

**GENERAL FUND BUDGET AND TUITION RATES
FOR FY2017
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 FY2017 General Fund Budget and Tuition Rates. Highlights and assumptions for this proposal are described below.

Attachment A is a FY2017 General Fund Budget Briefing.

Attachment B is the Oakland University (University) FY2017 Proposed General Fund Budget which provides summarized budget information for each major academic and operating unit and a comparison to the FY2016 General Fund Budget.

Attachment C is the proposed Schedule of Tuition Rates Effective Fall Semester 2016.

State Appropriations:

The State of Michigan FY2017 budget has not yet been finalized, however, according to the S.B. 790 Conference Report issued June 1, 2016, Oakland University will receive a state appropriation of \$49,920,700, including \$1,548,800 in performance funding, a 3.2% increase over the current year.

Performance funding is based on metrics that measure critical skills degree completions, research expenditures, six-year graduation rates, total degree completions, institutional support as a percent of core expenditures, and percentage of students receiving Pell Grants. Receipt of the performance funding is contingent on complying with a 4.2% tuition restraint.

The Conference Committee's proposed FY2017 appropriation will be \$2.5 million less than the FY2009 state funding level.

The University's commitment to controlling the net cost of attendance continues. The University's institutional financial aid budget is virtually equal to the state appropriation. In essence, the University is returning nearly all of its state funding directly to students by reducing their net cost of attendance through scholarships.

Historically, the University has been underfunded by the state on a per Fiscal Year Equated Student (FYES) basis when compared to other public universities in Michigan. The University's FY2016 base appropriation per FYES was the lowest in the state at \$2,831, as compared to the average of \$4,857. State funding as a percentage of the University's proposed FY2017 General Fund revenue is 18%.

If Oakland University were to be funded at the state average, its appropriation would be \$34.6 million higher, which would provide tremendous support for academic needs and student support services.

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Cost Containment:

The University has accumulated data on cost containment initiatives totaling over \$49 million of permanent and one-time savings since FY2003. Cost saving initiatives include renegotiating vendor contracts, refinancing debt, energy savings projects, reducing the cost of employee healthcare benefits, lean academic and administrative practice redesign, an early retirement plan, and eliminating positions.

Additionally, the University's General Fund expenditures per FYES in FY2015 were third lowest in the state (per the State's Higher Education Institution Data Inventory (HEIDI) database), confirming the University is an efficient and lean organization.

The following is a summary of Oakland University's rankings and comparisons of key metrics with other Michigan public universities:

- Lowest State appropriation funding per student, \$2,026 below the average;
- Third lowest general fund expenditures per student, \$3,348 below the average;
- Second highest number of students per faculty;
- Sixth lowest staff per 1,000 students;
- Lowest general fund building square footage per student;
- Fourth lowest total revenue per student (tuition plus state appropriation); and
- The highest enrollment growth in the state over the past five- and ten-year periods.

Strategic Plan:

The University's economic and societal impact on the state and region have been steadily increasing over the past decade as a result of strategic planning, outstanding faculty and staff, aggressive fiscal management, and creative partnerships with business, industry and the community.

The University continues to implement and invest in its new Strategic Plan which includes the following goals:

1. *Foster student success through a robust teaching and learning environment and comprehensive student services.*
2. *Be recognized as a strong research and scholarly environment focused on creative endeavors and on the discovery, dissemination and utilization of knowledge.*
3. *Become a leader in serving the needs and aspirations of our communities and region through expanded community relationships, institutional reputation and visibility, and engagement.*

Tuition:

In order to achieve its Strategic Plan goals and make improvements in areas that have been identified as critical measures of success, the University needs additional resources. Tuition, which makes up 81% of General Fund revenues, is the primary source. The proposed FY2017 average tuition rate for a full-time resident freshman is

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\$11,970, an increase of \$15.25 per credit hour. The overall average resident undergraduate tuition rate increase is 3.95%. The proposed FY2017 average full-time resident graduate tuition rate is \$16,338, a 3.93% increase. (See Attachment C)

The differential tuition for four of Oakland's Professional Schools (School of Business Administration, School of Engineering and Computer Science, School of Health Sciences, and School of Nursing) has been increased at similar rates.

To help offset the tuition increases, financial aid will be increased by 13.1%, or \$5.2 million (excluding the School of Medicine). In FY2016, on average, a full-time undergraduate student received non-debt financial aid (scholarships, grants, and other awards, excluding loans) of \$4,077, reducing the overall net average cost by nearly one third, to \$8,354.

Highlights of the Proposed FY2017 General Fund Budget:

Revenue:

1. State appropriation performance funding increase of \$1,548,800.
2. FYES enrollment of 17,401 (excluding School of Medicine), a .75% increase over the prior year.
3. Average tuition of \$11,970 for a full-time resident freshman, an increase of \$15.25 per credit hour.
4. An average overall tuition rate increase of 3.95% for resident undergraduate students.
5. Average graduate in-state tuition of \$16,338 for full-time resident students, an increase of 3.93%.
6. Inclusion of a Graduate Application Processing Charge to be assessed to potential graduate students to offset the cost of admissions application processing.
7. Continuation of the University's no fee pricing strategy.

Expenditures:

1. Expense budget increases primarily include:
 - a. Program improvements: additional faculty and academic advisors, enhanced tutoring center which will improve retention/graduation rates, Honors College support, student labor funding, an increase to the minimum wage, and commitment to deferred maintenance.
 - b. Operating funds required for Board approved course offerings, debt service obligations, utilities, support staff for new buildings, and other contractual obligations.
2. The recently implemented co-generation system is projected to provide a net utility cost savings, after debt service and maintenance agreements, of nearly \$800,000.
3. Continued focus on student financial aid funding including the student full aid guarantee, economic hardship fund, and need-based and competitive merit-based scholarship awards, an increase of 13.1%.

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4. In addition, Sibson Human Resources Consulting's recommendations for certain market salary adjustments are being implemented, funded by reallocation of existing budgets, with no incremental budgetary impact.
3. **Previous Board Action:** On July 7, 2015 the Board approved the FY2016 General Fund budget and tuition rates.
4. **Budget Implications:** Approval of the FY2017 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2016 provides the needed authorization for assessing students and expending University resources for instructional, programmatic and operating needs, all in support of the Strategic Plan.
5. **Educational Implications:** The proposed General Fund budget provides for academic programming.
6. **Personnel Implications:** The proposed General Fund budget provides for personnel.
7. **University Reviews/Approvals:** The FY2017 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2016 were developed by the Budget and Financial Planning Office, with input from the President's Cabinet, and was reviewed by the Vice President for Finance and Administration, and President. In addition, budget development strategies and assumptions were discussed with the Senate Budget Review Committee and Student Leadership.

8. Recommendation:

WHEREAS, the FY2017 Proposed General Fund Budget and Schedule of Tuition Rates Effective Fall Semester 2016 require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approves the FY2017 General Fund Budget at an expenditure level of \$263,572,470 (see Attachment B for detail) and approved encumbrances and carry-forwards from the June 30, 2016 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates Effective Fall Semester 2016 (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. FY2017 General Fund Budget Briefing
- B. FY2017 Proposed General Fund Budget
- C. Schedule of Tuition Rates Effective Fall Semester 2016

Submitted to the President

on 6/2, 2016 by



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

Recommended on _____, 2016
to the Board of Trustees for approval by



George W. Hynd
President

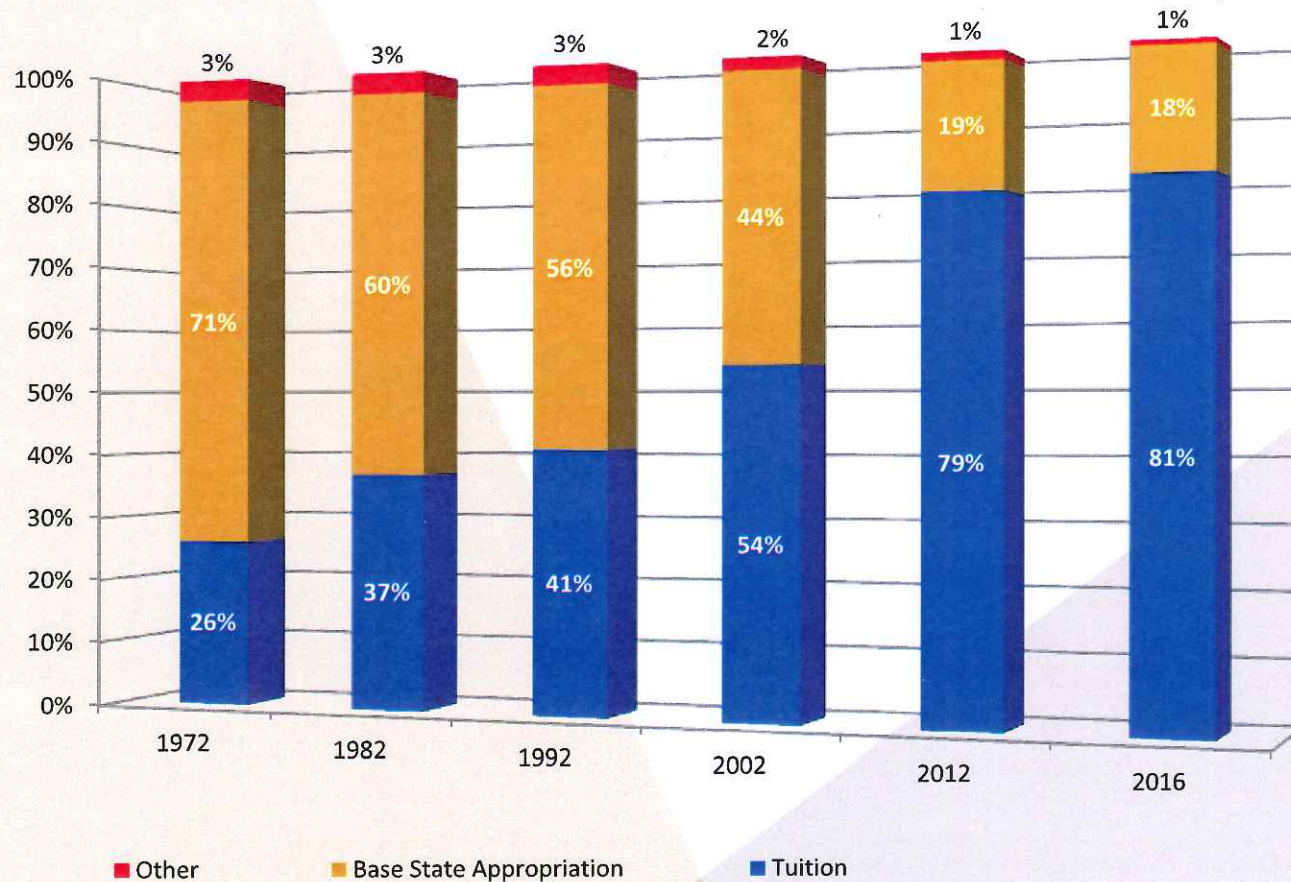
FY2017 General Fund Budget Briefing

June 6, 2016

Guiding Principles:

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

Historical Funding Model



Comparison of general fund revenue sources FY1972 to FY2016

Sources: HEIDI and Board approved general fund budgets

Lowest State Funding Per Student



	Appropriation per FYES	FYES	Year Founded
Wayne State University	\$ 8,455	22,644	1868
Michigan Technical University	7,222	6,474	1885
University of Michigan Ann Arbor	6,844	43,832	1817
Lake Superior State University	6,075	2,174	1946
Michigan State University	5,848	45,959	1855
Northern Michigan University	5,617	8,031	1899
Western Michigan University	5,066	20,593	1903
Ferris State University	4,149	12,141	1884
Eastern Michigan University	3,953	18,160	1849
Central Michigan University	3,883	20,891	1892
University of Michigan Dearborn	3,615	6,648	1959
Saginaw Valley State University	3,193	8,825	1963
University of Michigan Flint	3,164	6,895	1956
Grand Valley State University	2,943	22,181	1960
Oakland University	2,831	17,088	1957

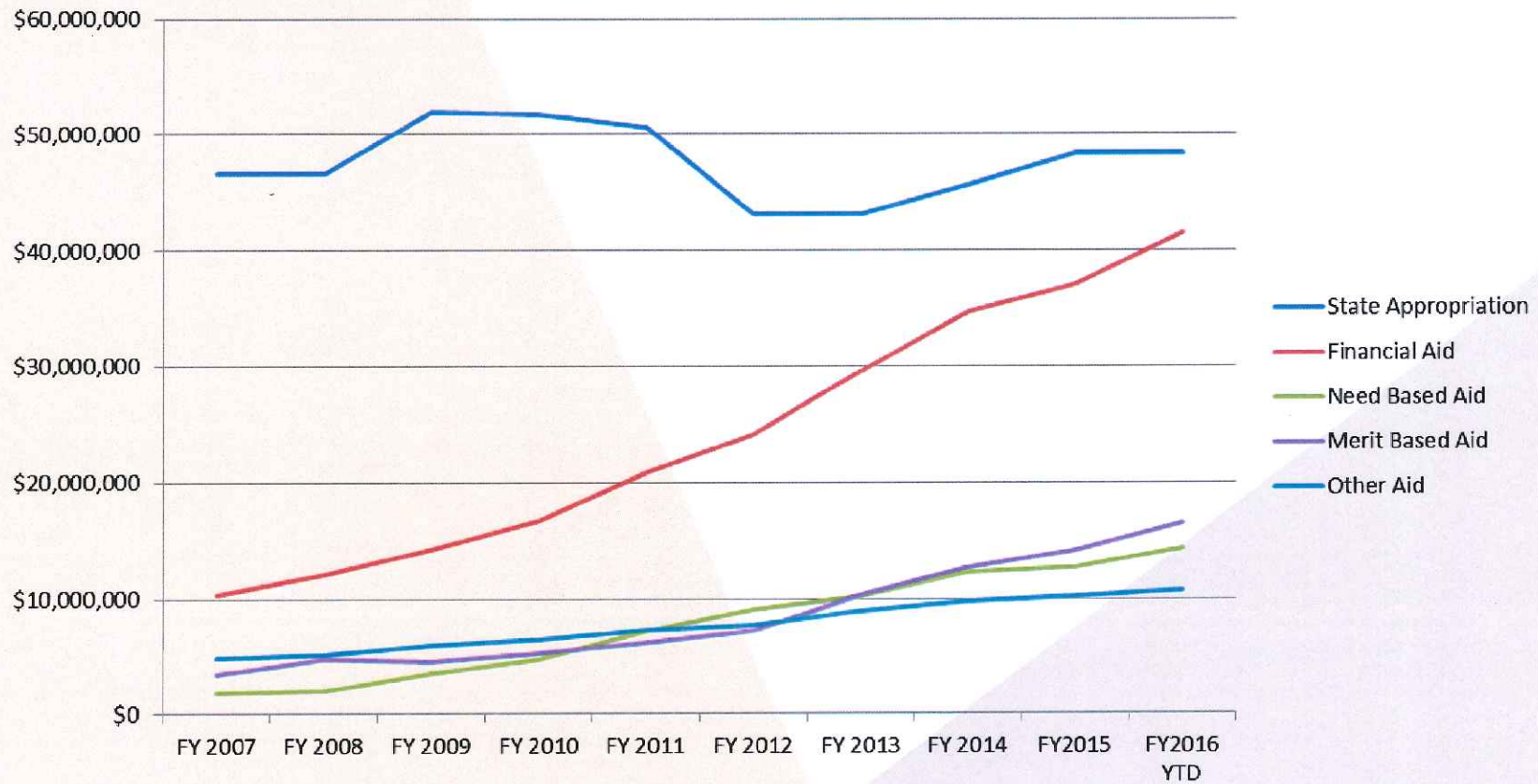
15 School Average \$4,857

Funding Oakland at the average would provide \$34.6 million incremental appropriation.

FYES – Fiscal Year Equated Students

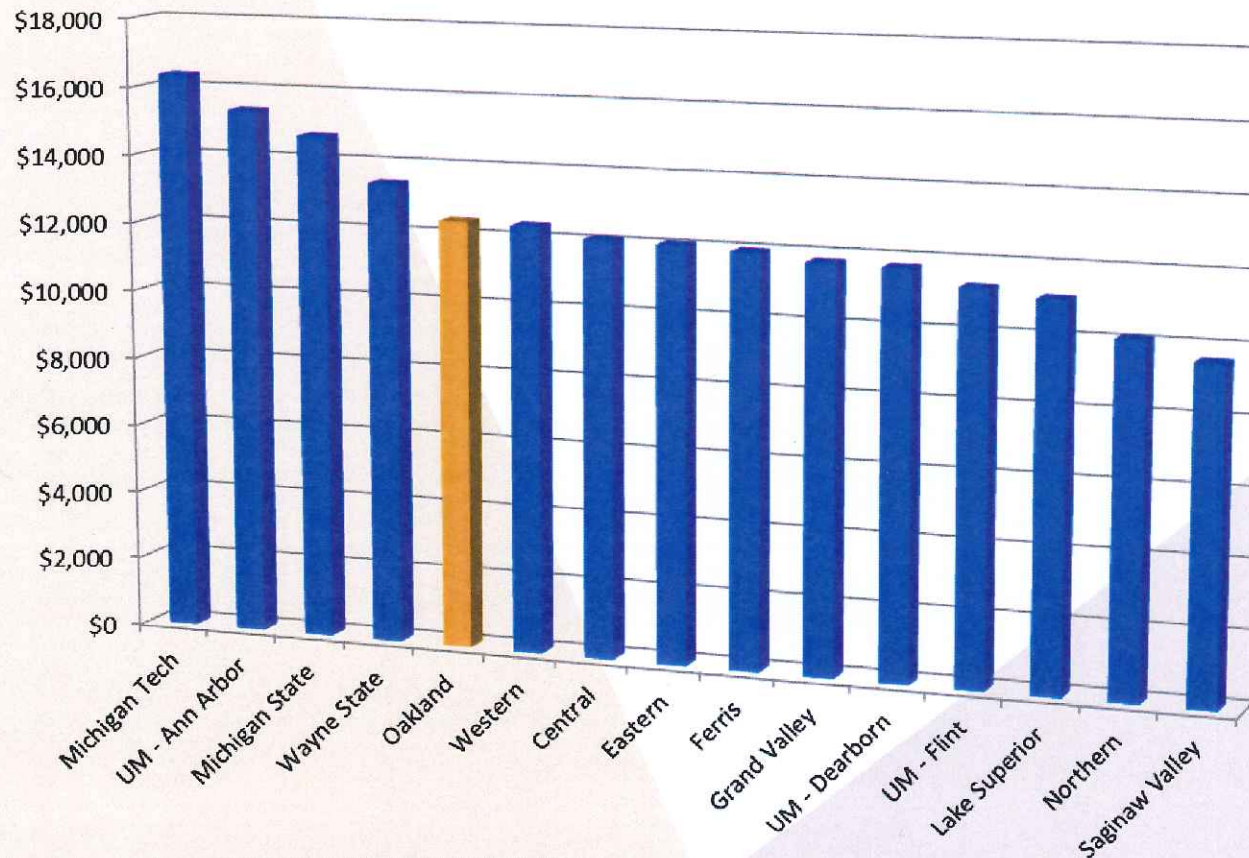
Source: HEIDI

State Appropriation Funds Institutional Financial Aid



Source: Oakland actual expenditures

FY2016 All-In Tuition Costs

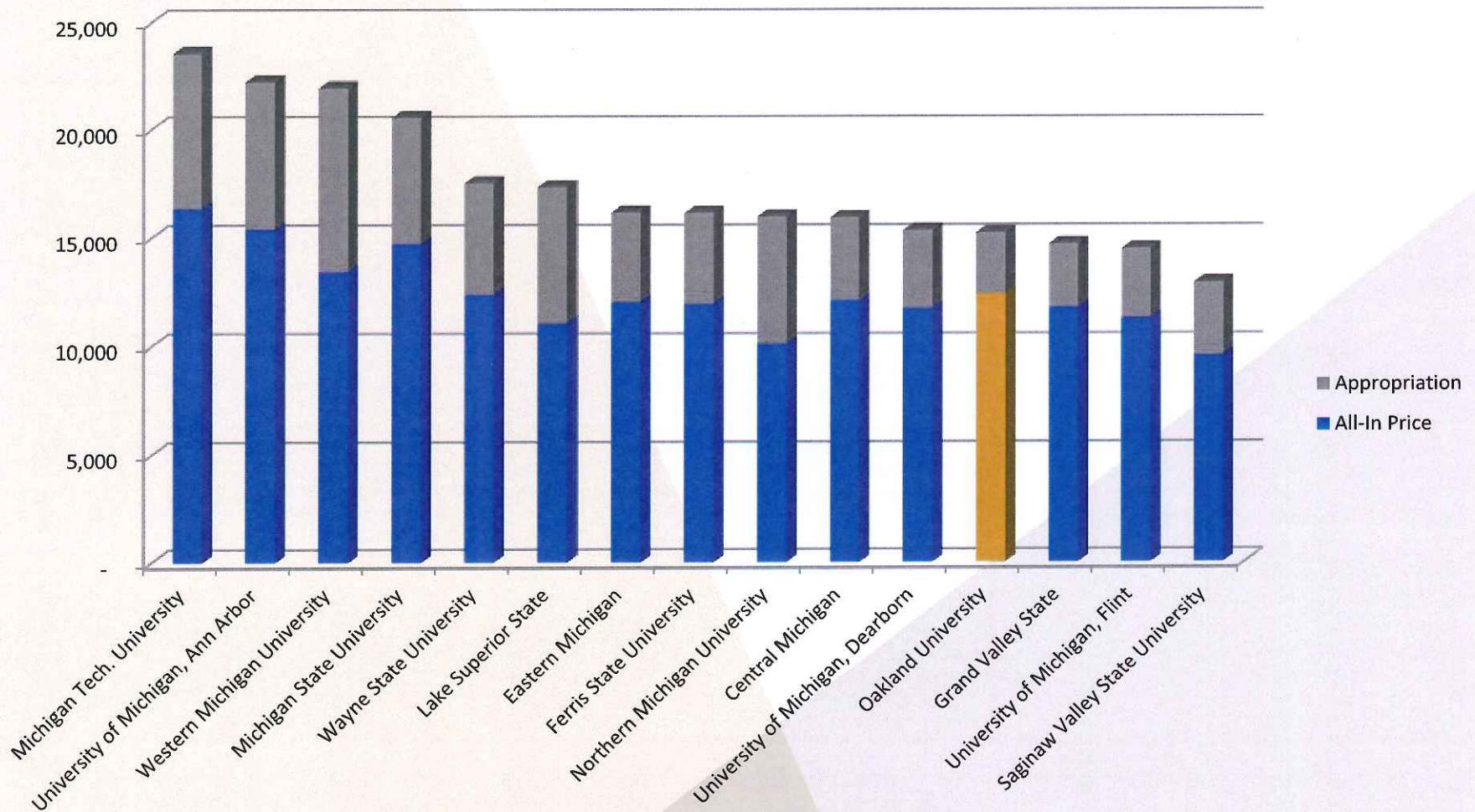


* Actual costs incurred may vary based on individual student choices

** The following universities charge differential tuition rates for certain programs. Depending upon the program, the all-in cost may vary: EMU, GVSU, MSU, MTU, NMU, OU, SVSU, UMAA, UMD, WMU, WSU.

Produced by the Oakland University Office of Budget and Financial Planning based on data published by HEIDI, The Michigan Association of State Universities, and university websites.

FY2016 Total Revenue Per Student



Source: HEIDI and All-In tuition calculation

Average Undergraduate Net Cost For Full-Time Resident Undergraduate Students

	<u>FY2015</u>	<u>FY2016</u>
Tuition	\$ 11,460	\$ 12,431
Average Aid per Student *	<u>(3,714)</u>	<u>(4,077)</u>
Average Net Cost	\$ 7,746	\$ 8,354
Average Net Cost %	67.6%	67.2%

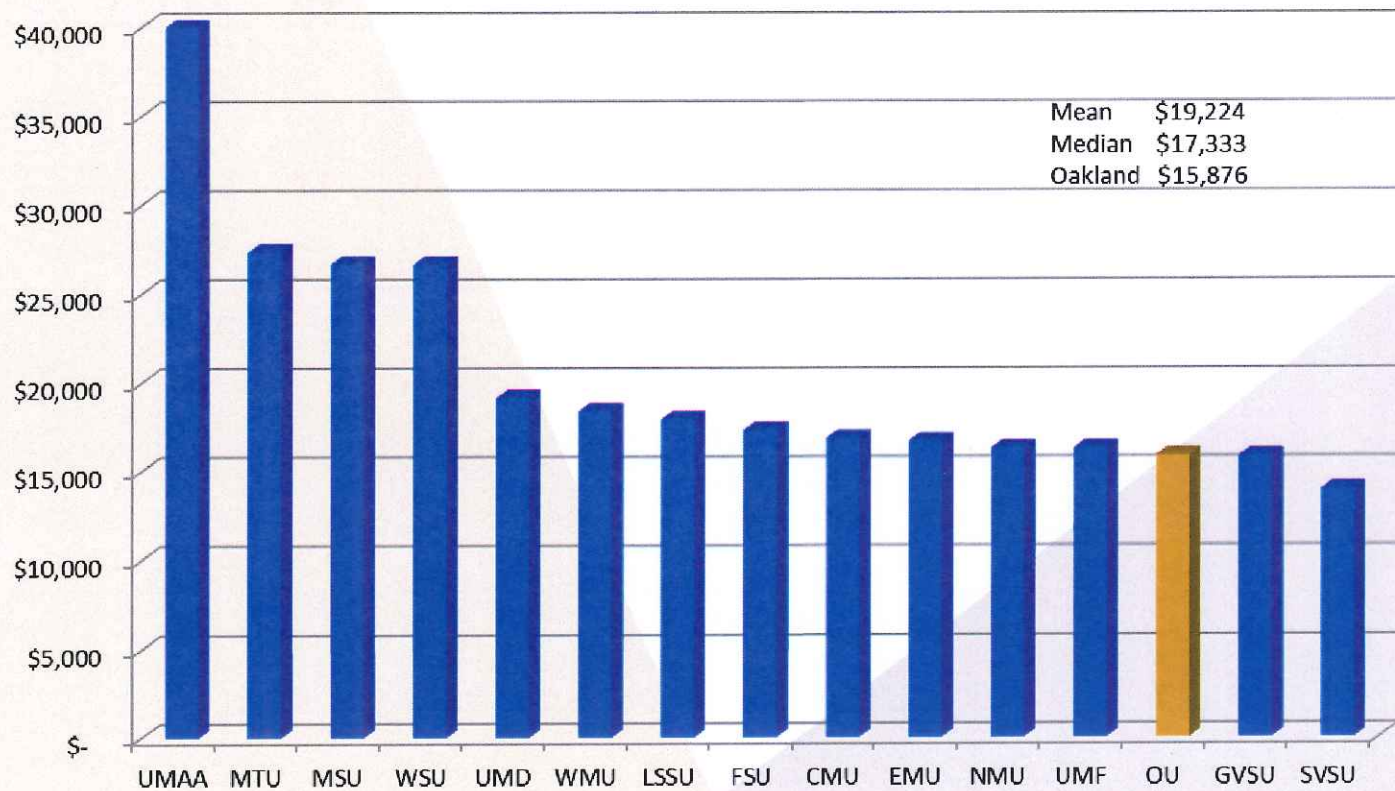
* Financial Aid includes all grants and scholarships, no loans

Financial Aid can vary greatly from student to student, however, the average net tuition cost for a full-time resident undergraduate student was \$8,354 in FY 2016, a 32.8% discount off the "sticker price", due to Financial Aid awards.

Third Lowest Expenditures per Student

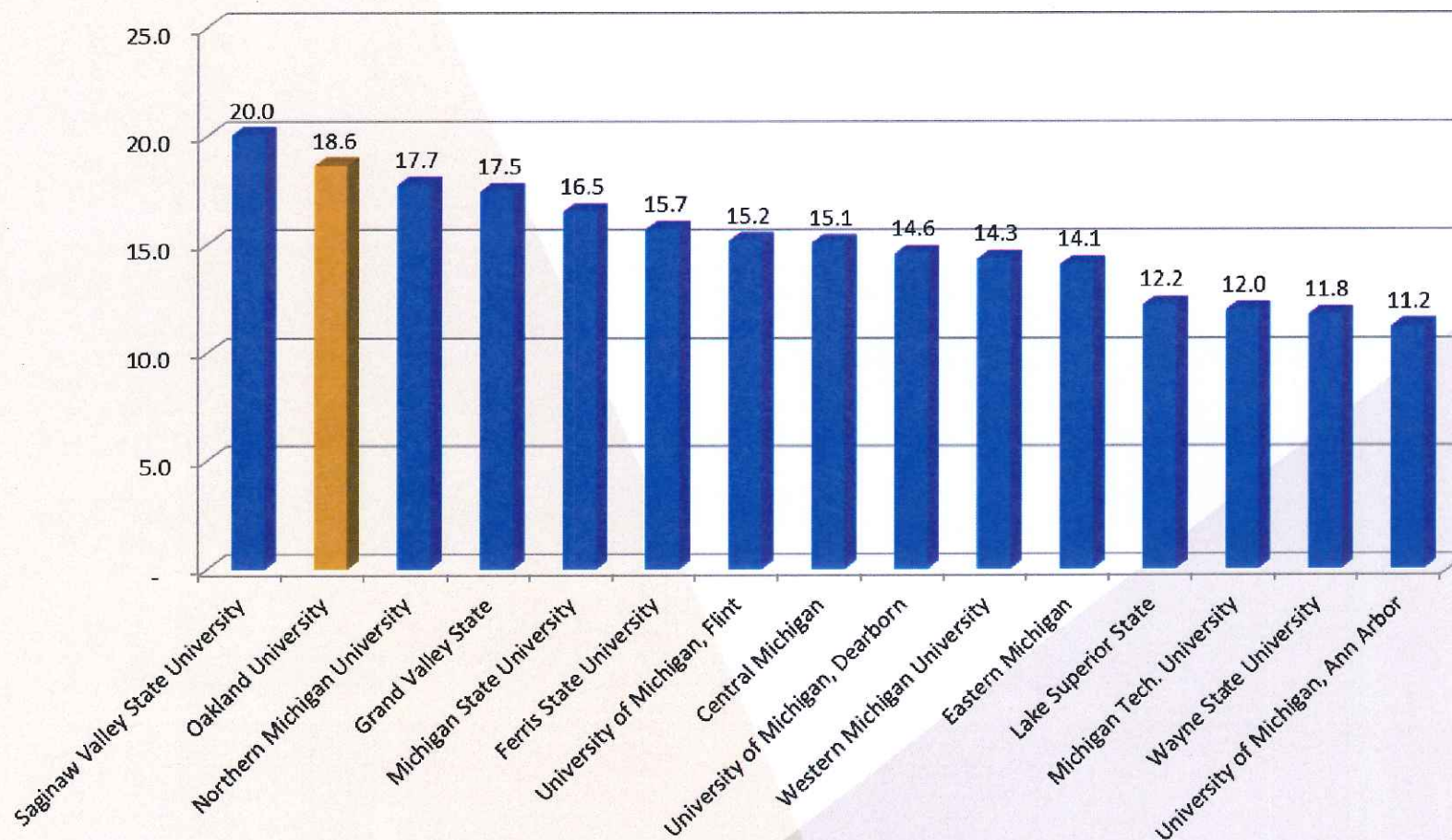


FY2015 General Fund Expenditures per FYES



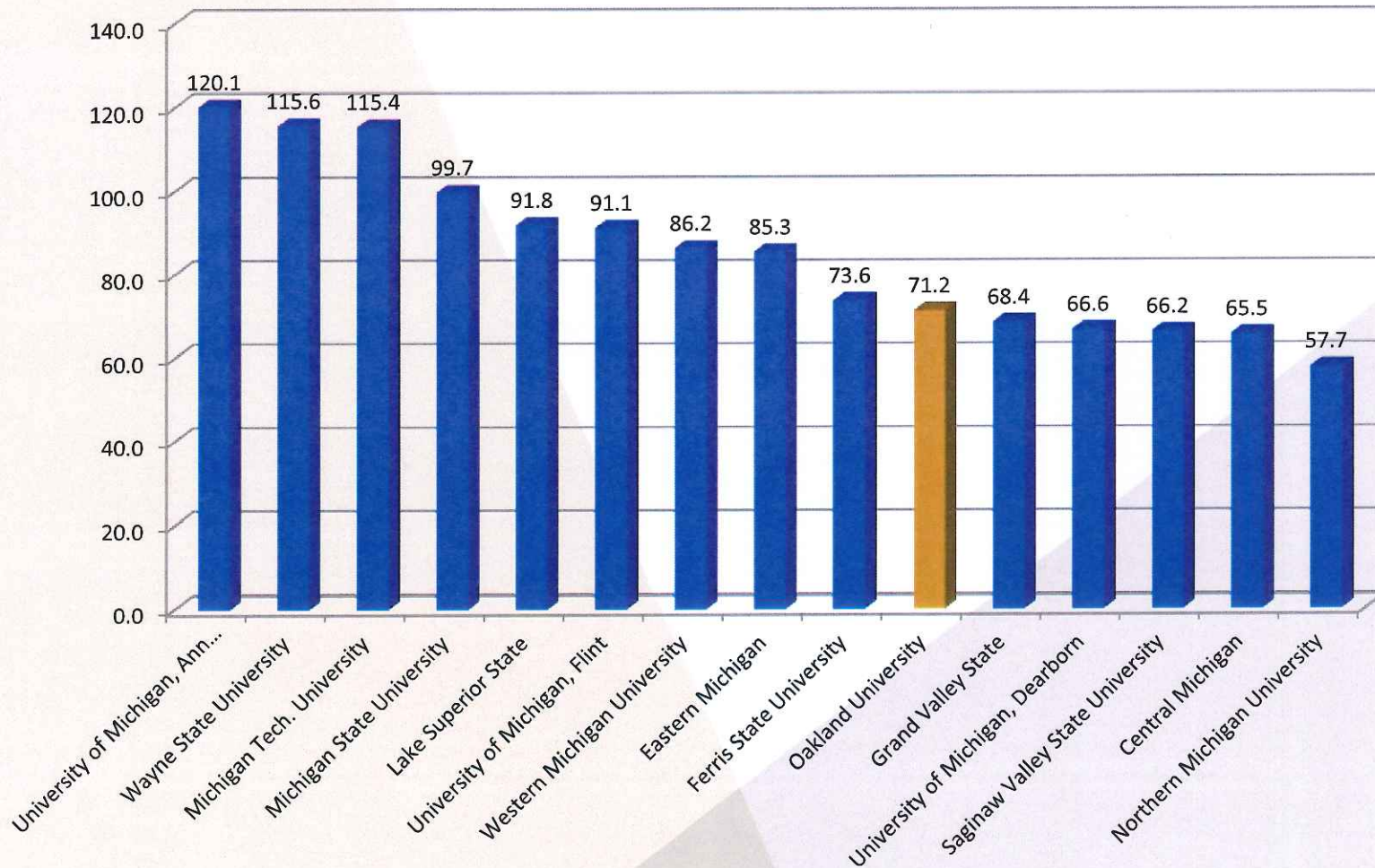
Source: HEIDI

Second Highest Students to Faculty Ratio



Source: HEIDI

Sixth Lowest Staff per 1,000 Students

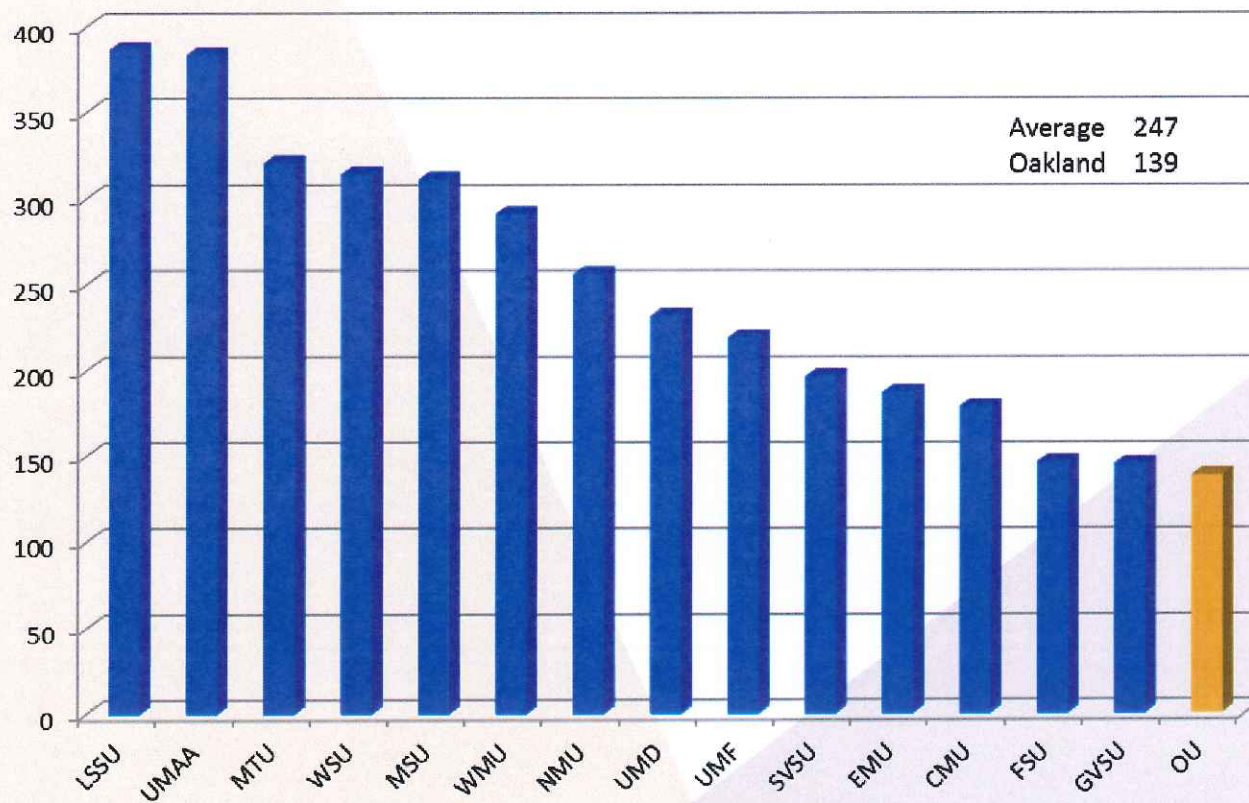


Source: HEIDI

Lowest Building Square Footage per Student



FY2015 General Fund Building Sq. Ft. per FYES



Source: HEIDI

Cost Containment and Budget Reductions FY2003 – FY2016

	<u>Permanent</u>	<u>One Time</u>	<u>Total</u>
Cost Containment			
Benefit and Employment Changes	\$ 8,120,454	\$ 2,015,201	\$ 10,135,655
Re-organizations	1,501,390	446,571	1,947,961
Outsourcing and Partnerships	4,847,356	1,644,258	6,491,614
Process Re-engineering	1,250,146	1,300,167	2,550,313
Technology and Telecommunications	854,618	864,911	1,719,529
Utilities/Energy Conservation	3,011,915	251,600	3,263,515
Other Initiatives	2,043,818	1,979,133	4,022,951
Total Cost Containment	<u>\$ 21,629,697</u>	<u>\$ 8,501,841</u>	<u>\$ 30,131,538</u>
Budget Reductions			
Faculty Salaries	\$ 1,337,416	\$ 595,320	\$ 1,932,736
Non Faculty Salaries	3,327,324	284,338	3,611,662
Fringe Benefits	2,136,991	238,671	2,375,662
Operational Costs	6,511,729	4,507,671	11,019,400
Total Budget Reductions	<u>\$ 13,313,460</u>	<u>\$ 5,626,000</u>	<u>\$ 18,939,460</u>
Total Cost Containment and Budget Reductions	<u>\$ 34,943,157</u>	<u>\$ 14,127,841</u>	<u>\$ 49,070,998</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.

FY2017 Planning Assumptions



- Enrollment Growth .75%
- Tuition Increase 3.95%
- Appropriations Increase 3.20%
- Financial Aid Increase 13.10%
- Operating and Contractual Commitments Funded
- Numerous Strategic Initiatives Funded
- One-Time Deferred Maintenance \$5,360,000*

* Examples: Dodge Hall lab renovations, CAS facility improvements, energy savings initiatives, Kresge lighting upgrades, exterior lighting additions, flooring replacements, parking lot repaving

Tuition Restraint



<u>Fiscal Year</u>	<u>Restraint</u>	<u>OU</u>
2013	4.00%	2.96%
2014	3.75%	3.75%
2015	3.20%	3.17%
2016	3.20%	8.48%
2017	4.20%	3.95%

Incremental FY2017 Revenue and Financial Aid



Incremental Revenue:

Tuition	\$10,423,835
State Appropriation	<u>1,556,600</u>
Total Incremental Revenue	\$11,980,435
Incremental Financial Aid	<u>\$ 5,219,639</u>
Net Incremental Revenue	<u><u>\$ 6,760,796</u></u>

* Excludes School of Medicine

Incremental FY2017 Expenditures



Incremental Operating Expenditures:

Wage & Benefit Increases	\$ 3,832,811
Co-Generation, Debt Service & Maintenance	1,122,197
Utility Savings (Co-Gen Implementation)	(1,917,132)
Software License/Service Contracts	1,033,482
Deferred Maintenance	250,000
Miscellaneous	<u>369,889</u>
Total Incremental Operating Expenditures	<u>\$ 4,691,247</u>

Incremental FY2017 Expenditures



Strategic / Other Initiatives:

Tutoring Center Staffing (students & staff)	\$ 149,390
Faculty (4) - New Programs CAS	330,832
Library Collections	83,815
Graduate Education Recruiter	96,980
Honors College Advisor	82,060
Honors College Operational Support	230,000
Police - Community Safety AP Temp to Perm	49,616
Transfer Student Success Center Support Staff	271,419
Recruitment Advisor	82,393
Financial Aid College Readiness/Outreach Advisor	91,694
Chief Human Resources Officer	261,100
Chief Operating Officer - support staff	79,000
UTS Student Employment	110,000
Student Minimum Wage adjustment	<u>151,250</u>
Total Strategic / Other Initiatives	<u>\$2,069,549</u>

Annual Budget Comparison



	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>
Prior Year Revenue Budget	\$ 221,417,394	\$ 233,956,402	\$ 253,754,100
Incremental:			
State Appropriations	2,729,300	-	1,556,600
Tuition	8,533,782	20,759,584	10,522,389
School of Medicine	3,702,474	3,210,394	3,057,574
Financial Aid	(2,416,195)	(4,160,237)	(5,219,639)
Miscellaneous	(10,353)	(12,043)	(98,554)
Total Budgeted Revenues	<u>\$ 233,956,402</u>	<u>\$ 253,754,100</u>	<u>\$ 263,572,470</u>
Prior Year Expenditure Budget	\$ 221,417,394	\$ 233,956,402	\$ 253,754,100
Incremental:			
Operating Expenses	8,836,534	7,782,105	4,691,247
School of Medicine	3,702,474	3,210,394	3,057,574
Strategic/Other Initiatives	-	8,805,199	2,069,549
Total Budgeted Expenditures	<u>\$ 233,956,402</u>	<u>\$ 253,754,100</u>	<u>\$ 263,572,470</u>

**Oakland University
Fiscal Year 2017
Proposed General Fund Budget**

Category	FY 2016 Budget	FY 2017 Projected Budget	Amount Change	% Change
State Appropriation - Base	\$ 48,364,100	\$ 49,920,700	\$ 1,556,600	3.22%
Student Tuition	247,606,037	261,430,025	13,823,988	5.58%
Financial Aid Offset	(44,406,800)	(50,353,468)	(5,946,668)	13.39% (1)
Net Tuition & Fees Revenue	\$ 203,199,237	\$ 211,076,557	\$ 7,877,320	3.88%
Indirect Cost Recovery	1,800,000	1,800,000	0	0.00%
Miscellaneous Income	390,763	775,213	384,450	98.38%
Encumbrances	11,991,376	0	(11,991,376)	-100.00% (2)
Total Funding Sources	\$ 265,745,476	\$ 263,572,470	(\$ 2,173,006)	-0.82%
Less: Budgeted Expenditures	\$ 265,745,476	\$ 263,572,470	(\$ 2,173,006)	-0.82%
Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	
FYES Enrollment	17,666	17,851	185	1.05%

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 2016 vs. 2017

	FY2016 Adjusted Total Budget	FY2016 Enc. / Carryforward	FY2016 Adjusted Base Budget	FY2017 Budget Changes	FY2017 Budget
School of Medicine	\$ 15,608,135	\$ (441,924)	\$ 15,166,211	\$ 3,057,574	\$ 18,223,785
College of Arts & Sciences	48,495,250	(1,152,529)	47,342,721	1,188,361	48,531,082
School of Business Administration	16,693,310	(351,988)	16,341,322	450,642	16,791,964
School of Education and Human Services	14,481,386	(431,270)	14,050,116	322,671	14,372,787
School of Engineering and Computer Science	12,944,203	(157,840)	12,786,363	345,873	13,132,236
School of Health Sciences	6,239,504	(28,608)	6,210,896	191,020	6,401,916
School of Nursing	10,344,650	(337,592)	10,007,058	186,845	10,193,903
Kresge Library	6,397,320	(72,747)	6,324,573	175,234	6,499,807
Instructional and Information Technology	8,905,332	(800,185)	8,105,147	45,799	8,150,946
Academic Affairs - Other	36,125,978	(4,736,939)	31,389,039	1,811,851	33,200,890
Operations & Finance	24,647,598	(726,325)	23,921,273	926,319	24,847,592
Student Affairs	11,942,801	(462,334)	11,480,467	223,765	11,704,232
Development, Alumni and Comm. Engagement	5,331,046	(313,295)	5,017,751	35,723	5,053,474
President	18,693,852	(1,977,800)	16,716,052	276,362	16,992,414
General	28,895,111	0	28,895,111	580,331	29,475,442
Total	\$ 265,745,476	(\$ 11,991,376)	\$ 253,754,100	\$ 9,818,370	\$ 263,572,470

Oakland University
Schedule of Tuition Rates
Effective Fall Semester 2016

Tuition Rate Per Credit Hour	Effective Fall 2015	Proposed Effective Fall 2016
Resident UG Lower Student	\$ 383.75	\$ 399.00
Resident UG Upper Student	445.00	462.50
SBA 001-299 courses	403.75	419.75
SBA 300+ courses	475.00	493.50
SECS 001-299 courses	413.75	430.00
SECS 300+ courses	485.00	504.00
SHS 001-299 courses	393.75	409.25
SHS 300+ courses	465.00	483.25
SON 001-299 courses	408.75	424.75
SON 300+ courses	480.00	498.75
Resident Grad	655.00	680.75
Resident Doctoral	655.00	680.75
Non Resident UG Lower Student	795.75	795.75
Non Resident UG Upper Student	853.25	853.25
Non Resident Grad	1,027.00	1,027.00
Non Resident Doctoral	1,027.00	1,027.00
Competency Exam	55.00	55.00
SOM	50,023.00	51,774.00
Graduate Application Processing Charge	-	45.00

Summary Comparison of tuition rates:			
A) Undergraduate Michigan resident student taking a full 15 credit hour load for two semesters (30 total credit hours)			
Resident UG Lower Student	\$ 11,512.50	\$ 11,970.00	
Resident UG Upper Student	\$ 13,350.00	\$ 13,875.00	
Residential Undergraduate Average	\$ 12,431.25	\$ 12,922.50	3.95%
B) Graduate Michigan resident student taking a full 12 credit hour load for two semesters (24 total credit hours)			
Resident Grad	\$ 15,720.00	\$ 16,338.00	3.93%

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.
Tuition rates reflect those paid by the majority of undergraduate students
The School of Medicine tuition rate is annual.