

**GENERAL FUND BUDGET
AND TUITION RATES FOR FY2019**

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 FY2019 General Fund Budget and Tuition Rates. Highlights and assumptions for this proposal are described below.

Attachment A is a FY2019 General Fund Budget Briefing.

Attachment B is the Oakland University (University) FY2019 Proposed General Fund Budget which provides summarized budget information for each major academic and operating unit and a comparison to the FY2018 General Fund Budget.

Attachment C is the proposed Schedule of Tuition Rates Effective Fall Semester 2018.

State Appropriations:

The State of Michigan FY2019 budget has not yet been finalized. The University's proposed FY2019 budget is based upon the Executive Budget proposal, with a state appropriation of \$52,816,100, including \$1,580,200 in performance funding, a 3.1% increase over FY2018.

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 3.8% tuition restraint for resident undergraduates.

The Governor's proposed FY2019 appropriation restores the University's funding levels comparable to FY2009. During this ten-year period, Oakland's enrollment has increased by 2,800 students, while state funding per Fiscal Year Equated Student (FYES) has declined.

Historically, the University has been underfunded by the state on a per FYES basis when compared to other public universities in Michigan. The University's FY2018 base appropriation per FYES was the lowest in the state at \$2,872, as compared to the average of \$5,197. State funding as a percentage of the University's FY2018 General Fund revenue is 17%.

If Oakland were to be funded at the state average, its appropriation would be \$41.5 million higher, which would provide tremendous support for academic needs and student support services.

General Fund Budget and Tuition Rates for FY2019
Oakland University
Board of Trustees Formal Session
June 4, 2018
Page 2

Cost Containment:

The University has accumulated data on cost containment initiatives totaling over \$57 million of permanent and one-time savings since FY2003. Cost saving initiatives include energy savings projects, reducing the cost of employee healthcare benefits, refinancing debt, renegotiating vendor contracts, outsourcing credit card processing, lean academic and administrative practice redesign, an early retirement plan, and eliminating positions.

During the development of the proposed FY2019 General Fund Budget, additional cost containment initiatives were activated including elimination of vacant positions, reduction of supplies and services, insurance and bank fee budgets, and a modification to the funding model related to the University's other post employment benefits (OPEB) liability. The resulting budget reductions totaled over \$5.2 million.

The University's General Fund expenditures per FYES in FY2017 were fourth 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 key metrics compared to other Michigan public universities:

- Lowest State appropriation funding per student, \$2,325 below the average;
- Fourth lowest total revenue per undergraduate student (tuition plus state appropriation).
- Fourth lowest general fund expenditures per student, \$4,385 below the average;
- Second highest number of students per faculty;
- Seventh lowest staff per 1,000 students;
- Lowest general fund building square footage per student;
- Lowest utility cost per square footage.

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.*

General Fund Budget and Tuition Rates for FY2019
Oakland University
Board of Trustees Formal Session
June 4, 2018
Page 3

4. *Advance diversity, equity, and inclusion in an environment of mutual trust and respect at all levels of the institution and facilitate opportunities and success for all community members.*

Tuition:

In order to carry out its Strategic Plan and make improvements in areas that have been identified as critical measures of success, the University needs additional resources. Tuition is the primary source of General Fund revenues, accounting for 82% of the budget. The proposed FY2019 average tuition rate for a full-time resident freshman is \$12,892.50, an increase of \$15.75 per credit hour. The proposed resident undergraduate tuition rate increase is 3.8%, \$17 per credit hour. The proposed FY2018 full-time resident graduate tuition rate is \$17,712, a 4.5%, \$31.75 per credit hour, increase. (See Attachment C)

The differential tuition rates 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) have been increased an average of 3.9%.

The University's commitment to controlling the net cost of attendance continues. The University's institutional financial aid budget, \$49 million, is approaching equality with 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.

In FY2017, on average, a full-time resident undergraduate student received non-debt financial aid (scholarships, grants, and other awards, excluding loans) of \$3,817, reducing the overall net average cost by nearly one third, to \$9,106.

According to the 2017 United States Department of Education Scorecard, an average Oakland University graduate has \$25,000 in student debt, as compared to the average graduate in the State of Michigan who has \$25,453 in student debt. In alignment with best practices and to help minimize student debt upon graduation, reduce late fees, limit the number of students sent to collection agencies, reduce the number of students on wait lists for classes and housing, and improve the accuracy of enrollment reporting, the University has adjusted payment due dates and expanded its payment plan from three to four payments per semester. Each semester, students who have not paid in full or enrolled in a payment plan, or do not have adequate pending financial aid or other extenuating financial circumstances as determined by Student Financial Services, are cancelled from their classes. Currently, upon satisfactorily meeting their financial obligations to the University, cancelled students are allowed to reenroll. Significant pre- and post-cancellation outreach efforts are made to assist students in meeting their financial obligations. Students continue to be assessed a late penalty for delinquent student account balances.

Highlights of the Proposed FY2019 General Fund Budget:

Revenue:

1. State appropriation performance funding increase of \$1,580,200.

General Fund Budget and Tuition Rates for FY2019
Oakland University
Board of Trustees Formal Session
June 4, 2018
Page 4

2. FYES enrollment of 16,590 (excluding the School of Medicine), a 3.5% decrease over the prior year budget.
3. Average tuition of \$12,892.50 for a full-time resident freshman, an increase of \$15.75 per credit hour, 3.8%.
4. Average graduate in-state tuition of \$17,712 for full-time resident students, an increase of 4.5%, \$31.75 per credit hour.
5. Continuation of the University's no fee pricing strategy.

Expenditures:

1. Expense budget changes primarily include:
 - a. Operational expense reductions via position vacancies and departmental budgets.
 - b. Operating funds required for Board approved course offerings, debt service, utilities, and other contractual obligations.
2. Increased overhead charge to the School of Medicine to fund indirect University support (a reduction of general fund expenditures).
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.

3. **Previous Board Action:** On June 5, 2017 the Board approved the FY2018 General Fund budget and tuition rates.

4. **Budget Implications:** Approval of the FY2019 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2018 provides the needed authorization for assessing students and expending University resources for instructional, programmatic and operating needs.

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 FY2019 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2018 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, Senate Planning Committee, and Student Leadership.

8. Recommendation:

WHEREAS, the FY2019 Proposed General Fund Budget and Schedule of Tuition Rates Effective Fall Semester 2018 require Board of Trustees approval; now, therefore, be it

General Fund Budget and Tuition Rates for FY2019
Oakland University
Board of Trustees Formal Session
June 4, 2018
Page 5

RESOLVED, that the Board of Trustees approves the FY2019 General Fund Budget at an expenditure level of \$274,917,268 and approved encumbrances and carry-forwards from the June 30, 2018 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates Effective Fall Semester 2018 (see Attachment C for detail); and, be it further


RESOLVED, each semester, students who have not paid in full or enrolled in a payment plan, or do not have adequate pending financial aid or other extenuating financial circumstances as determined by Student Financial Services, will be cancelled from classes. Students will continue to be assessed a late penalty for delinquent student account balances; and, be it further

RESOLVED, that the Board of Trustees approves the spending of revenues generated in excess of budget to adequately cover the instructional, programmatic, and operating expenditures necessary to support the strategic plan.

9. Attachments:

- A. FY2019 General Fund Budget Briefing
- B. FY2019 Proposed General Fund Budget
- C. Schedule of Tuition Rates Effective Fall Semester 2018

Submitted to the President
on 5/29, 2018 by



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

Recommended on 5/30, 2018
to the Board of Trustees for approval by



Ora Hirsch Pescovitz
President

FY2019 General Fund Budget Briefing

June 4, 2018

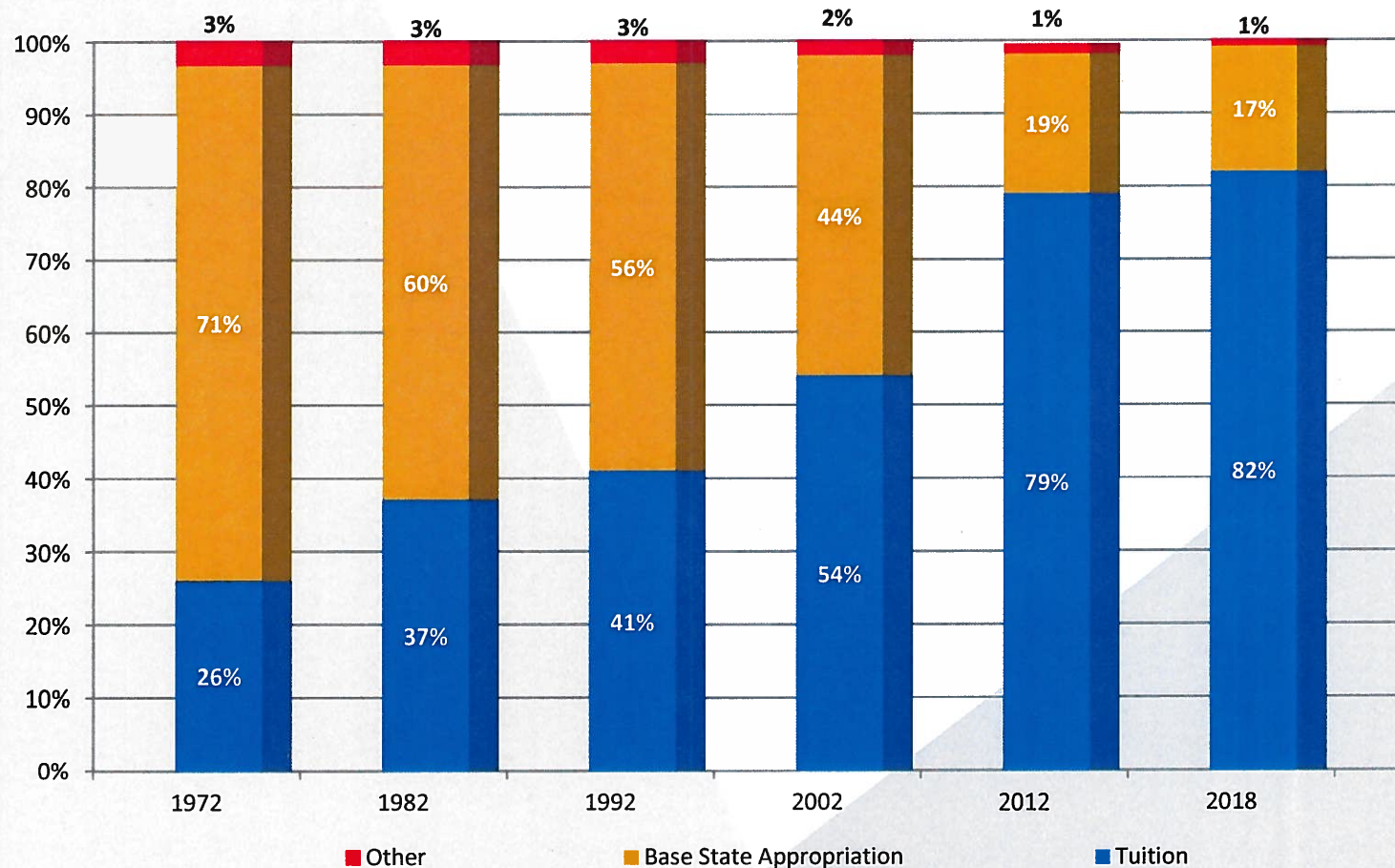


Guiding Principles:

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



Historical Funding Model



Comparison of General Fund revenue sources FY1972 to FY2018
Sources: HEIDI and general fund budgets

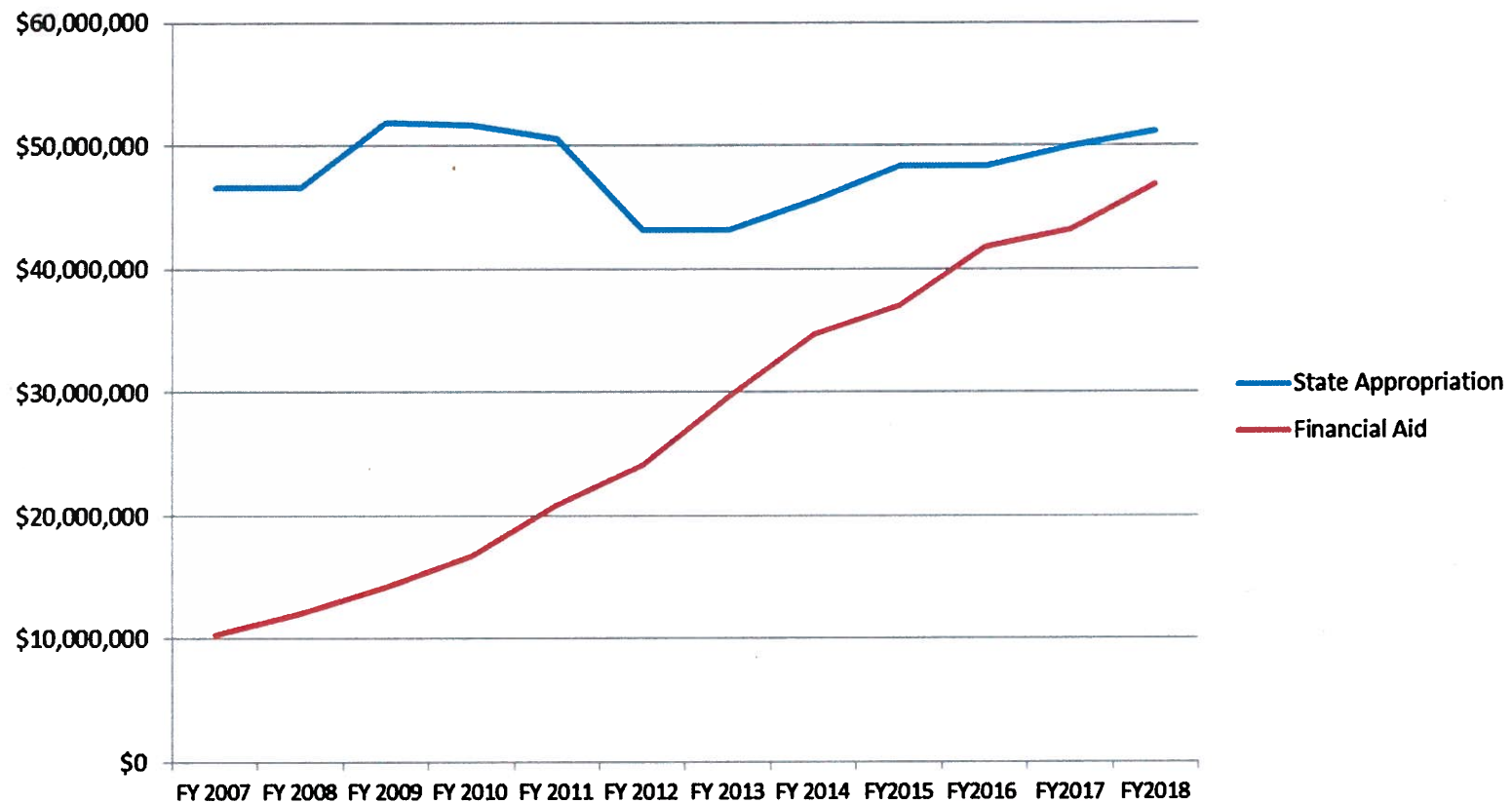
Oakland Appropriation History



	Base		
<u>Fiscal Year</u>	<u>Appropriation</u>		<u>FYES</u>
2010	\$	50,690,700	15,865
2011		50,761,300	16,215
2012		43,145,000	16,319
2013		44,964,100	16,698
2014		45,651,600	17,090
2015		48,383,800	17,408
2016		48,371,900	17,840
2017		49,920,700	17,862
2018		51,235,900	
2019 *		52,816,100	

* FY2019 Executive Funding Proposal
FYES – Fiscal Year Equated Students
Previous high appropriation was in 2009 = \$52,452,200 with 15,073 FYES

State Appropriation vs Institutional Financial Aid



Source: Oakland actual appropriations and financial aid expenditures

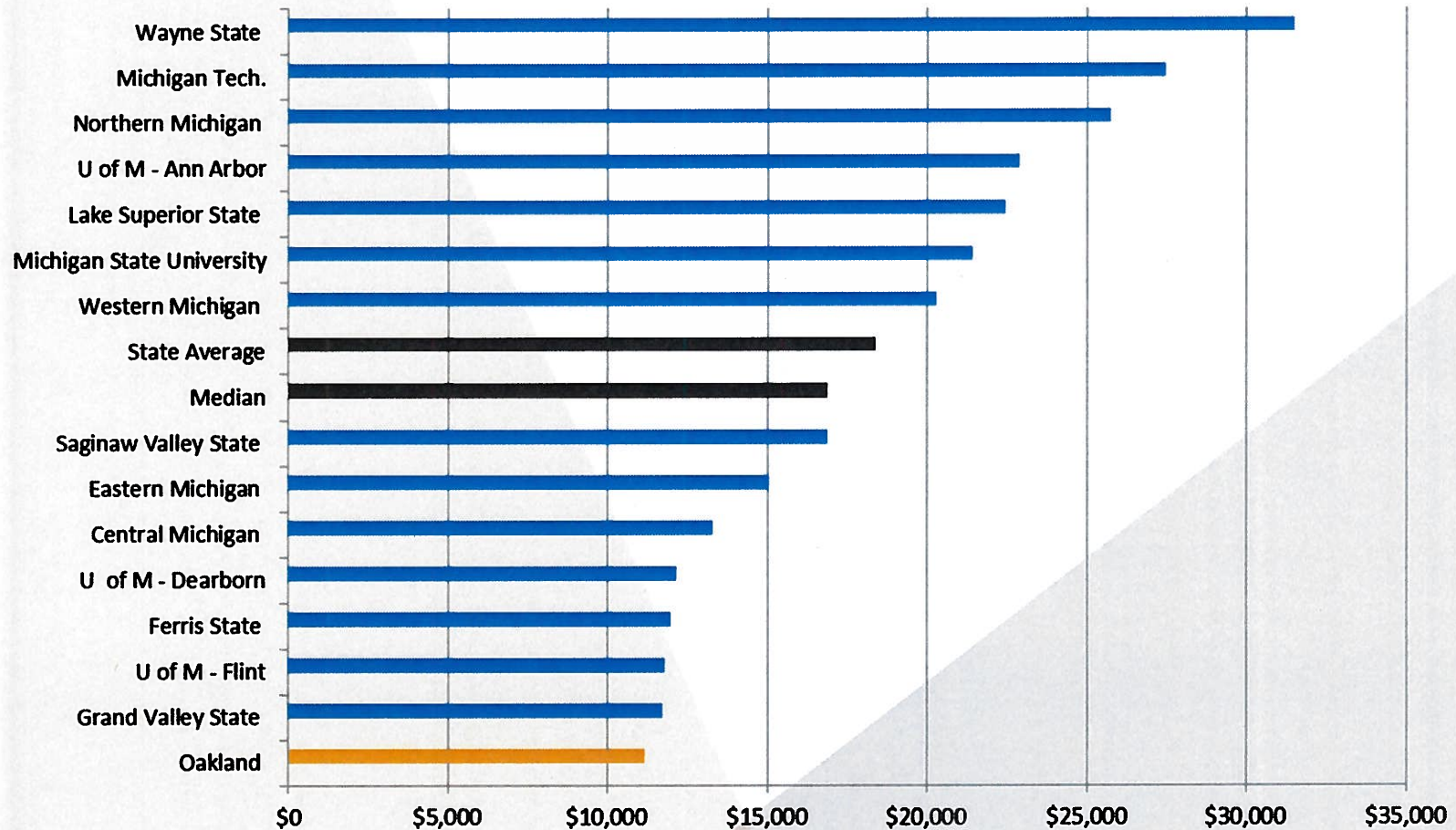
Lowest State Funding Per Student



	FY2018 Appropriation per FYES	FY2016 FYES	Year Founded
Wayne State University	\$ 8,914	22,344	1868
Michigan Technical University	7,291	6,728	1885
University of Michigan Ann Arbor	7,200	43,693	1817
Lake Superior State University	6,971	1,976	1946
Northern Michigan University	6,385	7,383	1899
Michigan State University	6,076	46,284	1855
Western Michigan University	5,494	19,907	1903
Ferris State University	4,420	12,127	1884
Eastern Michigan University	4,364	17,226	1849
Central Michigan University	4,117	20,804	1892
University of Michigan Dearborn	3,748	6,782	1959
Saginaw Valley State University	3,577	8,321	1963
University of Michigan Flint	3,444	6,696	1956
Grand Valley State University	3,087	22,705	1960
Oakland University	2,872	17,841	1957
15 School Average	\$ 5,197		

Funding Oakland at the average would provide \$41.5 million incremental appropriation.
Source: HEIDI

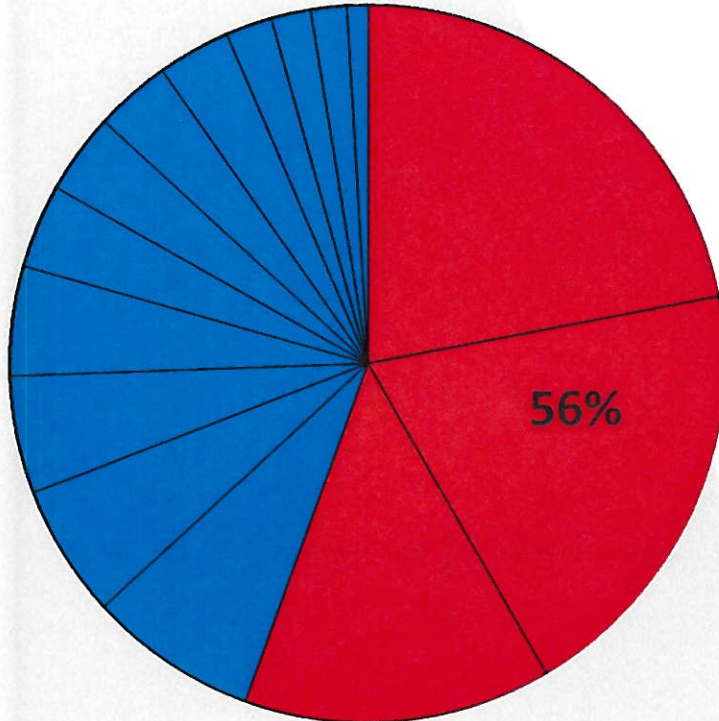
Equivalent State Funding per Degree



Source: HEIDI – FY2016 appropriations
HEIDI – FY2015-16 degrees
Based on appropriations over 4 years

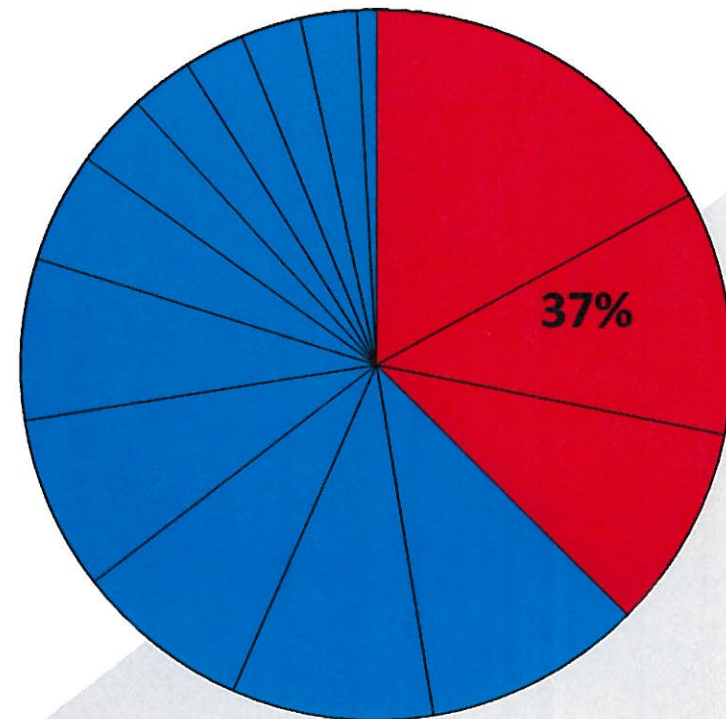
Appropriations per University vs Enrollment per University

3 Schools Receive 56% of Funding



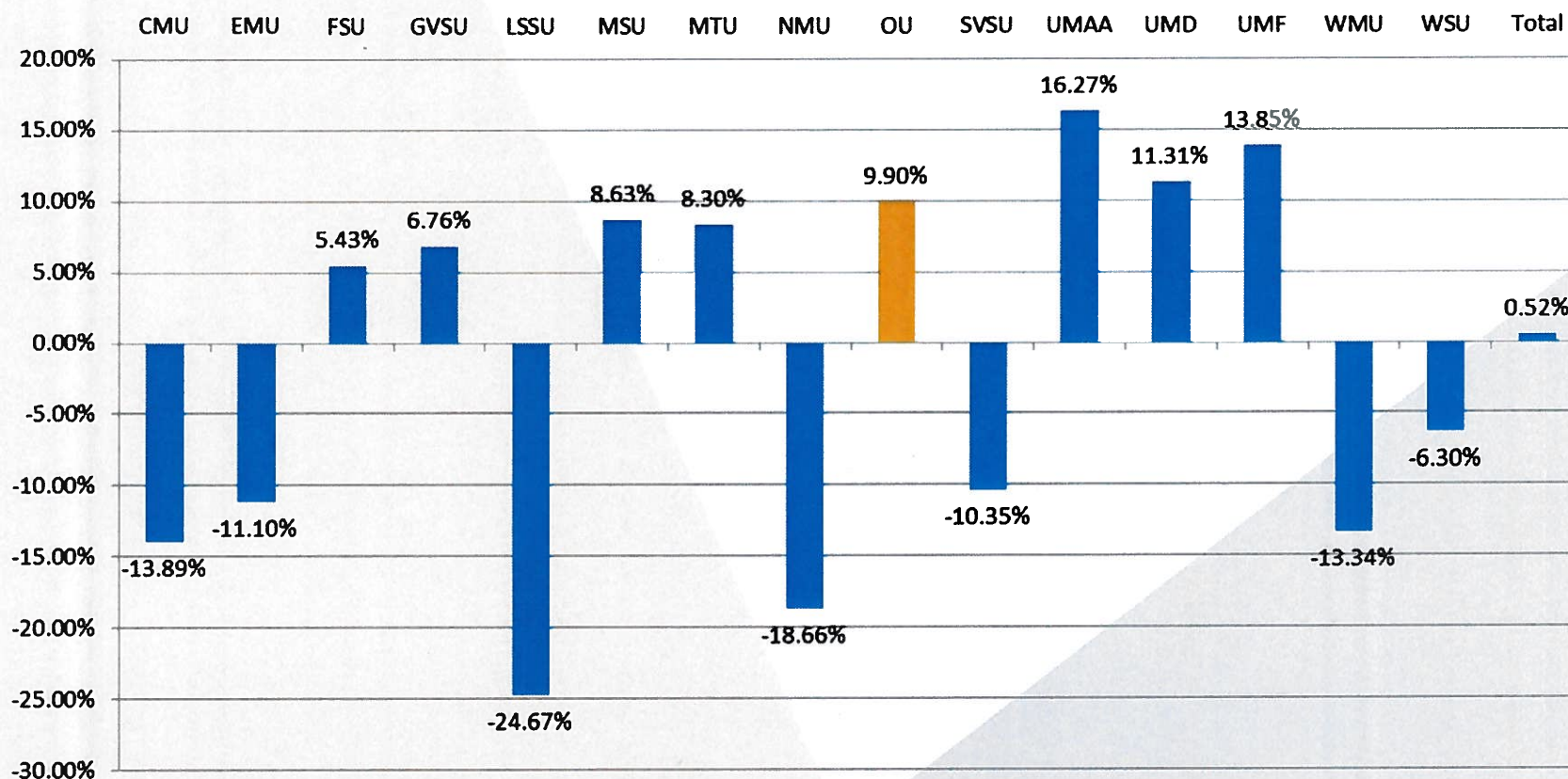
Source: FY19 Executive Recommendation

Those 3 Schools Educate 37% of Students



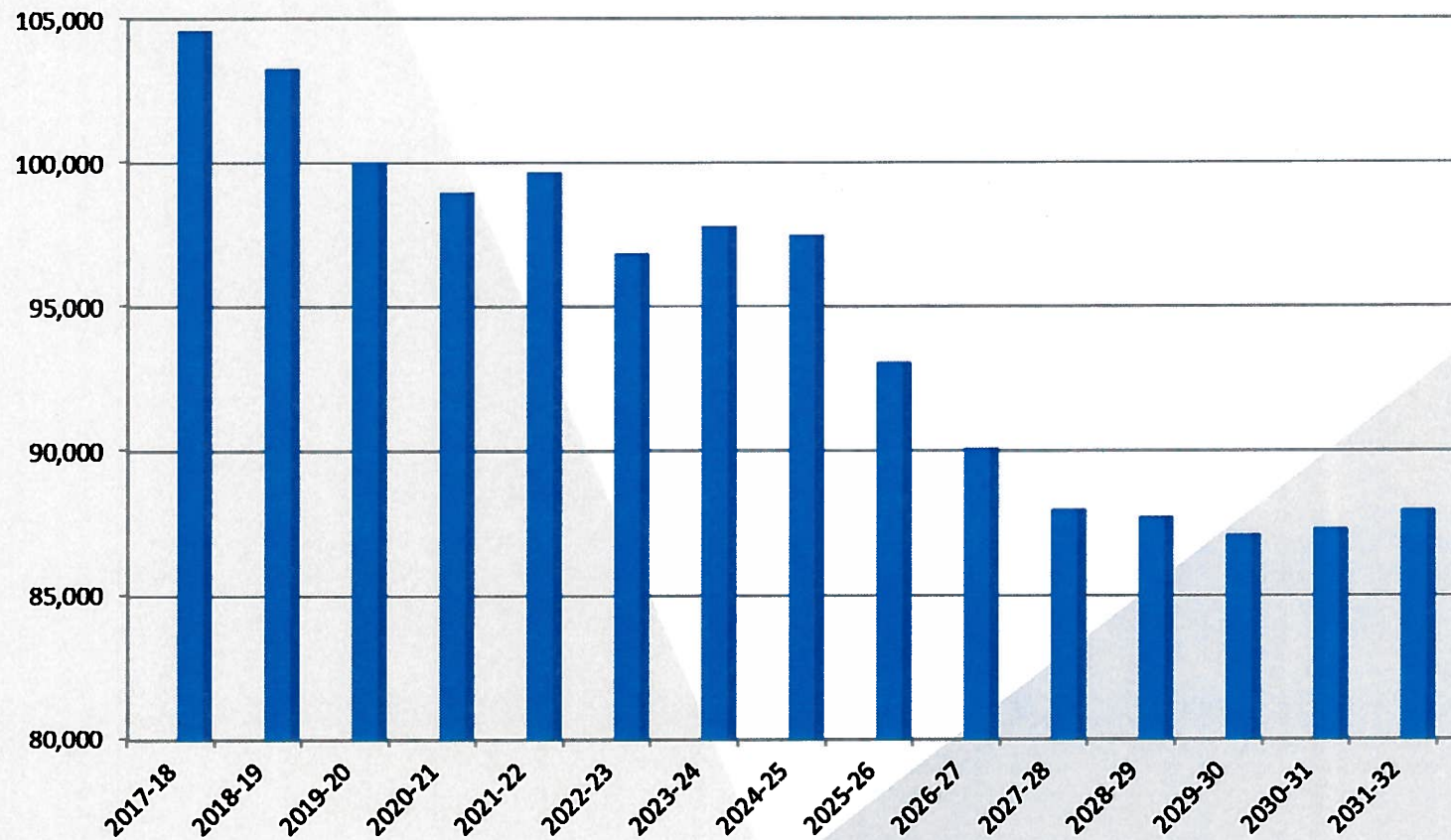
Source: FY2017 HEIDI

Total Headcount – Enrollment Change Fall 2007- Fall 2017



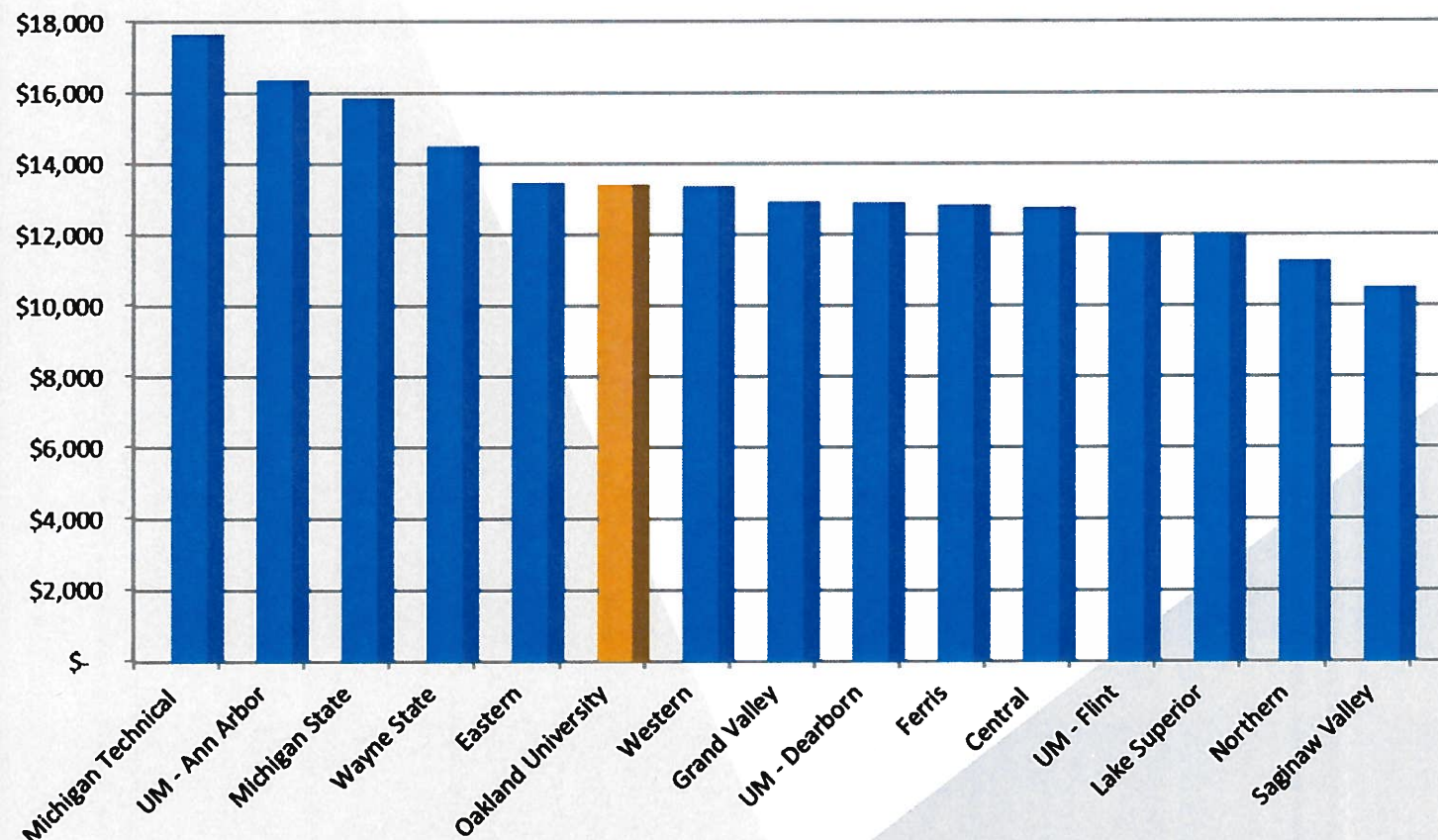
Source: HEIDI

Projected Michigan High School Graduates



Source: WICHE – Western Interstate Commission
for Higher Education

FY2018 All-In Undergraduate Tuition Costs

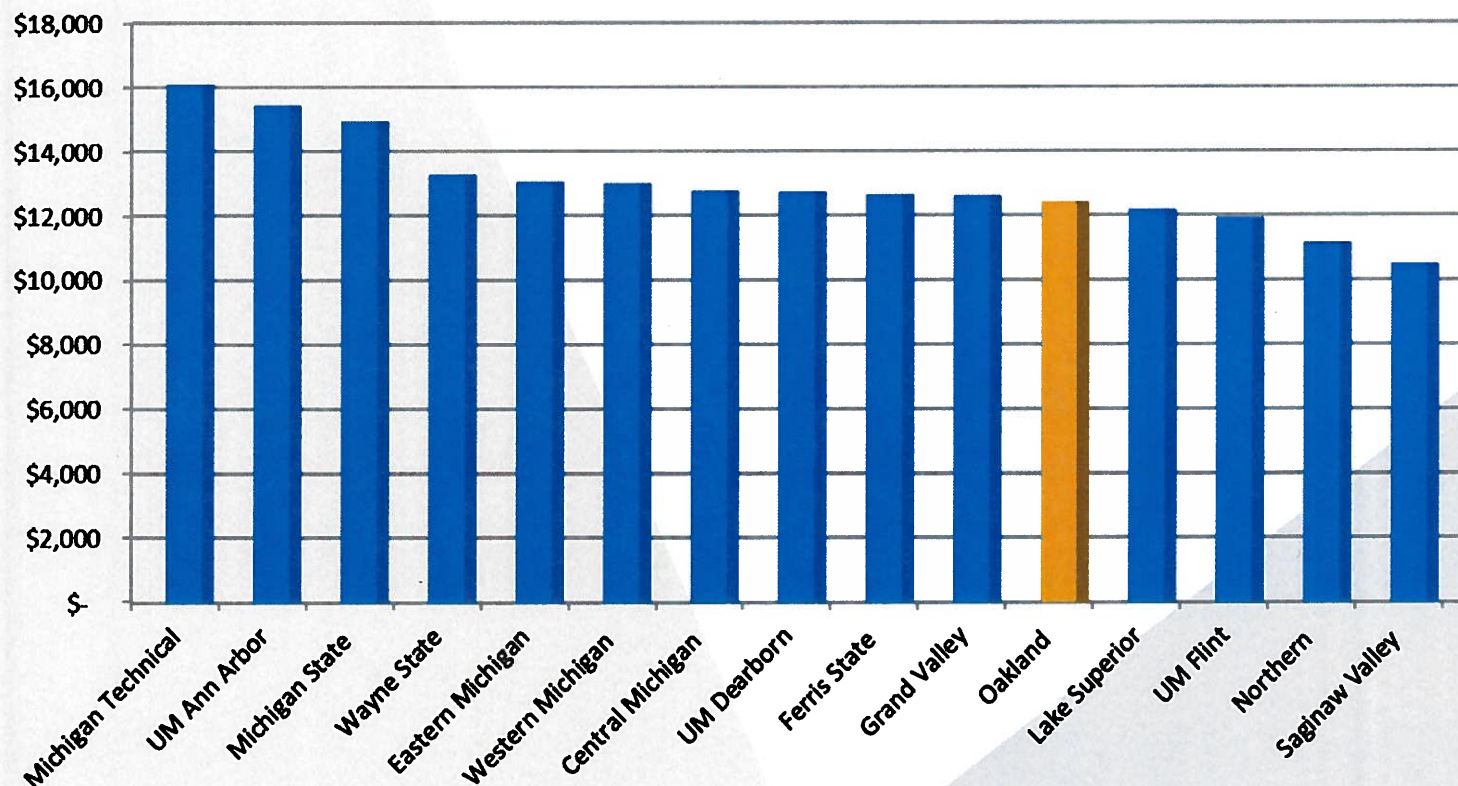


* Actual costs incurred may vary based on individual student choices

** 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.

FY2018 All-In Freshmen 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.

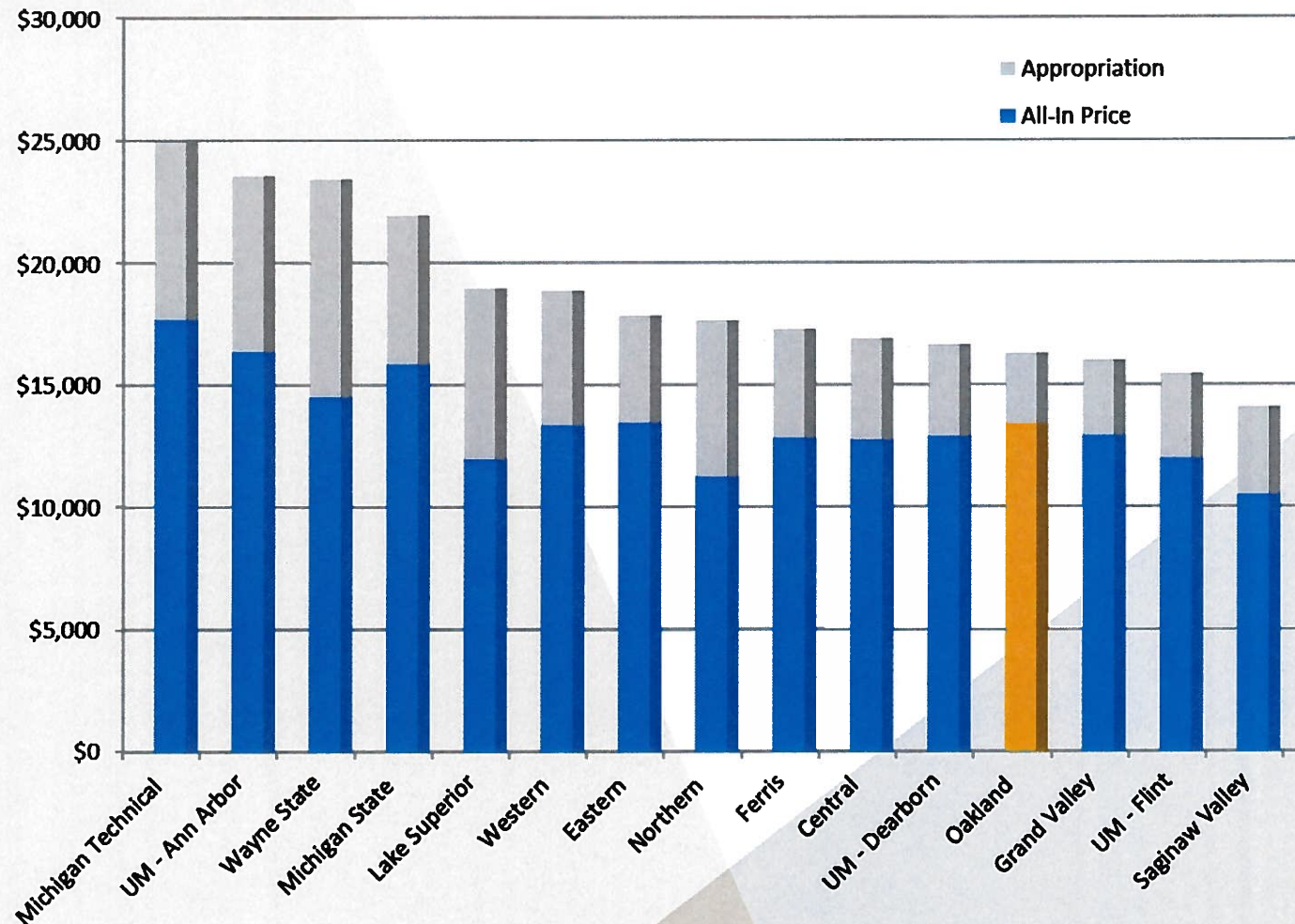
Produced by the Oakland University Office of Budget and Financial Planning based on data published by HEIDI, The Michigan Association of State Universities, and university websites.

Average Undergraduate Net Cost For Full-Time Resident Undergraduate Students

	<u>FY2017</u>
Tuition	\$ 12,923
Average Aid per Student *	<u>(3,817)</u>
Average Net Cost	\$ 9,106
Average Net Cost %	70.5%

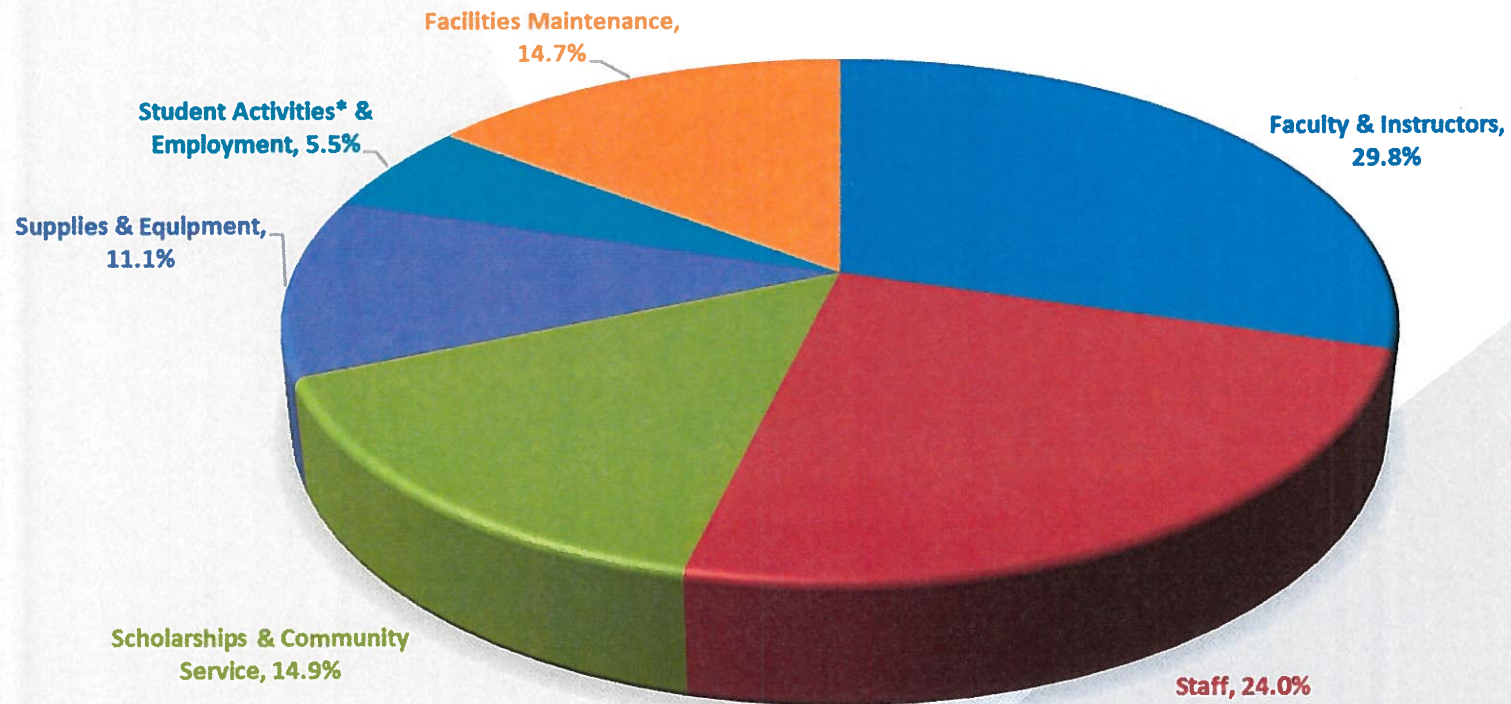
Financial Aid can vary greatly from student to student, however, the average net tuition cost for a full-time resident undergraduate student was \$9,106 in FY2017, a 29.5% discount off the “sticker price”, due to Financial Aid awards.

FY2018 Total Revenue Per Undergraduate Student



Source: HEIDI: FY2018 Appropriations/FY16 UG FYES plus FY2018 UG All-In tuition calculation

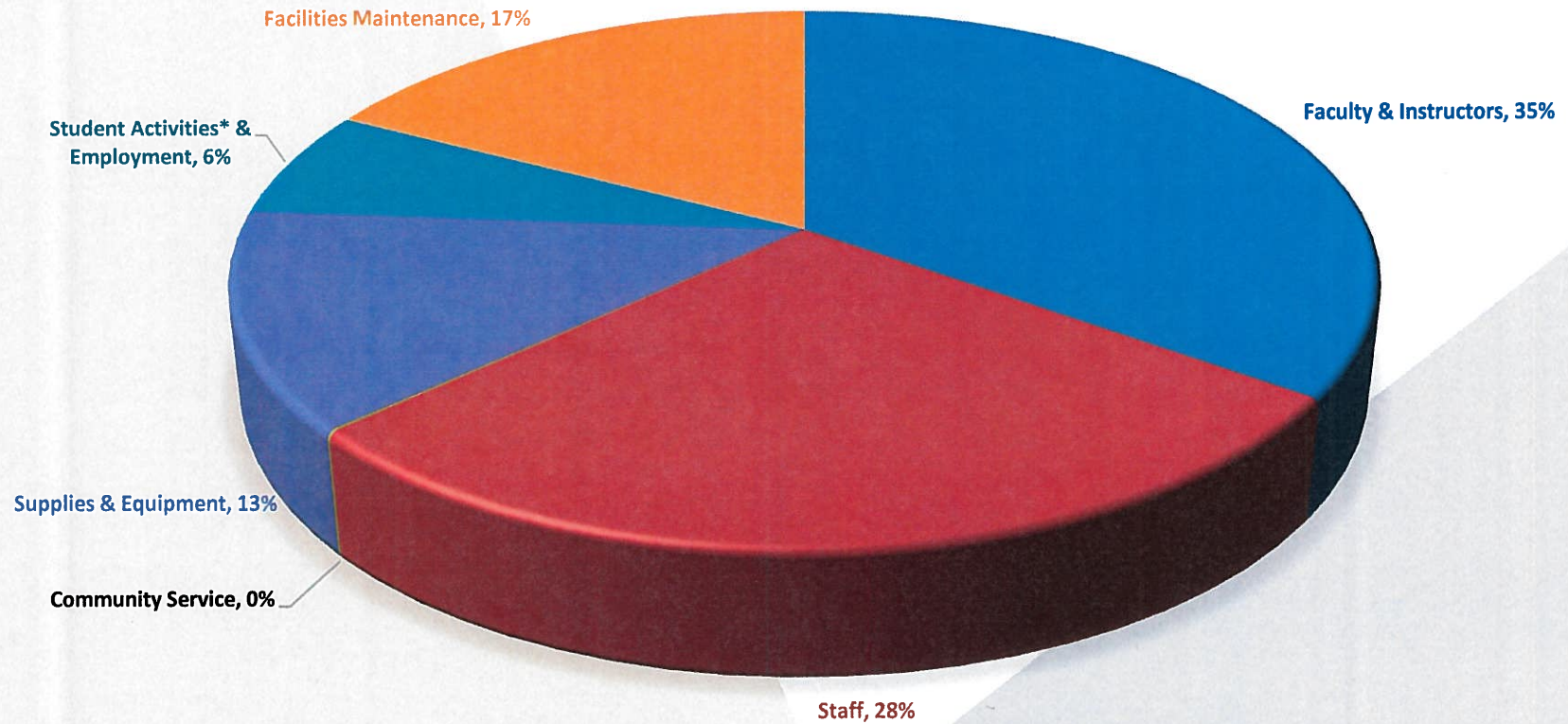
How Tuition and Appropriations are Spent at Oakland



Source: HEIDI 2017

- * • Campus Recreation
• Graham Health Center
• Student Activity Funds
• Classroom Support
• Intercollegiate Athletics

How Tuition and Appropriations are Spent at Oakland – Excluding Financial Aid

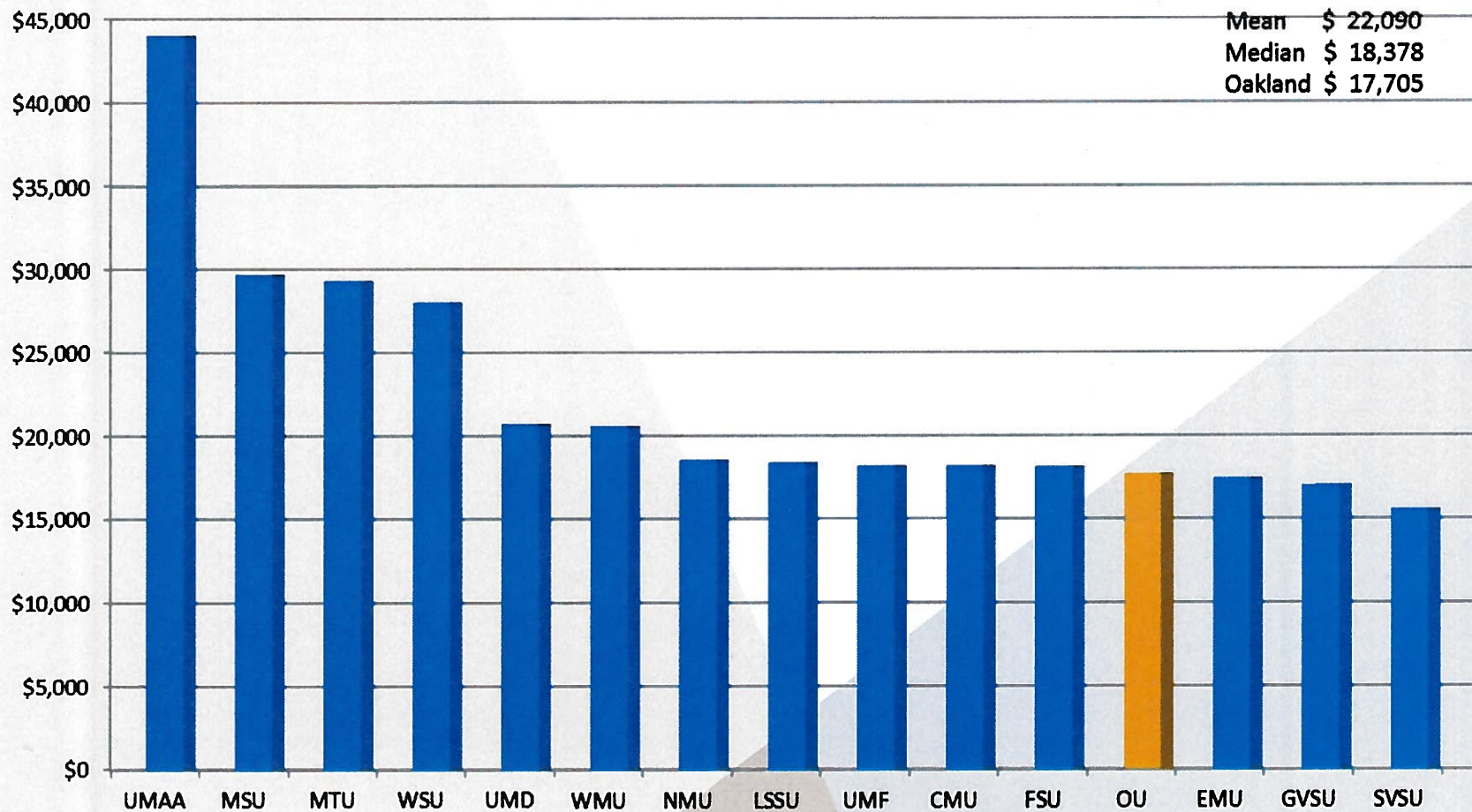


Source: HEIDI 2017

- * • Campus Recreation
- Graham Health Center
- Student Activity Funds
- Classroom Support
- Intercollegiate Athletics

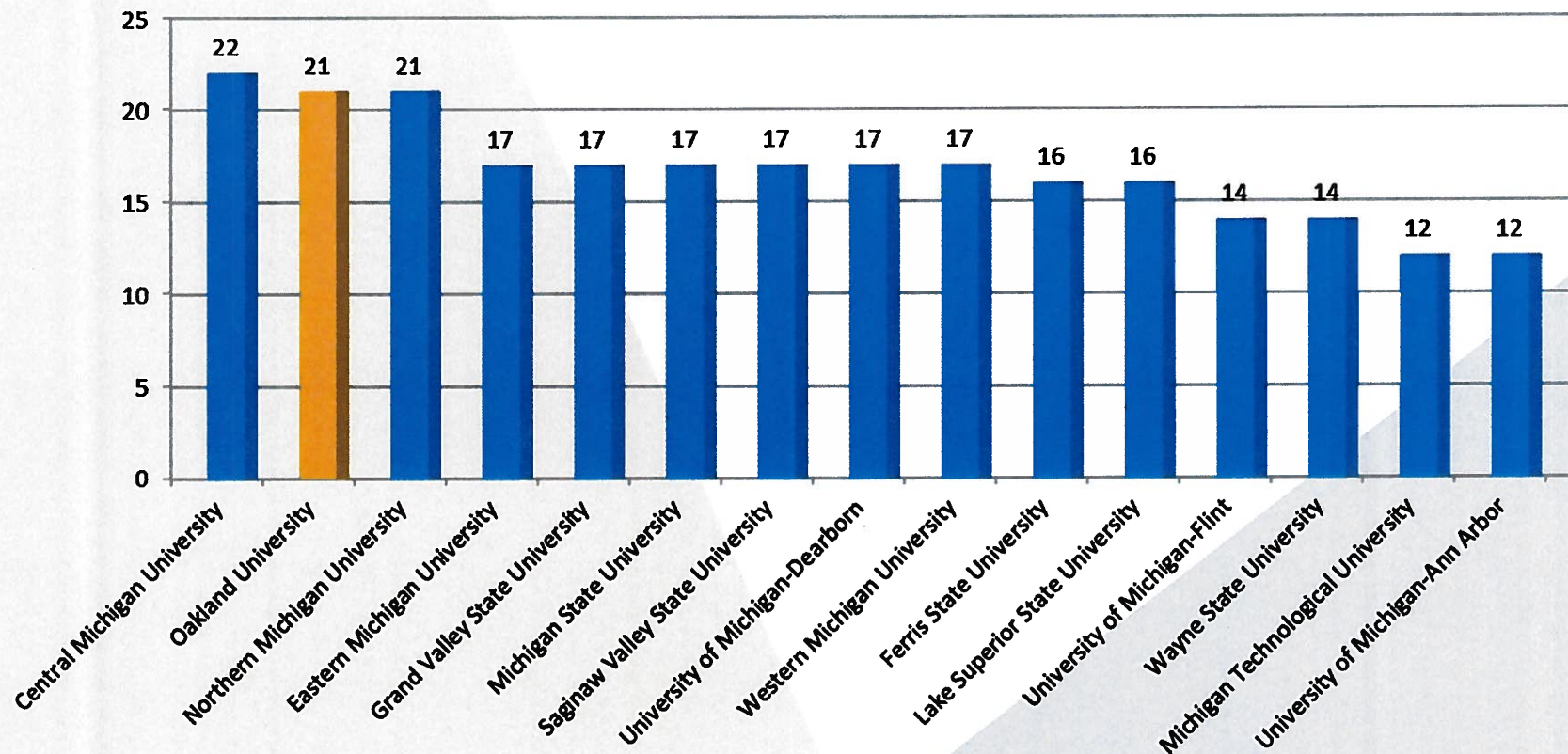
Fourth Lowest Expenditures per Student

FY2017 General Fund Expenditures per FYES

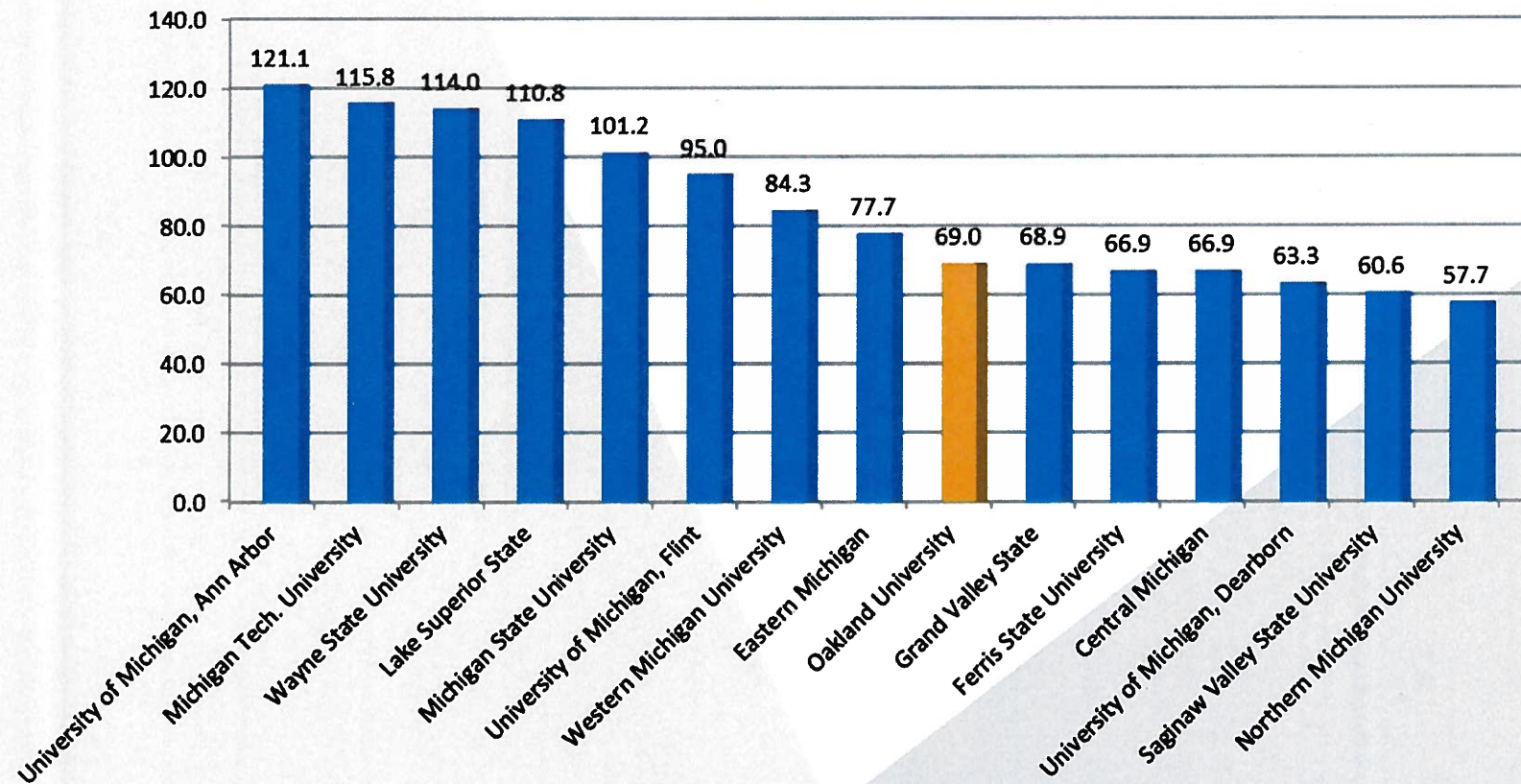


Source: HEIDI

Second Highest Students to Faculty Ratio

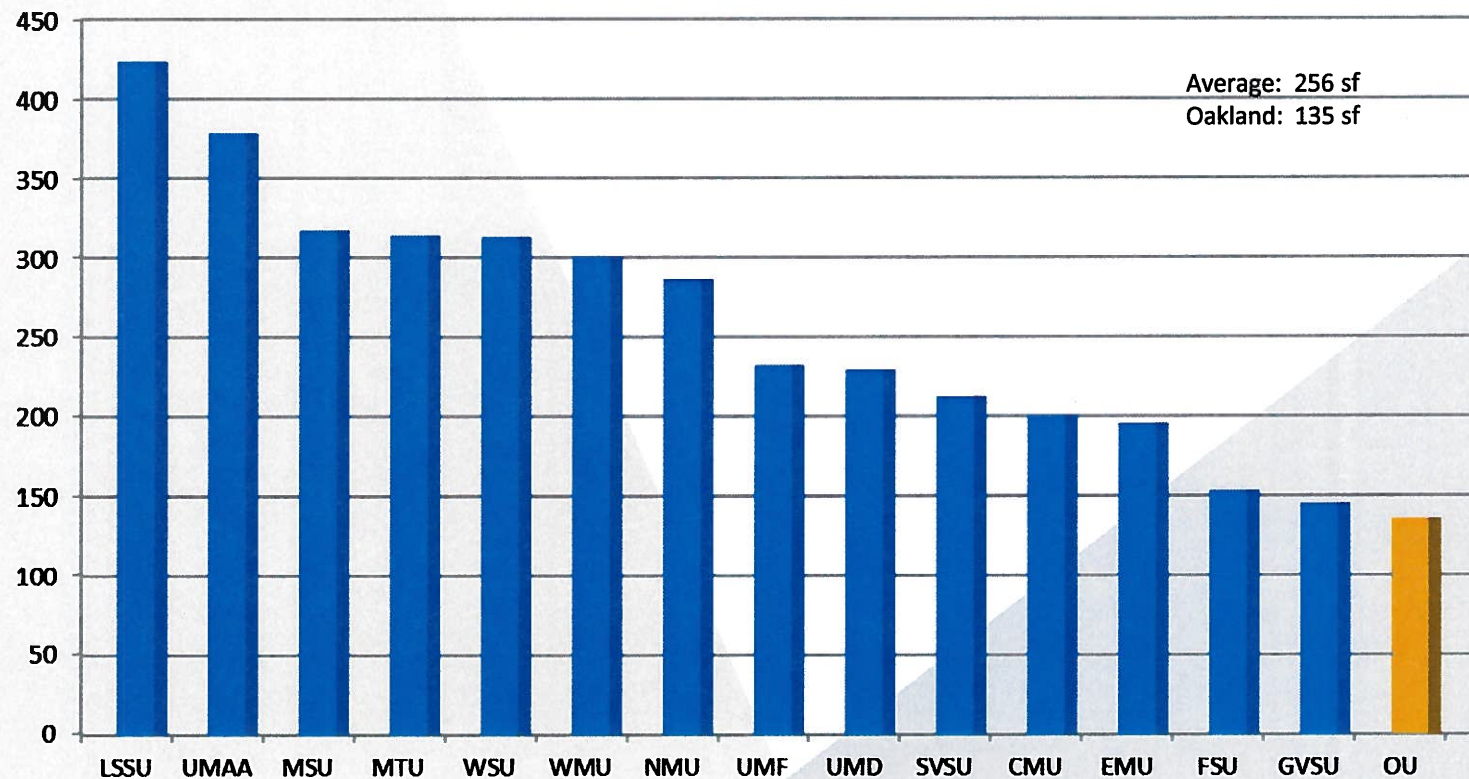


Staff per 1,000 Students



Lowest Building Square Footage per Student

FY2017 General Fund Building Sq. Ft. per FYES



Source: HEIDI – FY2017

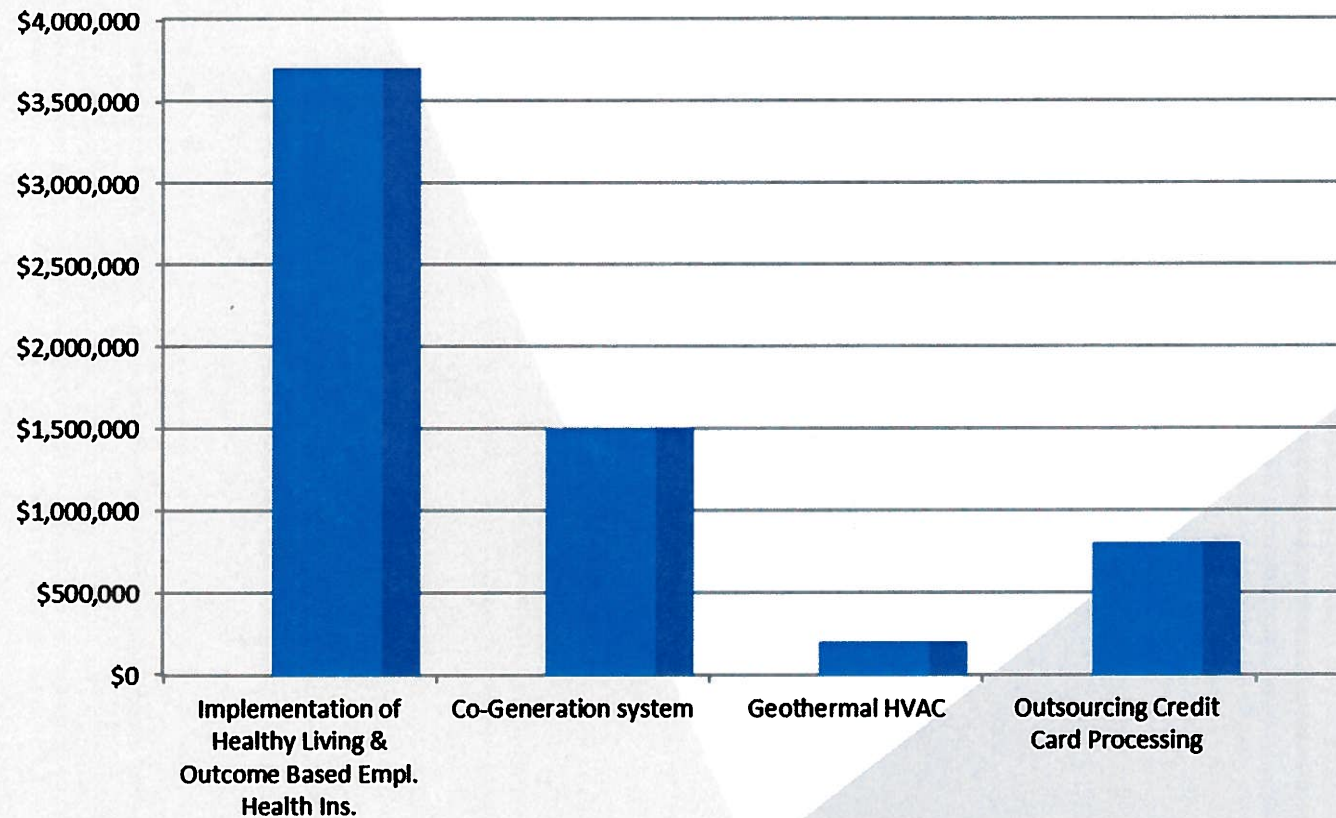
Cost Containment



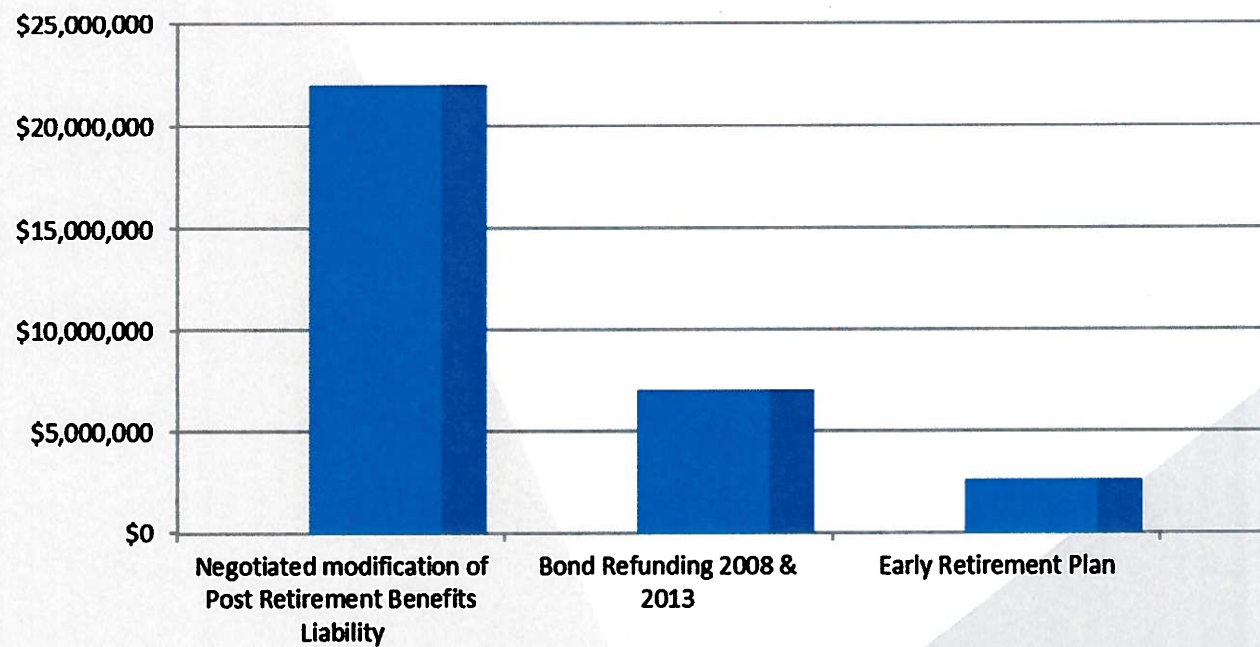
FY2003 - FY2018
Oakland University
Cost Containment, Budget and State Appropriation Reductions

	<u>Permanent</u>	<u>One Time</u>	<u>Total</u>
Cost Containment	\$ 28,887,755	\$ 9,309,354	\$ 38,197,109
Budget Reductions	<u>\$ 13,313,460</u>	<u>\$ 5,626,000</u>	<u>\$ 18,939,460</u>
Total	<u><u>\$ 42,201,215</u></u>	<u><u>\$ 14,935,354</u></u>	<u><u>\$ 57,136,569</u></u>

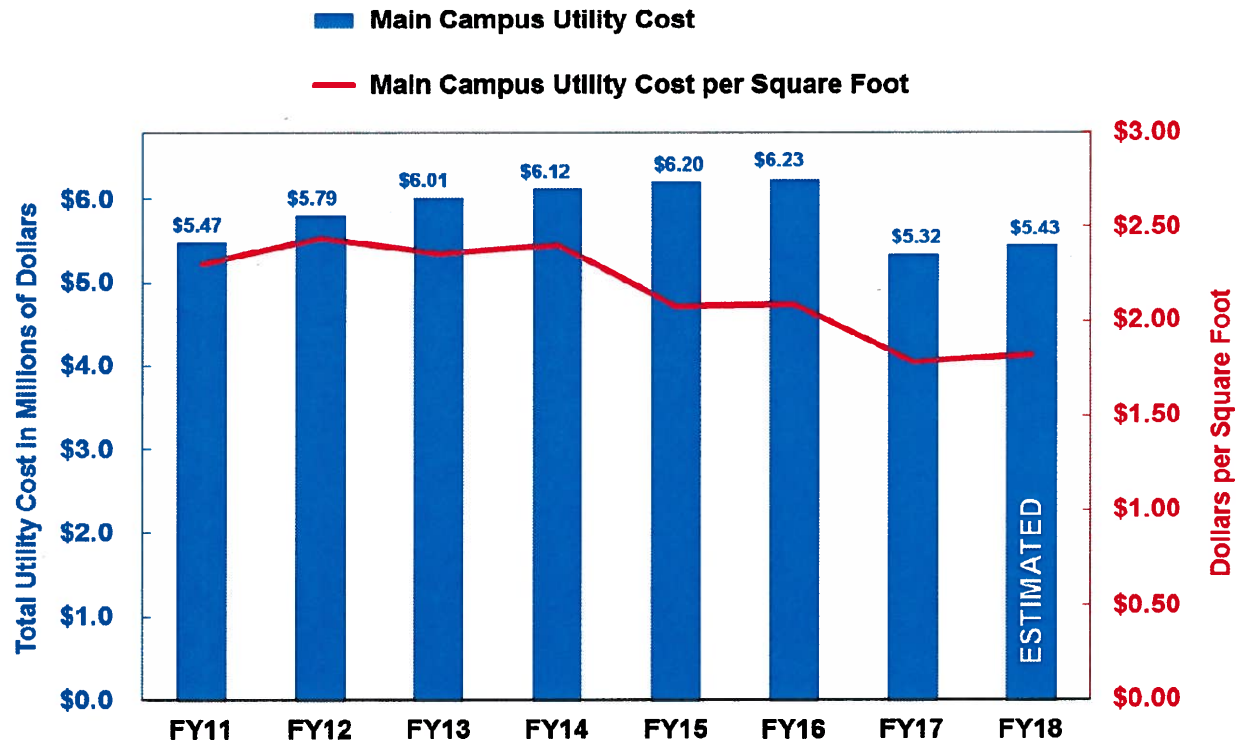
Major Cost Containment Initiatives - Annual



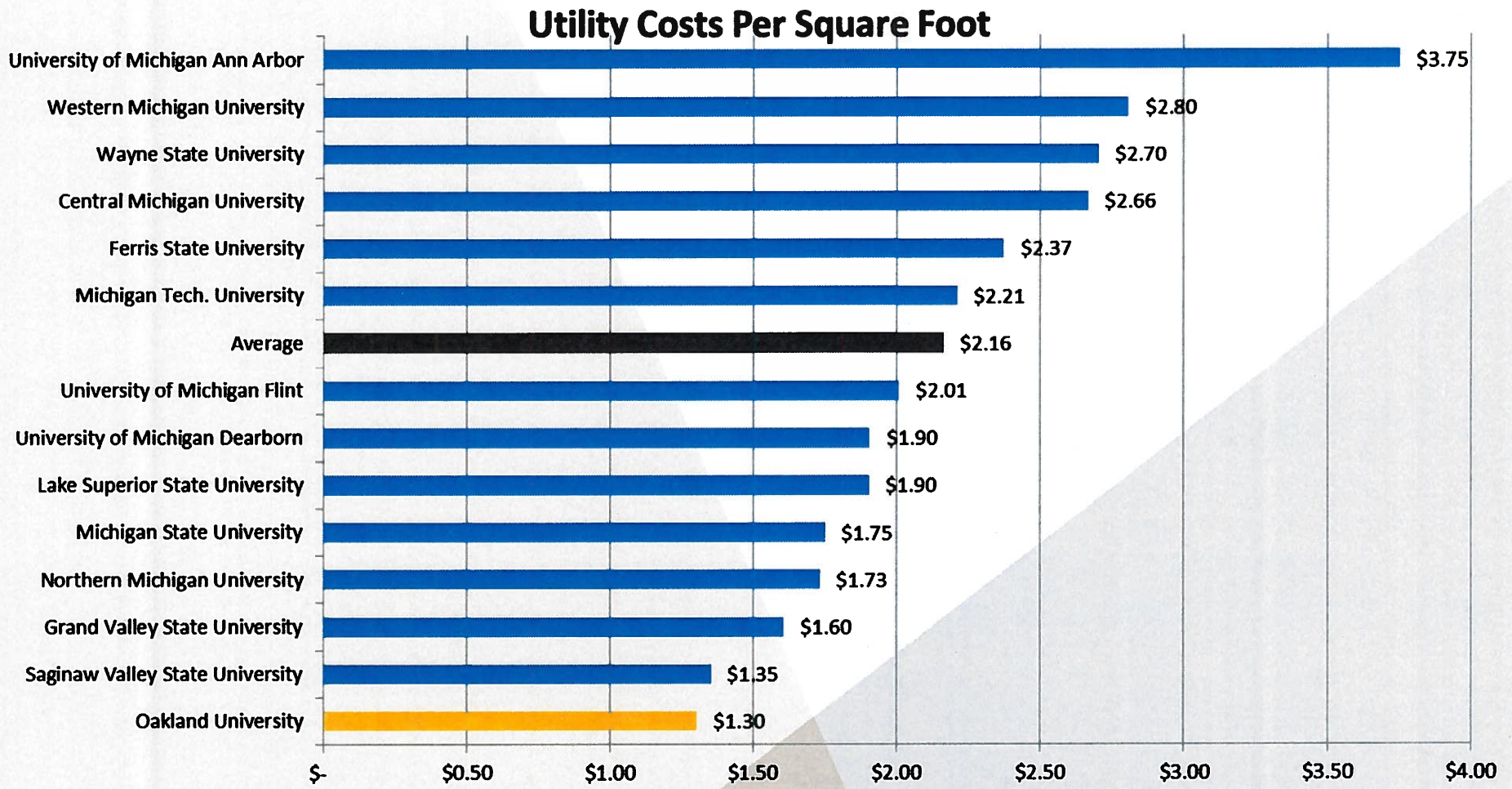
Major Cost Containment Initiatives - One-Time



Main Campus Utility Costs

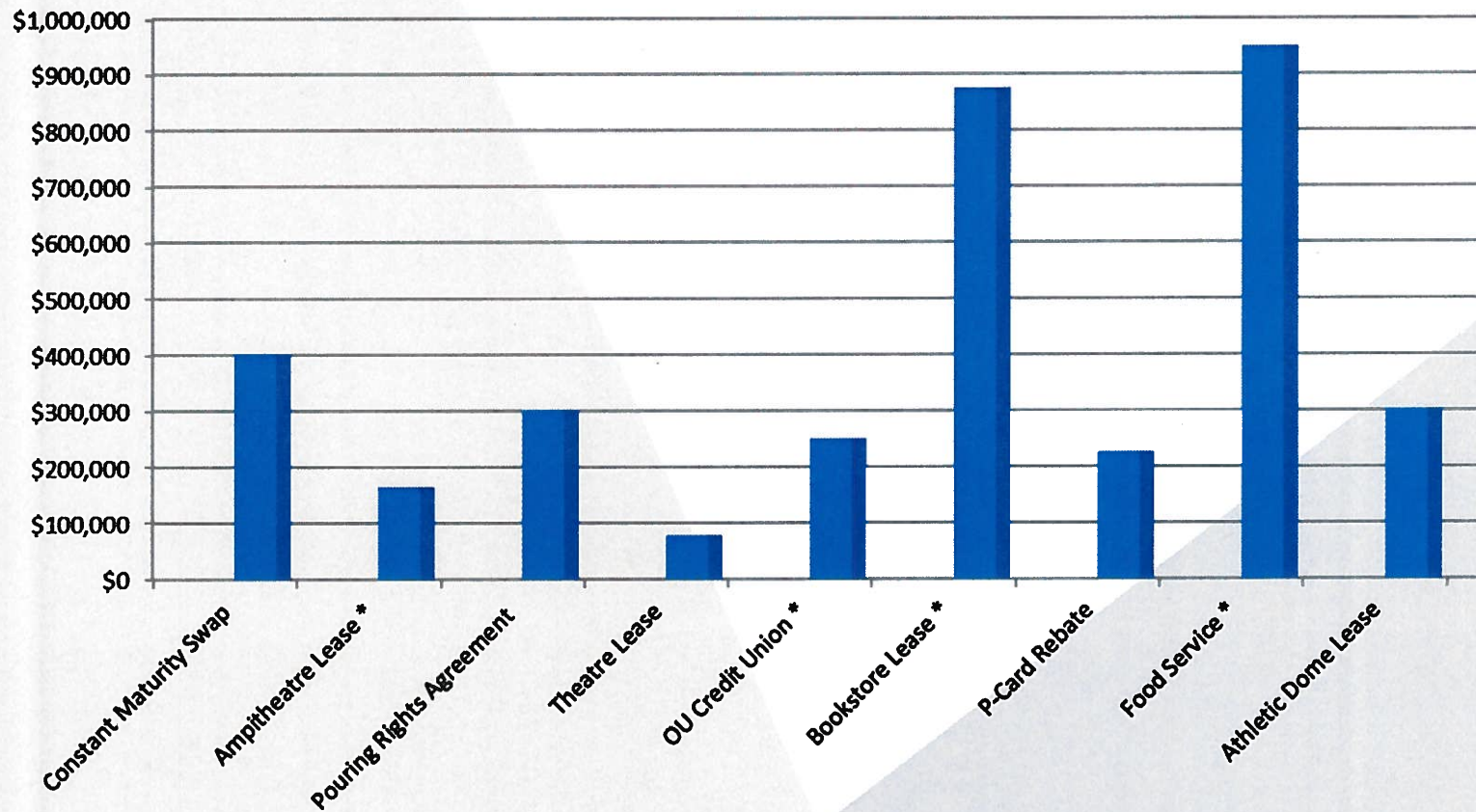


Utility Cost Per Square Foot



Source: HEIDI – 2017 – electric and gas, no water

Alternative Revenues - Annual



* Up front Payments:

Amphitheatre \$ 500,000

Bookstore \$ 550,000

OU Credit Union \$1,000,000

Food Service \$5,500,000

Oakland Student Upon Graduation



Average Student Debt *:

Oakland	\$ 25,000
State of Michigan	\$ 25,453

Average Median Annual Student Earnings *:

Oakland	\$ 41,900
National	\$ 34,300

Percent of Employed Oakland Graduates
Residing in Michigan **

97%

* Dept. of Education Scorecard - 2017

** OU Career Services First Destination Survey

FY2019 Planning Assumptions



	Appropriations <u>Percent</u>	Appropriations <u>Amount</u>	Tuition <u>Restraint</u>
Governor Proposal	3.1%	\$ 1,580,200	3.8%
Senate Proposal	4.1%	\$ 2,093,800	3.8%
House Proposal	1.5%	\$ 791,800	3.8%

FY2019 Planning Assumptions



- Enrollment -3.5%
- Undergraduate Tuition Increase 3.8% (\$17.00/credit)
- Graduate Tuition Increase 4.5% (\$31.75/credit)
- Appropriations Increase \$1.6M
- Contractual Commitments Funded

FY2019 Base Budget Reductions



Compensation (vacant positions)	\$ (473,640)
Supplies & Services	(1,625,633)
Insurance, Bank Fees & Miscellaneous	(201,562)
Other Post Employment Benefits	(2,951,000)
Total Base Budget Reductions *	<u>\$ (5,251,834)</u>

* Incorporated into Incremental FY2019 Expenditures

FY2019 Incremental Funding Sources



Tuition	\$ 1,150,679
Financial Aid	\$ (3,607,644)
State Appropriation	1,646,000
Endowment	920,000
Miscellaneous	750,771
Net Incremental Funding Sources	<u>\$ 859,806</u>

* Excludes School of Medicine

FY2019 Incremental Expenditures



Compensation	\$ 2,476,074
Utilities	651,714
Administrative Allocations to Auxilliaries	(932,905)
SOM Overhead Allocation	(700,000)
Miscellaneous	(635,077)
Total Incremental Expenditures	<u>\$ 859,806</u>

* Excludes School of Medicine

Annual Budget Comparison



	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
Prior Year Revenue Budget	\$ 238,587,890	\$ 245,348,686	\$ 252,036,289
Incremental:			
State Appropriations	1,556,600	1,249,400	1,646,000
Tuition	10,436,189	4,591,369	1,150,679
Financial Aid	(5,219,639)	(383,261)	(3,607,644)
Miscellaneous	(12,354)	1,230,095	1,670,771
Total Budgeted Revenues	<u>\$ 245,348,686</u>	<u>\$ 252,036,289</u>	<u>\$ 252,896,095</u>
 Prior Year Expenditure Budget	 \$ 238,587,890	 \$ 245,348,686	 \$ 252,036,289
Incremental:			
Operating Expenses	4,691,247	5,378,636	434,562
Strategic/Other Initiatives	2,069,549	1,308,967	425,244
Total Budgeted Expenditures	<u>\$ 245,348,686</u>	<u>\$ 252,036,289</u>	<u>\$ 252,896,095</u>

* Excludes School of Medicine

Questions?



**Oakland University
Fiscal Year 2019
Proposed General Fund Budget**

Attachment B

Category	FY 2018 Budget	FY 2019 Projected Budget	Amount Change	% Change
State Appropriation - Base	\$ 51,170,100	\$ 52,816,100	\$ 1,646,000	3.22%
Student Tuition	268,872,123	271,849,380	2,977,257	1.11%
Financial Aid Offset	(51,199,049)	(55,156,402)	(3,957,353)	7.73% (1)
Net Tuition & Fees Revenue	\$ 217,673,074	\$ 216,692,978	(\$ 980,096)	-0.45%
Indirect Cost Recovery	2,200,000	2,200,000	0	0.00%
Miscellaneous Income	489,718	3,208,190	2,718,472	555.11%
Encumbrances	13,129,076	0	(13,129,076)	-100.00% (2)
Total Funding Sources	\$ 284,661,968	\$ 274,917,268	(\$ 9,744,700)	-3.42%
Less: Budgeted Expenditures	\$ 284,661,968	\$ 274,917,268	(\$ 9,744,700)	-3.42%
Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	
FYES Enrollment	17,662	17,084	(578)	-3.27%

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.

Friday, May 25, 2018 3:22:32 PM

Oakland University
General Fund Budgeted Expenditures
Fiscal Year 2018 vs. 2019

	FY2018 Adjusted Total Budget	FY2018 Enc. / Carryforward	FY2018 Adjusted Base Budget	FY2019 Budget Changes	FY2019 Budget
School of Medicine	\$ 19,756,177	\$ (259,573)	\$ 19,496,604	\$ 2,524,570	\$ 22,021,174
College of Arts & Sciences	54,631,580	(1,700,336)	52,931,244	1,236,164	54,167,408
School of Business Administration	18,084,686	(737,195)	17,347,491	207,364	17,554,855
School of Education and Human Services	14,836,205	(722,479)	14,113,726	268,812	14,382,538
School of Engineering and Computer Science	13,999,618	(364,226)	13,635,392	319,449	13,954,841
School of Health Sciences	6,988,200	(45,311)	6,942,889	180,369	7,123,258
School of Nursing	11,039,340	(687,810)	10,351,530	169,007	10,520,537
Kresge Library	7,139,535	(219,426)	6,920,109	137,162	7,057,271
Instructional and Information Technology	0	0	0	0	0
Academic Affairs - Other	40,220,030	(4,122,488)	36,097,542	(175,535)	35,922,007
Operations & Finance	35,478,020	(983,728)	34,494,292	(267,521)	34,226,771
Student Affairs	13,190,164	(319,781)	12,870,383	(87,491)	12,782,892
Development, Alumni and Comm. Engagement	6,131,247	(568,117)	5,563,130	231,313	5,794,443
President	20,369,657	(2,389,547)	17,980,110	(710,303)	17,269,807
General	22,797,509	(9,059)	22,788,450	(648,984)	22,139,466
Total	\$ 284,661,968	(\$ 13,129,076)	\$ 271,532,892	\$ 3,384,376	\$ 274,917,268

**Oakland University
Schedule of Tuition Rates
Effective Fall Semester 2018**

Tuition Rate Per Credit Hour	Current Rate 2018	Proposed Rate 2019
Resident UG Lower	414.00	429.75
Resident UG Upper	479.75	498.00
SBA 001-299 courses	434.75	453.50
SBA 300+ courses	510.75	529.50
SECS 001-299 courses	445.00	464.75
SECS 300+ courses	521.25	541.50
SHS 001-299 courses	424.25	440.50
SHS 300+ courses	500.50	518.75
SON 001-299 courses	439.75	456.50
SON 300+ courses	516.00	534.25
Resident Grad	706.25	738.00
Resident Doctoral	706.25	738.00
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	53,327.00	54,928.00

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	12,420.00	12,892.50	
2) Upper Division Tuition	14,392.50	14,940.00	
CAS Residential Undergraduate Average	13,406.25	13,916.25	3.80%

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

Graduate Tuition	16,950.00	17,712.00	4.50%
------------------	-----------	-----------	-------

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.