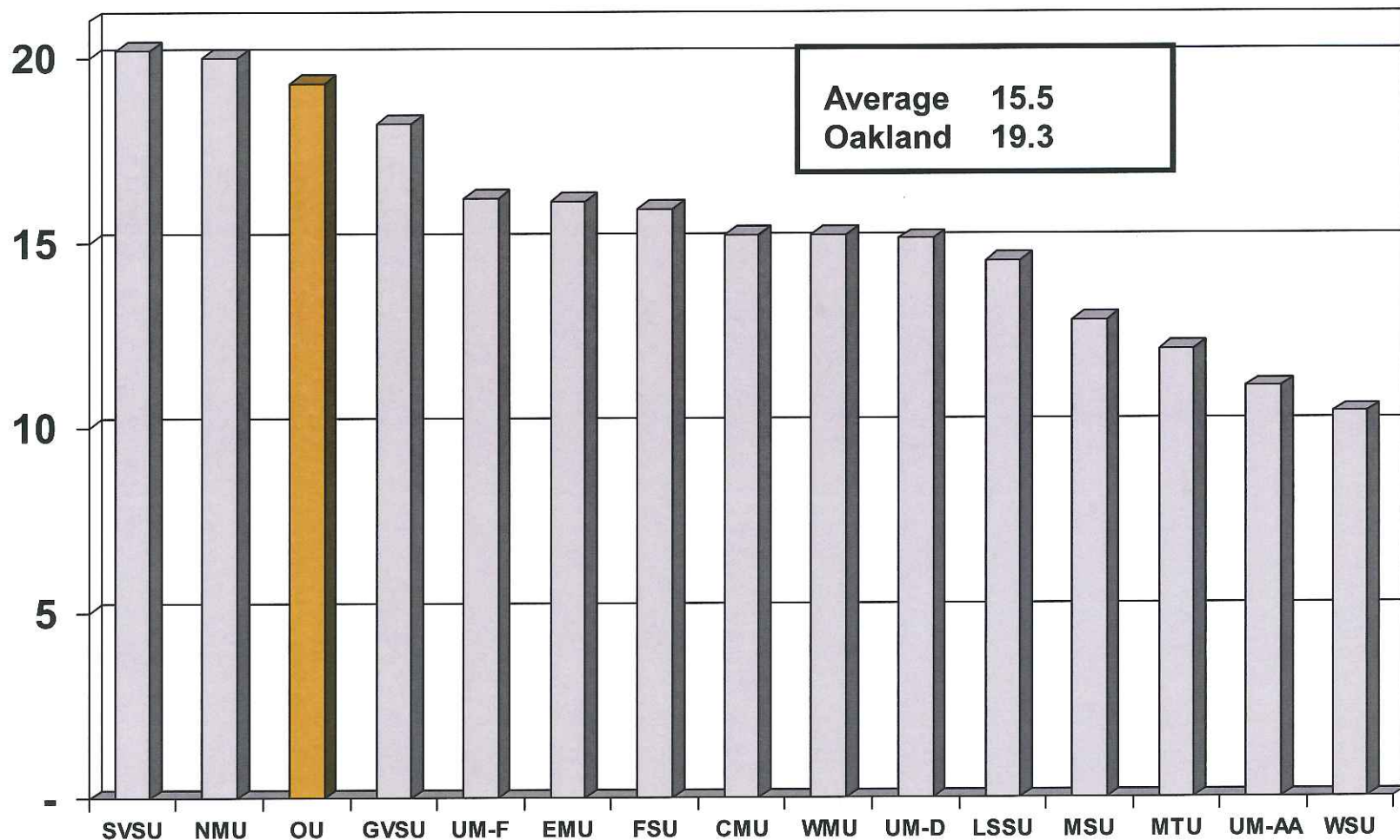


FY2012 General Fund Expenditures per FYES



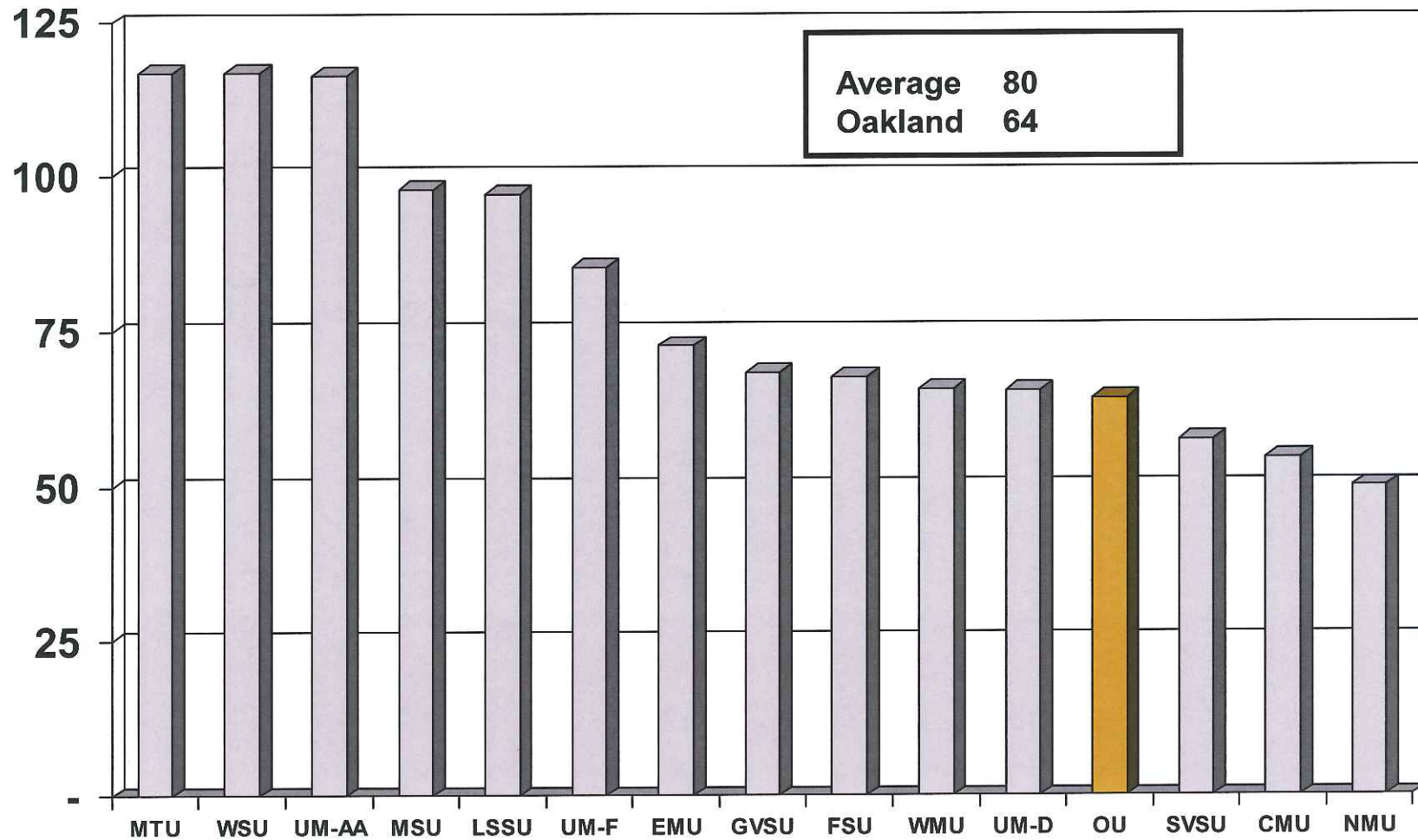
Source: HEIDI

FY2012 Michigan Universities FYES per Faculty FTE



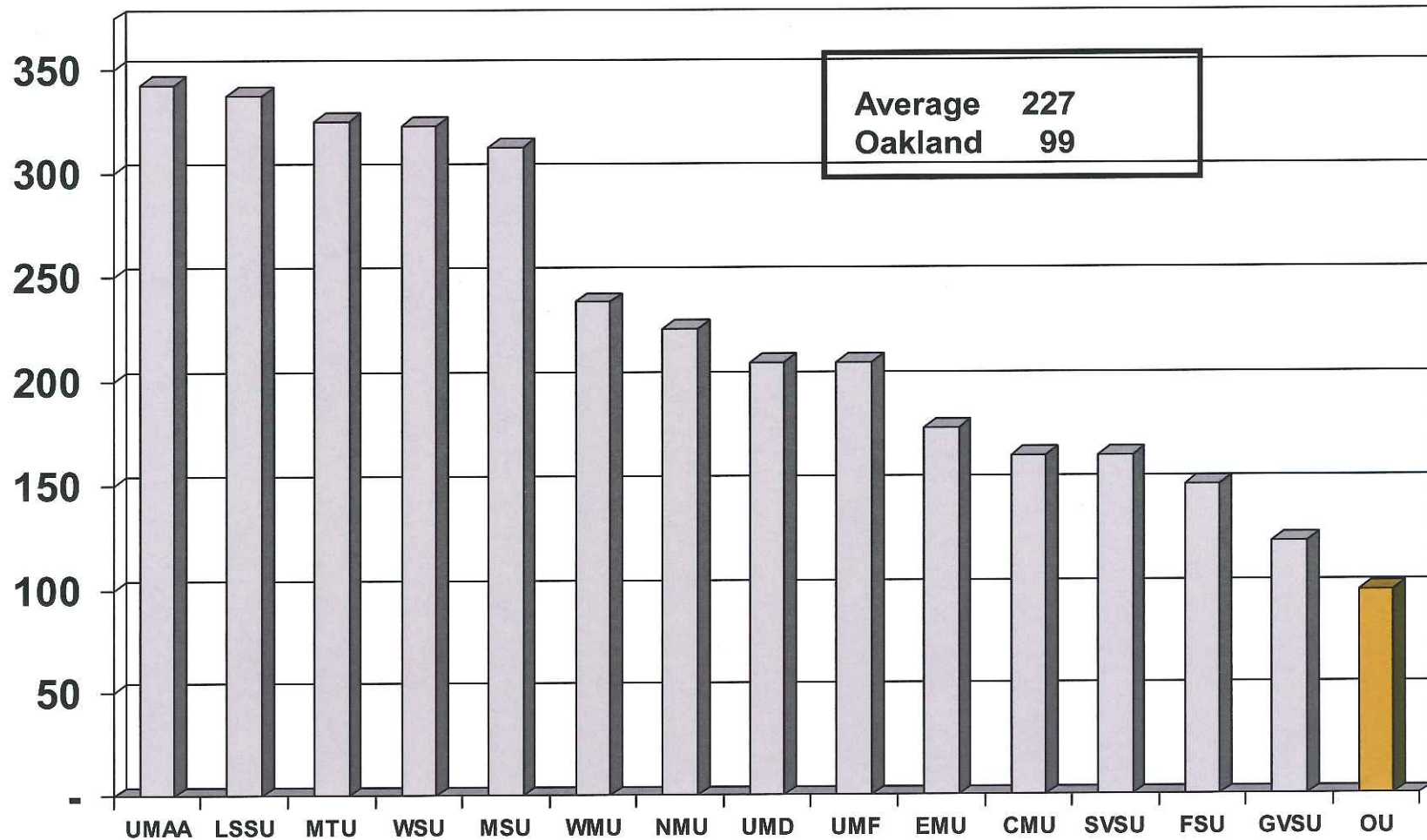
Source: HEIDI

FY2012 Michigan Universities Staff per 1,000 FYES



Source: HEIDI

FY2012 General Fund Building Sq. Ft. per FYES



Source: HEIDI

Lean – Cost Containment and Budget Reductions FY03-13

| | <u>Permanent</u> | <u>One Time</u> | <u>Total</u> |
|--|----------------------|----------------------|----------------------|
| Cost Containment | | | |
| Benefit and Employment Changes | \$ 7,796,030 | \$ 869,438 | \$ 8,665,468 |
| Re-organizations | 1,476,280 | 286,910 | 1,763,190 |
| Outsourcing and Partnerships | 4,739,196 | 1,644,258 | 6,383,454 |
| 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>\$ 18,843,229</u> | <u>\$ 5,725,536</u> | <u>\$ 24,568,765</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>\$ 29,669,297</u> | <u>\$ 11,351,536</u> | <u>\$ 41,020,833</u> |
| State Appropriation Reductions | <u>\$ 11,868,300</u> | <u>\$ 4,764,400</u> | <u>\$ 16,632,700</u> |

* Limited technology and other strategic initiatives, delayed hiring, departmental spending restraint, postponed classroom renovations and deferred maintenance projects, reduced year-end encumbrances, carry-forwards, contingencies and reserves.

FY2013 Higher Education Formula Funding

| | <i>Amount</i> |
|--|-------------------|
| FY2012 Preliminary Base Funding | \$ 43,145,000 |
| FY2013 Base Adjustments | 1,819,100 |
| FY2013 Final Base Funding | \$ 44,964,100 |
| <i>FY2014 Components:</i> | |
| Critical Skills Undergraduate Degrees/Certificates | \$ 312,500 |
| 6-Yr Graduation Rate | 0 |
| Total Degree Completions | 340,200 |
| Institutional Support as a % of Core Exp. | 0 |
| Total Research and Development Exp. | 18,000 |
| Total FY2014 Adjustments | \$ 670,700 |
| <i>Total FY2014 Base</i> | \$ 45,634,800 |
| <i>% Change</i> | 1.5% |
| Tuition Restraint Limit | 3.75% |

FY2014 General Fund Budget

Assumptions

- Lower than average state appropriation funding
- 3.0% enrollment increase over FY2013 budget
(excluding School of Medicine)
- 3.75% tuition increase
- On-going financial aid strategy
 - Student full aid guarantee
 - Increase in need and merit based institutional aid
- Contractual obligations
- Continued healthy living benefit savings
- Lean practice cost containment initiatives

FY2014 General Fund Budget

Assumptions

- Program Improvements:
 - Faculty positions
 - Library collections
 - Academic program funding
 - Public Health, Criminal Justice, Creative Writing, Graphic Design, Cinema Studies, Psychology
- Operating needs funded (e.g. software licenses, utilities)
- Continued pricing transparency
- Undergraduate tuition rate below State average (“all-in”)

FY2014 General Fund Budget

Oakland University William Beaumont School of Medicine Budget Assumptions

Enrollment:

- Cohort 1 – 49 students
- Cohort 2 – 75 students
- Cohort 3 – 100 students

Tuition - \$46,249 (proposed 4% increase)

Philanthropy - \$8M

Meet LCME accreditation standards

FY2014 Budget Summary

- Revenue Budget \$221,417,394
- Expense Budget \$221,417,394
- Financial Aid \$35,519,056
- Graduate Tuition \$14,820 (3.74%)
- Undergraduate Tuition \$11,108 (3.75%)

**Oakland University
Fiscal Year 2014
Proposed General Fund Budget**

| Category | FY 2013 Budget | FY 2014 Projected Budget | Amount Change | % Change |
|---------------------------------------|-----------------------|--------------------------------|---------------------|--------------|
| State Appropriation - Base | \$ 43,145,000 | \$ 45,634,800 | \$ 2,489,800 | 5.77% |
| Student Tuition | 191,710,057 | 208,710,887 | 17,000,830 | 8.87% |
| Financial Aid Offset | (27,613,120) | (35,519,056) | (7,905,936) | 28.63% (1) |
| Net Tuition & Fees Revenue | \$ 164,096,937 | \$ 173,191,831 | \$ 9,094,894 | 5.54% |
| Indirect Cost Recovery | 2,200,000 | 2,300,000 | 100,000 | 4.55% |
| Miscellaneous Income | 290,763 | 290,763 | 0 | 0.00% |
| Encumbrances | 9,016,474 | 0 | (9,016,474) | -100.00% (2) |
| Total Funding Sources | \$ 218,749,174 | \$ 221,417,394 | \$ 2,668,220 | 1.22% |
| Less: Budgeted Expenditures | \$ 218,749,174 | \$ 221,417,394 | \$ 2,668,220 | 1.22% |
| Revenues Over (Under) Expenditures | \$ 0 | \$ 0 | \$ 0 | |
| FYES Enrollment | 16,601 | 17,202 | 601 | 3.62% |

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.

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Oakland University
General Fund Budgeted Expenditures
Fiscal Year 2013 vs. 2014

| | FY2013 Adjusted Total Budget | FY2013 Enc. / Carryforward | FY2013 Adjusted Base Budget | FY2014 Budget Changes | FY2014 Budget |
|--|---|---|--|--------------------------------------|--------------------------|
| School of Medicine | \$ 4,761,391 | \$ (302,471) | \$ 4,458,920 | \$ 3,794,422 | \$ 8,253,342 |
| College of Arts & Sciences | 40,742,319 | (750,500) | 39,991,819 | 1,195,442 | 41,187,261 |
| School of Business Administration | 14,387,295 | (411,401) | 13,975,894 | 399,507 | 14,375,401 |
| School of Education and Human Services | 12,934,740 | 0 | 12,934,740 | 314,418 | 13,249,158 |
| School of Engineering and Computer Science | 10,388,554 | (109,172) | 10,279,382 | 319,021 | 10,598,403 |
| School of Health Sciences | 5,137,802 | (310,728) | 4,827,074 | 163,547 | 4,990,621 |
| School of Nursing | 8,670,987 | (138,246) | 8,532,741 | 300,194 | 8,832,935 |
| Kresge Library | 5,626,974 | (138,308) | 5,488,666 | 171,113 | 5,659,779 |
| Instructional and Information Technology | 7,538,898 | (533,846) | 7,005,052 | 148,360 | 7,153,412 |
| Academic Affairs - Other | 30,994,751 | (3,341,960) | 27,652,791 | 2,309,153 | 29,961,944 |
| Finance & Administration | 22,665,344 | (538,957) | 22,126,387 | 1,013,508 | 23,139,895 |
| Student Affairs | 17,711,025 | (616,186) | 17,094,839 | 462,704 | 17,557,543 |
| Development, Alumni and Comm. Engagement | 5,746,997 | (281,407) | 5,465,590 | 394,430 | 5,860,020 |
| President | 9,557,513 | (1,543,292) | 8,014,221 | 1,282,349 | 9,296,570 |
| General | 21,884,584 | 0 | 21,884,584 | (583,474) | 21,301,110 |
| Total | \$ 218,749,174 | (\$ 9,016,474) | \$ 209,732,700 | \$ 11,684,694 | \$ 221,417,394 |

**Oakland University
Schedule of Tuition Rates
Effective Fall Semester 2013**

| Tuition Rate Per Credit Hour | Current Rate 2013 | Proposed Rate 2014 |
|------------------------------|-------------------------|--------------------------|
| Resident UG Lower | 341.00 | 353.75 |
| Resident UG Upper | 372.75 | 386.75 |
| Resident Grad | 595.25 | 617.50 |
| Resident Doctoral | 595.25 | 617.50 |
| Non Resident UG Lower | 795.75 | 795.75 |
| Non Resident UG Upper | 853.25 | 853.25 |
| Non Resident Grad | 1,027.00 | 1,027.00 |
| Non Resident Doctoral | 1,027.00 | 1,027.00 |
| Competency | 55.00 | 55.00 |
| School of Medicine | 44,470.00 | 46,249.00 |

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 | 10,230.00 | 10,612.50 | |
| 2) Upper Division Tuition | 11,182.50 | 11,602.50 | |
| Residential Undergraduate Average | 10,706.25 | 11,107.50 | 3.75% |

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

| | | | |
|------------------|-----------|-----------|-------|
| Graduate Tuition | 14,286.00 | 14,820.00 | 3.74% |
|------------------|-----------|-----------|-------|

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.