

**Agendum
Oakland University
Board of Trustees Formal Session
June 15, 2020**

**GENERAL FUND BUDGET AND TUITION RATES
FOR FY2021**

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 FY2021 General Fund Budget and Tuition Rates. Highlights and assumptions for this proposal are described below.

Attachment A is a FY2021 General Fund Budget Briefing.

Attachment B is the Oakland University (University) FY2021 Proposed General Fund Budget which provides summarized budget information for each major academic and operating unit and a comparison to the FY2020 General Fund Budget.

Attachment C is the proposed Schedule of Tuition Rates Effective Fall Semester 2020.

Preamble:

The COVID-19 pandemic has imposed financial constraints on governments, businesses, organizations, and families across the globe; Oakland University is no exception. It is anticipated that University revenues will be adversely impacted by decreases in domestic and international student enrollment, state support, and auxiliary activities.

To support Oakland students and their families during these times of financial uncertainty, the Administration is recommending freezing all tuition rates for the Fall 2020 semester. Although this recommendation makes the task of balancing the University's budget much more difficult, it demonstrates the University's commitment to support students and do what is necessary to help students remain enrolled and continue the pursuit of their education at Oakland with less financial burden.

In addition, significant budget reduction strategies have been implemented along with using one-time reserves to balance the FY2021 General Fund Budget.

State Appropriations:

The State of Michigan's FY2021 budget has not yet been finalized. The University's proposed FY2021 budget is based upon the Maintenance of Effort Provision (MOE) in the CARES Act, which allows states to fund universities at a rate equal to the average of the three preceding fiscal years. In anticipation of an appropriation decrease, the FY2021

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budget includes an appropriation of \$52,495,867, the MOE amount, a \$1.3 million decrease.

The FY2021 budgeted average appropriation is merely \$43,667 higher than the University's FY2009 state funding level. During this twelve-year period, Oakland's enrollment has increased by 2,276 students, while state funding per Fiscal Year Equated Student (FYES) has declined by \$516 per student.

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 FY2020 base appropriation per FYES was the lowest in the state at \$3,069, as compared to the average of \$5,546. State funding as a percentage of the University's FY2020 General Fund revenue is 17%. In FY1971, State funding was 71% of the University's revenue. If Oakland were to be funded at the state per FYES average, its appropriation would be \$43.1 million higher, which would provide tremendous support for academic needs, student support services, and lessen the budget burden on tuition.

Cost Containment:

The University has accumulated data on cost containment initiatives totaling over \$68 million of permanent and one-time savings and budget reductions since FY2003. Cost saving initiatives include staff furloughs, retirement plan adjustments, 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 position eliminations.

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, \$2,477 below the average
- Fourth lowest total revenue per undergraduate student (tuition plus state appropriation)
- Fourth lowest general fund expenditures per student, \$4,437 below the average
- Highest number of students per faculty
- Seventh lowest staff per 1,000 students
- Lowest general fund building square footage per student
- Lowest instructional utility cost per square foot

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.

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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.*
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:

Tuition is the primary source of General Fund revenues, accounting for 82% of the budget. The proposed FY2021 tuition rates remain unchanged; full-time resident freshman tuition remains \$13,462.50, full-time resident graduate tuition remains \$18,492.00, and full-time resident doctoral tuition remains \$12,400.00. (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 frozen at FY2020 rates as well.

The University's commitment to controlling the net cost of attendance continues. The institutional financial aid budget, \$51.3 million (excluding the School of Medicine), is nearly 98% of Oakland's anticipated state appropriation. In essence, the University is awarding almost all of its State funding directly to students in an effort to reduce their net cost of attendance.

In FY2019, on average, a full-time resident undergraduate student received non-debt financial aid (scholarships, grants, and other awards, excluding loans) of \$4,608, reducing the overall net average cost by nearly one third, to \$9,308.

In addition, the University received \$6.9 million via the CARES Act to be awarded directly to students to help offset their costs related to the COVID-19 pandemic.

Highlights of the Proposed FY2021 General Fund Budget:

Revenue:

1. Anticipated state appropriation reduction of \$1,329,033.
2. FYES enrollment of 15,419 (excluding the School of Medicine), a 7.1% decline as compared to the prior year budget.
3. Tuition rates for Fall 2020 frozen at FY2020 levels.

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Expenditures:

1. Expense budget changes primarily include:
 - a. Operational expense reductions including supplies & services, travel, and over-time.
 - b. Non-bargained for (NBF) employees with salaries of \$100,000 and above received base salary reductions of between 4% and 20%. New NBF employees, effective July 1, 2020, will have a twelve month waiting period to become eligible for the University's retirement plan.
 - c. Operating funds required for Board approved course offerings, utilities, insurance, and other contractual obligations.
2. Continued focus on student financial aid funding including the Golden Grizzlies Tuition Guarantee, economic hardship fund, and need based and competitive merit-based scholarship awards.
3. Projected one-time savings from participation in the State of Michigan's Workshare Program (\$1.1M).
4. One-time use of \$5.9M of non-general fund reserves to balance the budget.

3. **Previous Board Action:** On June 10, 2019 the Board approved the FY2020 General Fund Budget and Tuition Rates.

4. **Budget Implications:** Approval of the FY2021 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2020 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 budget development strategies and assumptions were discussed with the Senate Budget Review Committee, Senate Planning Committee, and Student Leadership. The FY2021 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2020 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.

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8. Recommendation:

WHEREAS, the FY2021 Proposed General Fund Budget and Schedule of Tuition Rates Effective Fall Semester 2020 require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approves the FY2021 General Fund Budget at an expenditure level of \$270,013,650 (see Attachment B) and approved encumbrances and carry-forwards from the June 30, 2020 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates Effective Fall Semester 2020 (see Attachment C); 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. FY2021 General Fund Budget Briefing
- B. FY2021 Proposed General Fund Budget
- C. Schedule of Tuition Rates Effective Fall Semester 2020

Submitted to the President
on _____, 2020 by

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

Recommended on _____, 2020
to the Board of Trustees for approval by

Ora Hirsch Pescovitz, M.D.
President



**FY2021
General Fund Budget Briefing
June 15, 2020**

Guiding Principles:

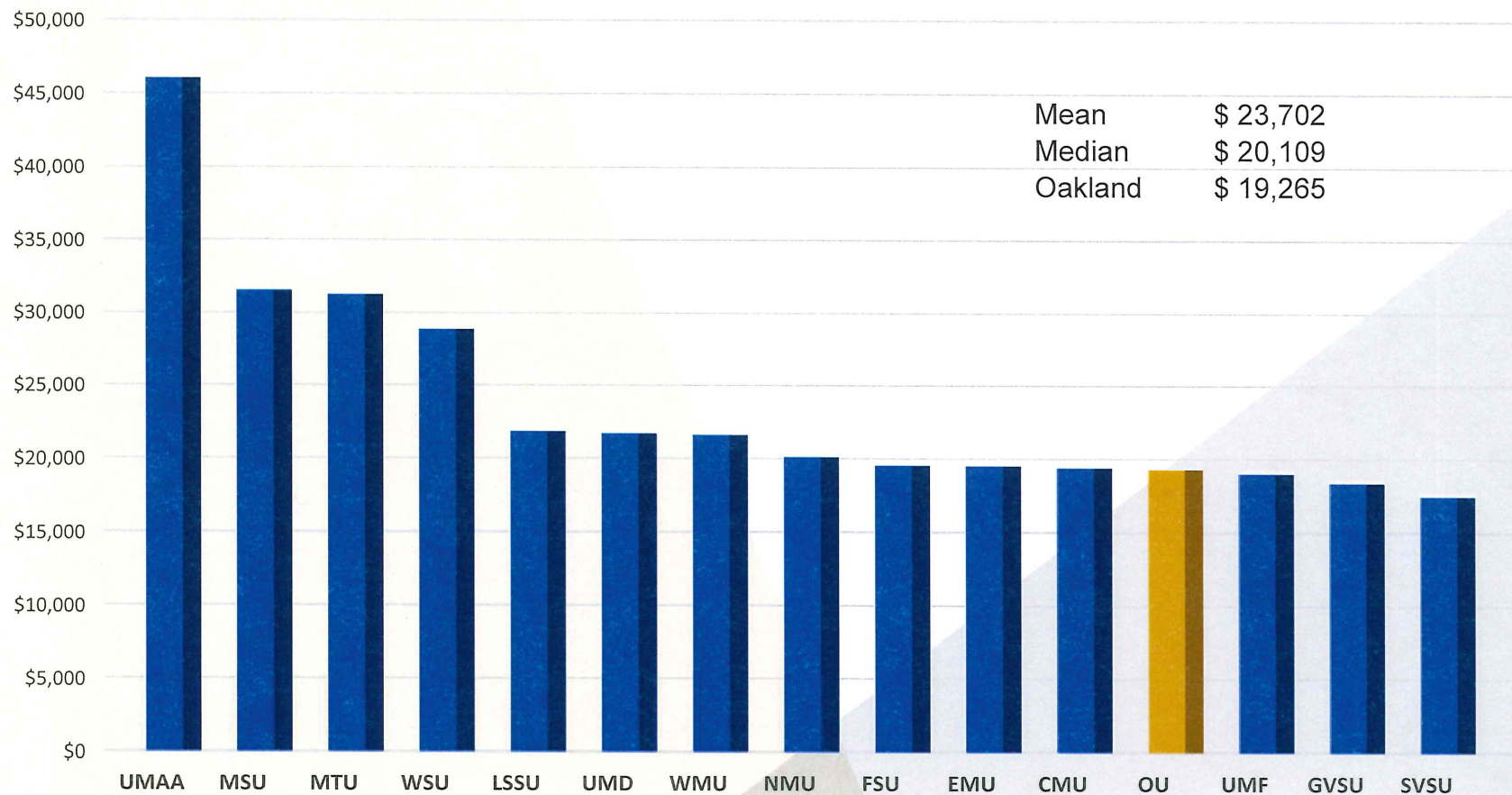
- Commitment to mission
- Protect/strengthen academics
- Provide excellent student services
- Minimize net student cost (tuition less financial aid)



Fourth Lowest Expenditures per Student

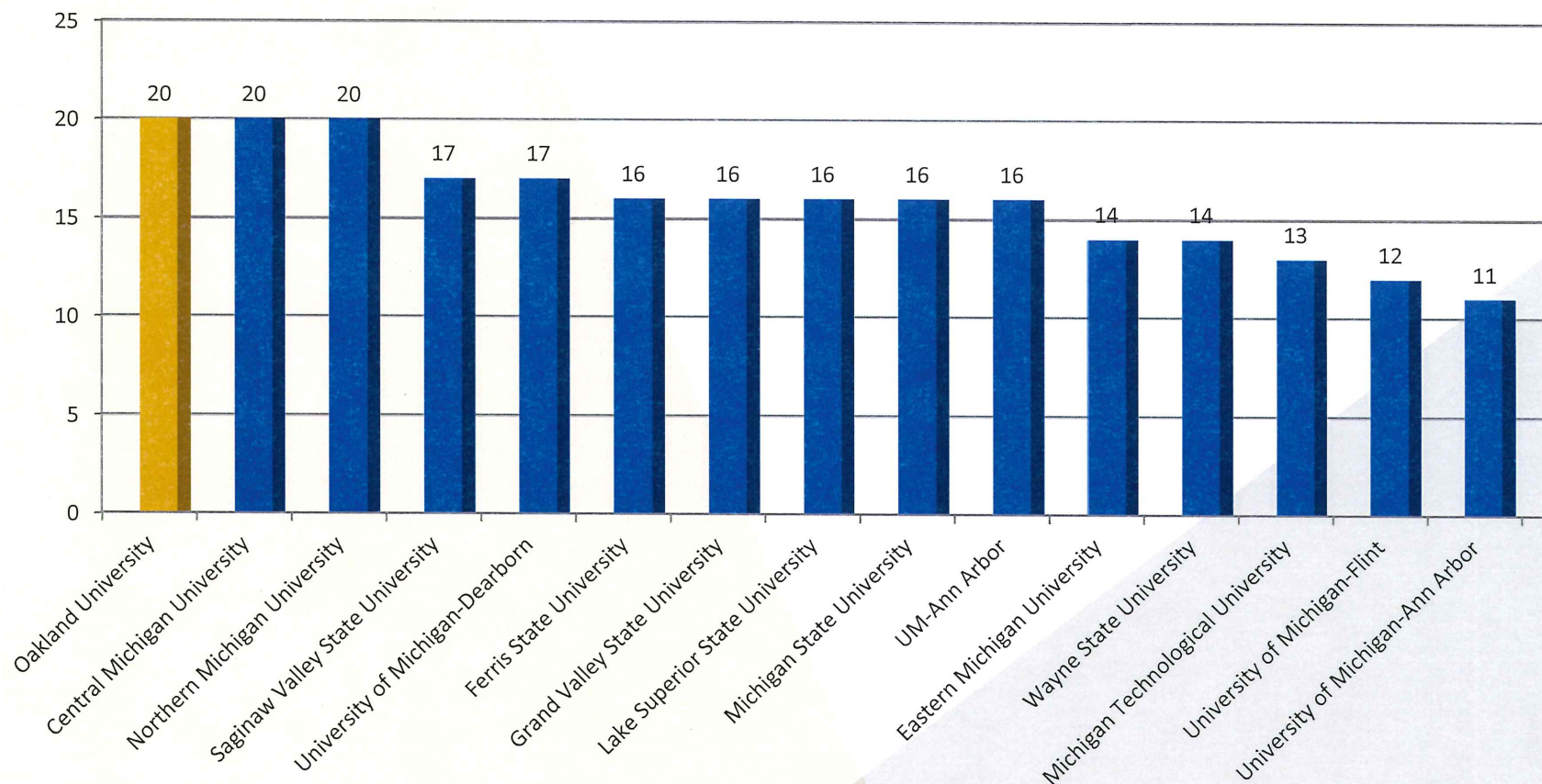


FY2019 General Fund Expenditures per FYES



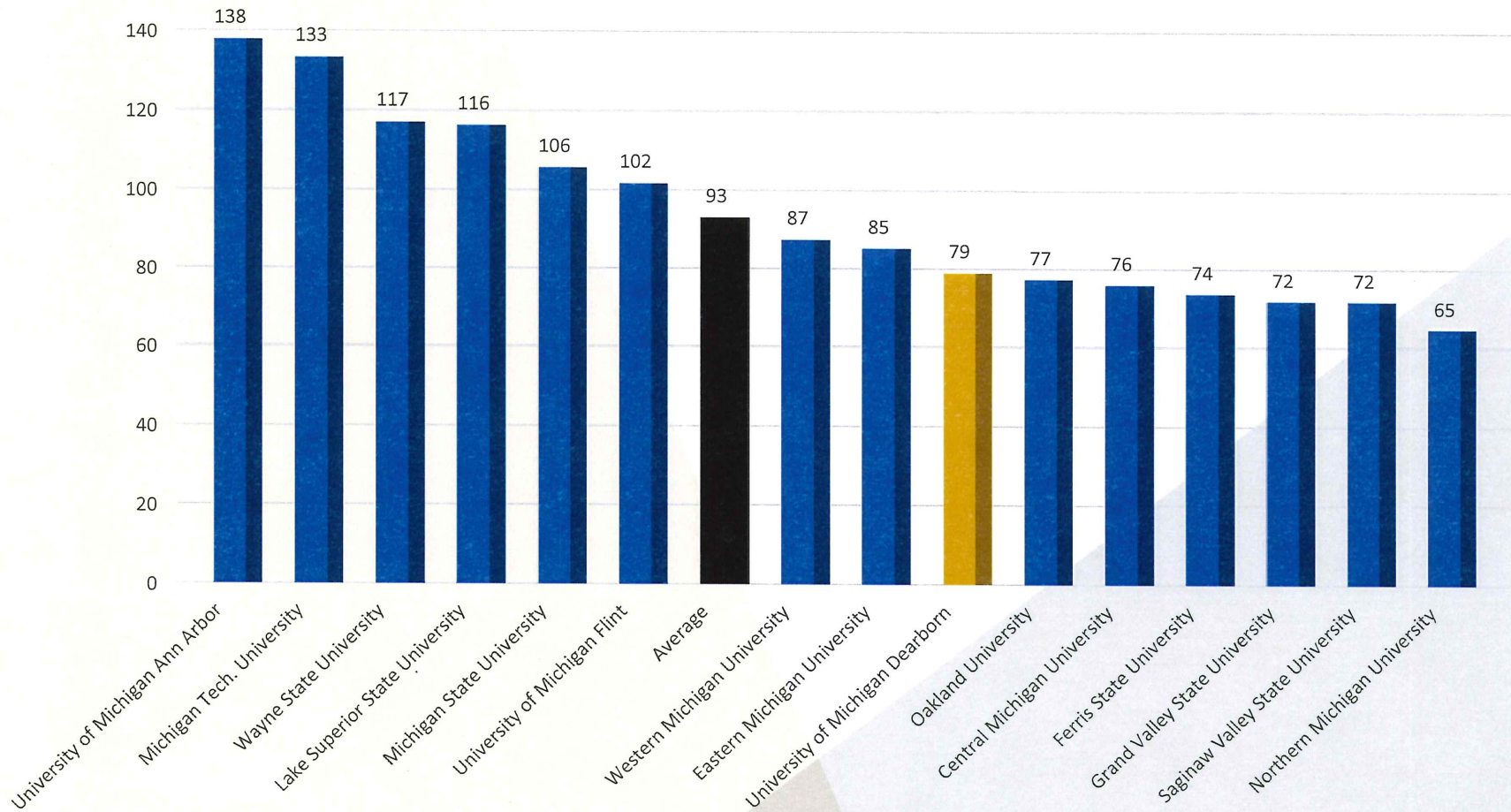
Source: HEIDI

Highest Students to Faculty Ratio



Source: Integrated Postsecondary Education Data System - IPEDS, Finance Reports Fall 2018

Staff per 1,000 Students

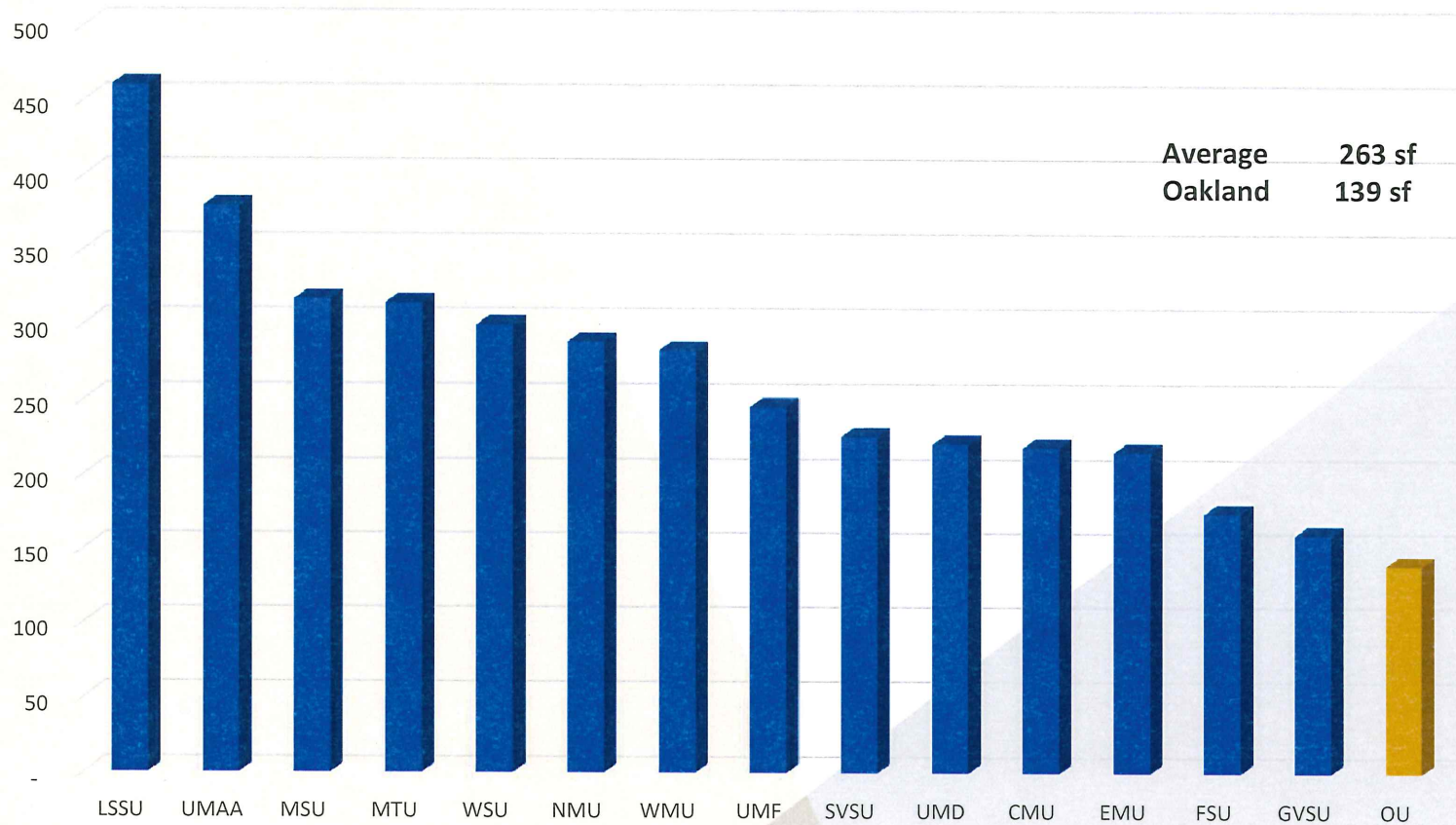


Source: HEIDI - FY2019

Lowest Building Square Footage per Student



FY2019 General Fund Building Sq. Ft. per FYES

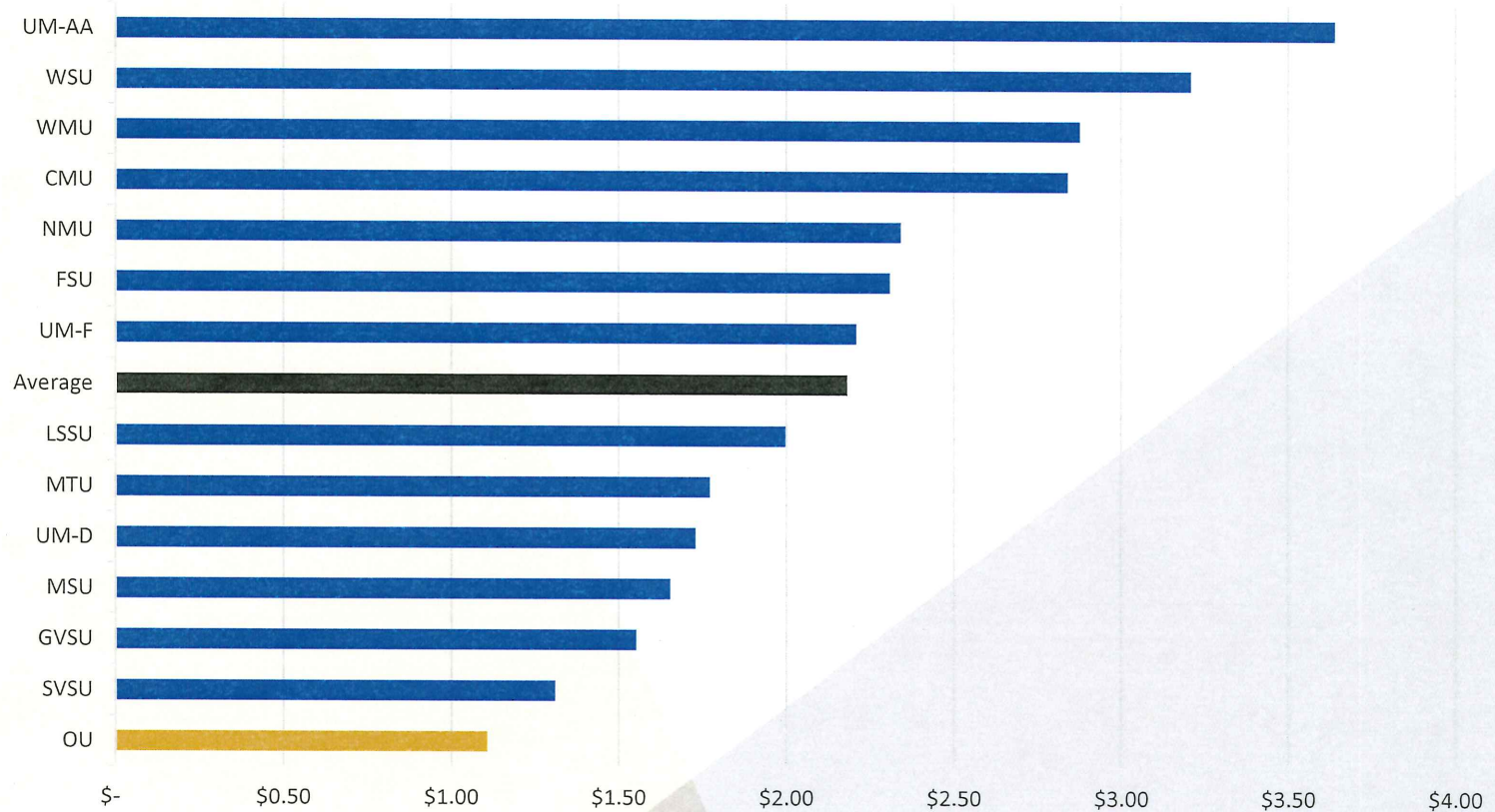


Source: HEIDI – FY2018

Lowest Instructional Utility Cost per Square Foot



Instructional Utility Costs per Square Foot



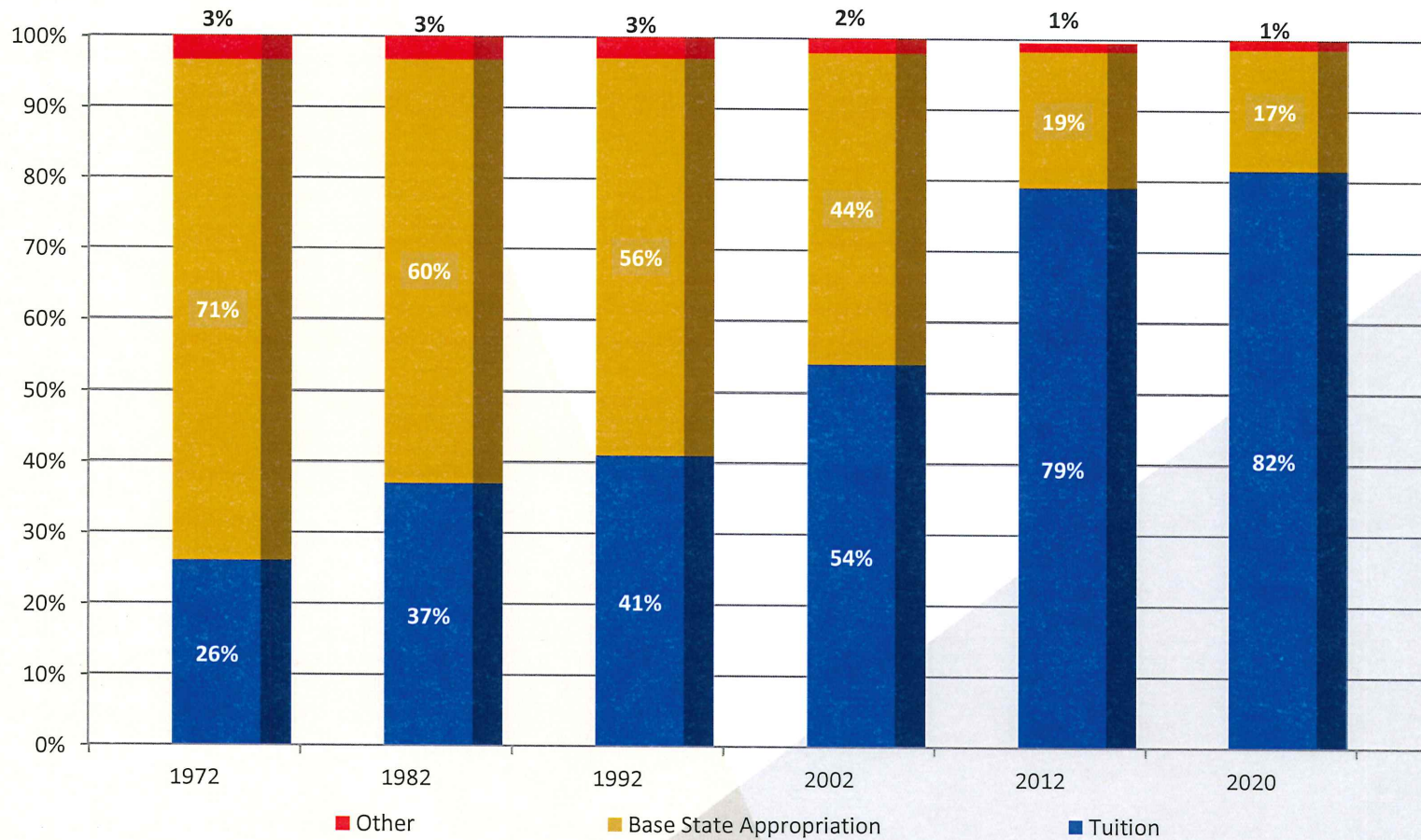
Cost Containment



**FY2003 - FY2020
Oakland University
Cost Containment and Budget Reductions**

Category	Permanent	One-Time	Total
Employment and Benefits	10,183,877	5,592,422	15,776,299
Other	2,045,096	2,698,364	4,743,460
Outsourcing/Partnerships	5,902,356	1,723,582	7,625,938
Process Re-engineering	2,112,682	1,337,585	3,450,267
Re-organizations	4,352,353	446,571	4,798,924
Technology/Telecommunications	820,565	1,111,340	1,931,905
Utilities/Energy Conservation	3,126,077	1,844,394	4,970,471
Total cost Containment	\$ 28,543,006	\$ 14,754,258	\$ 43,297,264
Budget Reductions			
Faculty Salaries	\$ 1,457,416	\$ 595,320	\$ 2,052,736
Non Faculty Salaries	4,007,377	1,147,138	5,154,515
Fringe Benefits	2,205,759	583,791	2,789,550
Operational Costs	11,034,678	4,507,671	15,542,349
Total Budget Reductions	\$ 18,705,230	\$ 6,833,920	\$ 25,539,150
Total Cost Containment and Budget Reductions	<u>\$ 47,248,236</u>	<u>\$ 21,588,178</u>	<u>\$ 68,836,414</u>

Historical Funding Model



Comparison of General und revenue sources FY1972 to FY2020
Sources: HEIDI and general fund budgets

Oakland Appropriation History



<u>Fiscal Year</u>	<u>Base Appropriation</u>	<u>FYES</u>
2009	\$ 52,452,200	15,073
2010	52,220,800	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	48,364,100	17,408
2016	48,371,900	17,840
2017	49,920,700	17,862
2018	51,235,900	17,412
2019	52,819,200	17,349
2020	53,432,500	
2021 *	TBD	

- FY2021 State Commitment not Available
- FYES – Fiscal Year Equated Students

Lowest State Funding Per Student



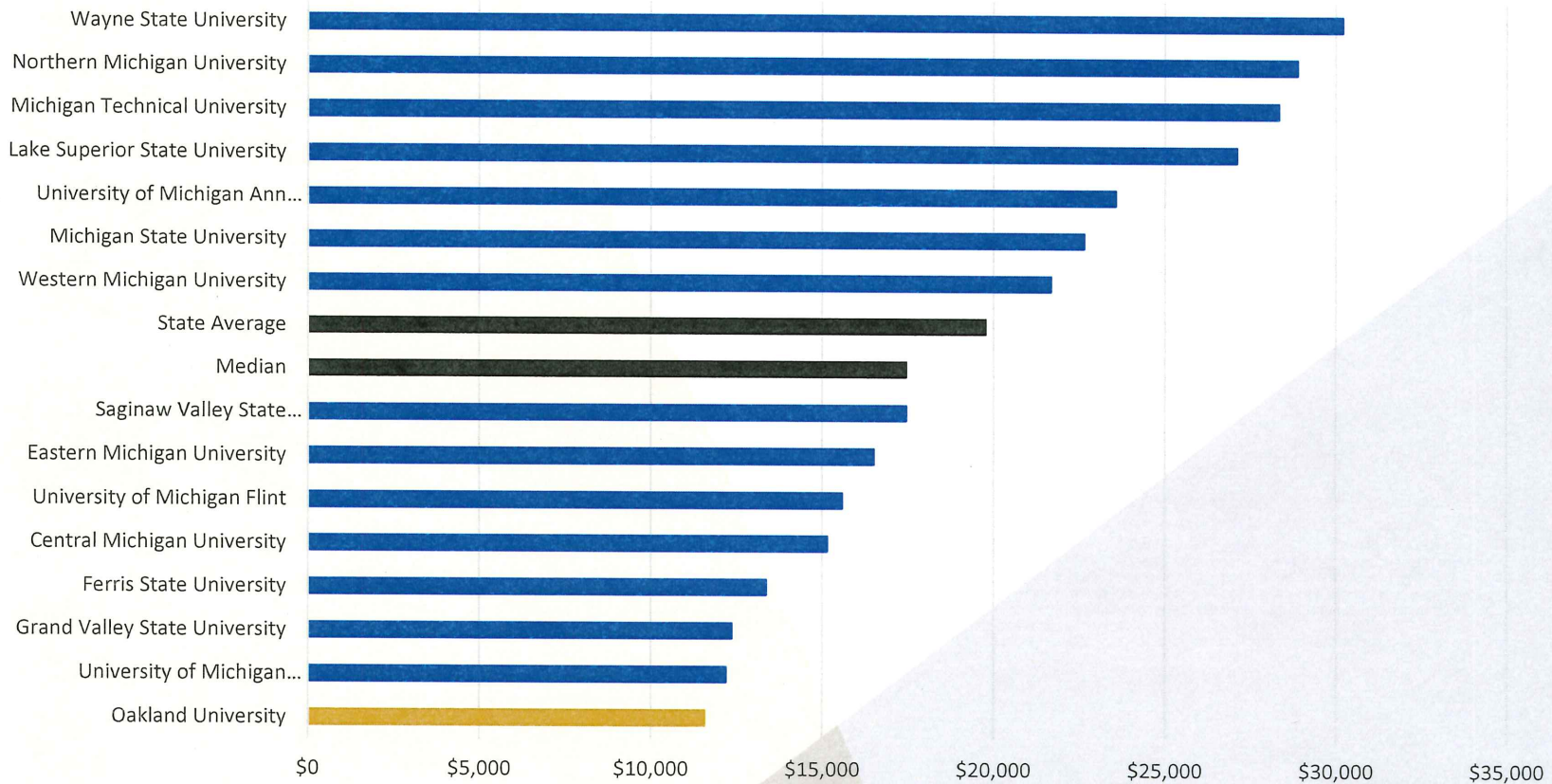
	FY2020		
	Appropriation per FYES	FY2018 FYES	Year Founded
Wayne State University	\$ 8,999	22,603	1868
Lake Superior State University	7,865	1,826	1946
Michigan Technical University	7,628	6,629	1885
Northern Michigan University	7,286	6,713	1899
University of Michigan Ann Arbor	6,889	46,855	1817
Michigan State University	6,276	46,014	1855
Western Michigan University	5,803	19,352	1903
Ferris State University	4,980	11,251	1884
Eastern Michigan University	4,813	16,113	1849
Central Michigan University	4,565	19,546	1892
Saginaw Valley State University	4,142	7,438	1963
University of Michigan Flint	3,876	6,165	1956
University of Michigan Dearborn	3,736	7,046	1959
Grand Valley State University	3,263	22,490	1960
Oakland University	3,069	17,412	1957
15 School Average	\$ 5,546		

Funding Oakland at the Average would provide \$43.1 million incremental appropriation.
 Source: HEIDI FY2019 and PA 62 of 2019

Equivalent State Funding per Degree

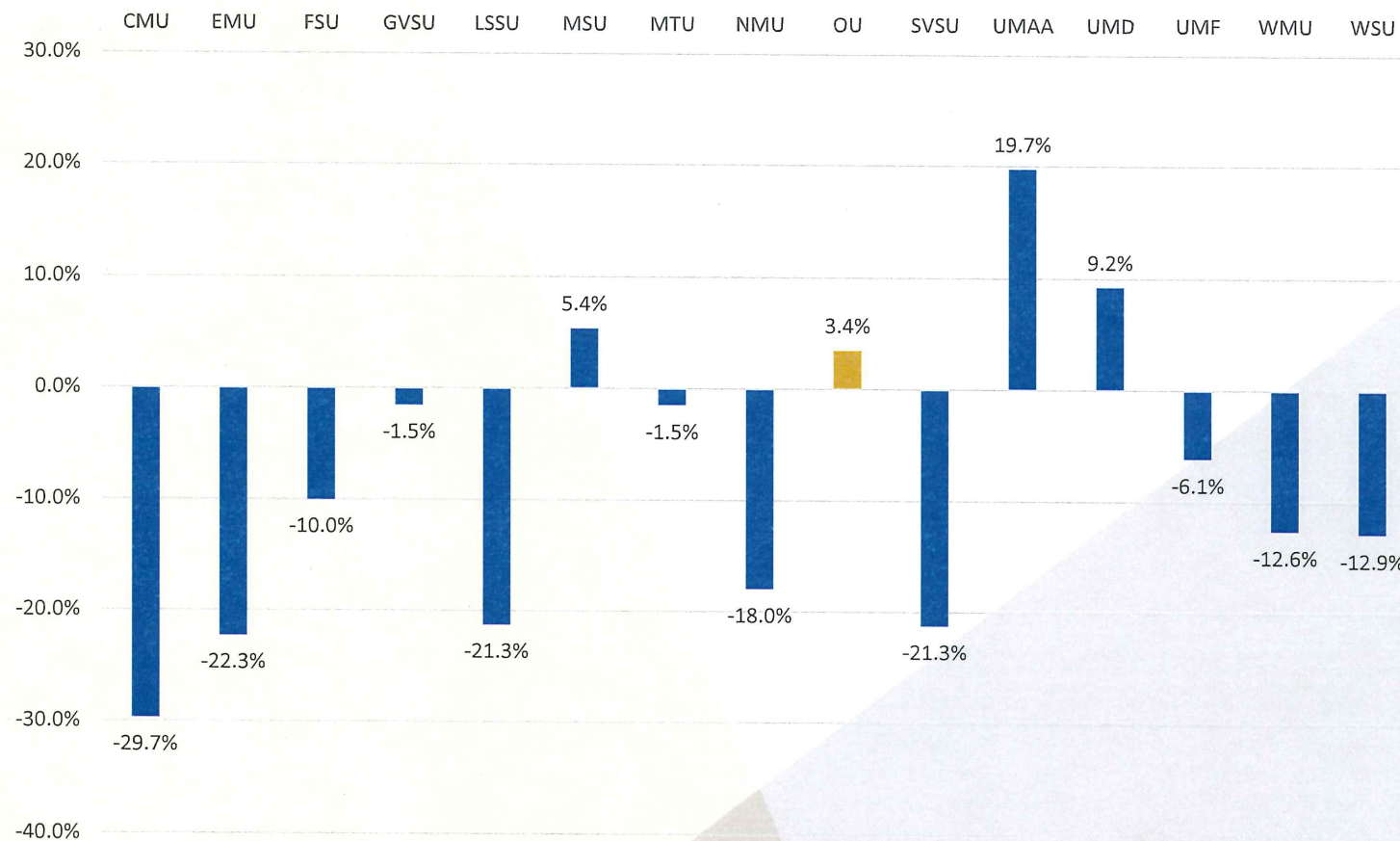


Appropriation per Degree
FY2019



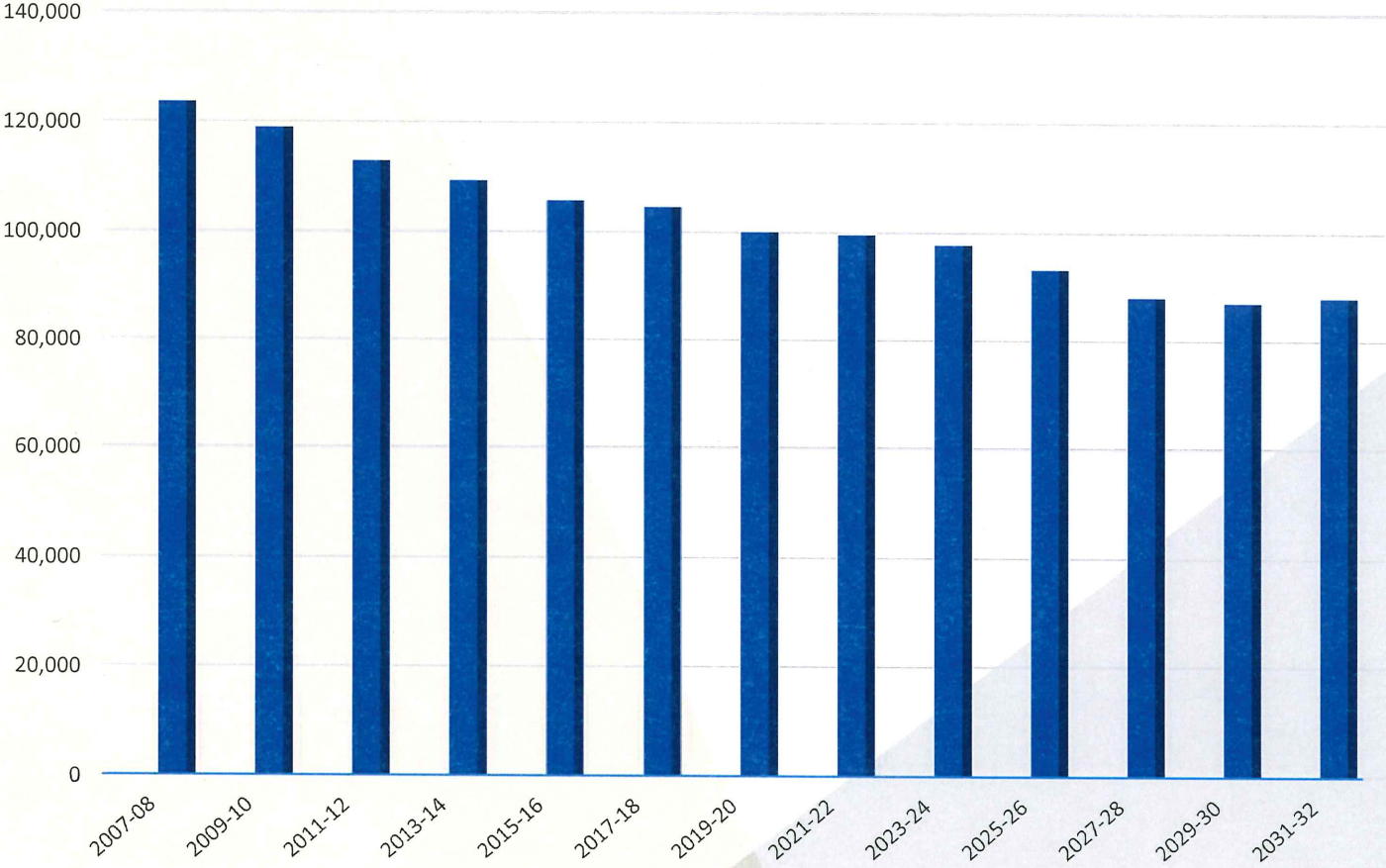
Source: HEIDI – FY2019 appropriations
HEIDI – FY2018-19 degrees

Total Headcount – Enrollment Change Fall 2009- Fall 2019



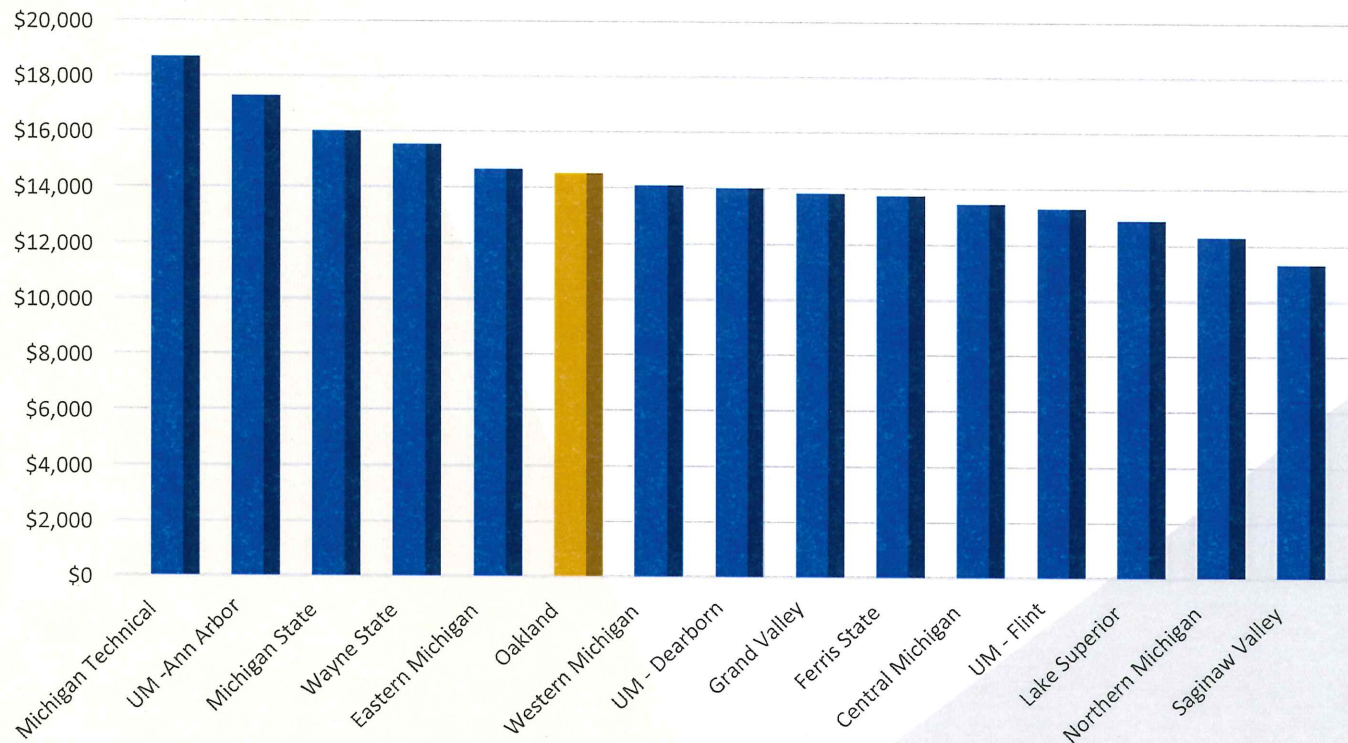
Source: MASU Enrollment Report

Projected Michigan High School Graduates



Source: WICHE – Western Interstate Commission for Higher Education
2007-2010 – Actual; 2012-2031 - Projected

FY2020 All-In Undergraduate Tuition Costs

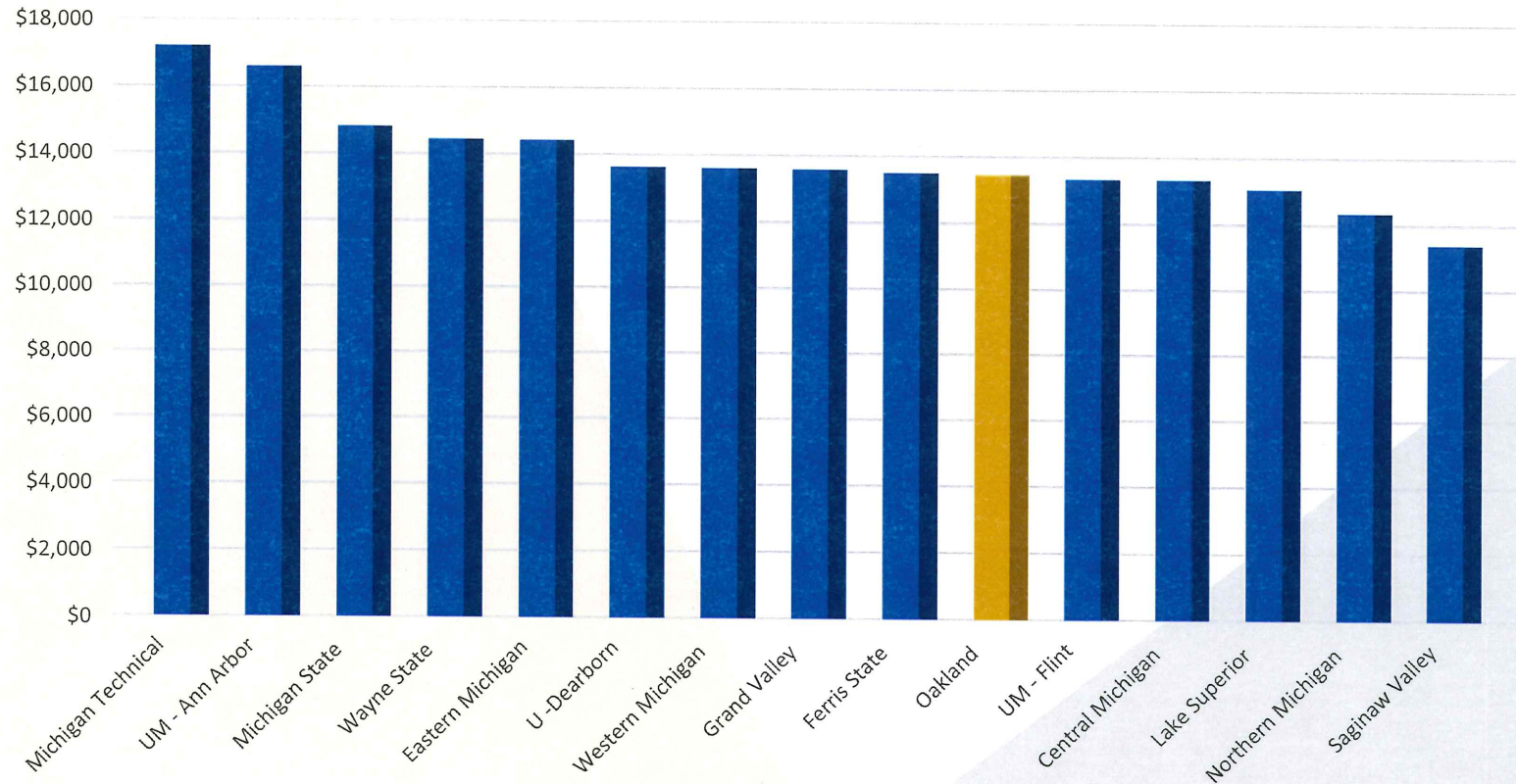


* Actual costs incurred may vary based on individual student choices

** 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.

FY2020 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.

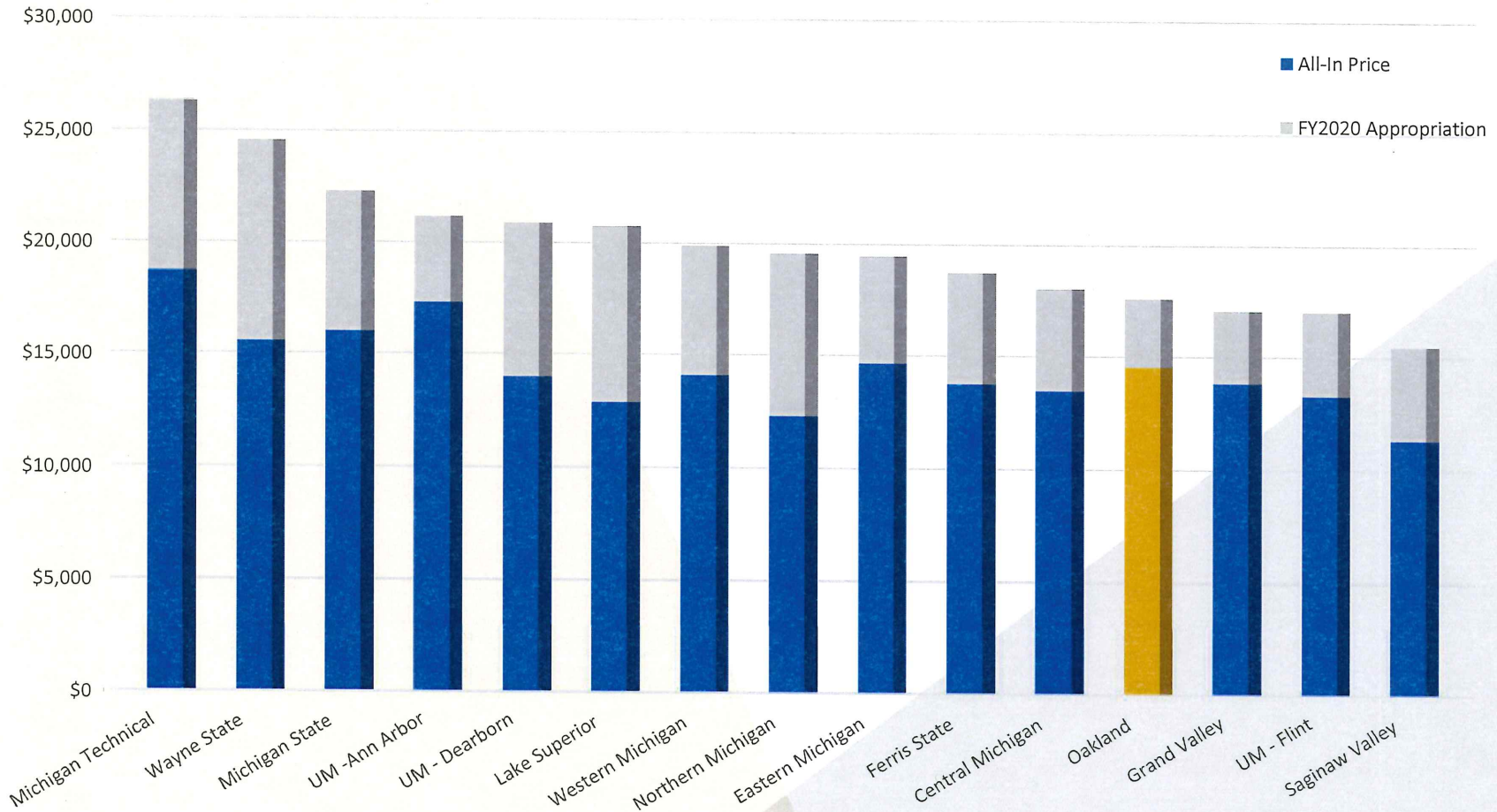
Produced by the Oakland University Office of Budget and Financial Planning based on data published by HEIDI, The Michigan Association of State Universities, and university websites.

Average Undergraduate Net Cost For Full-Time Resident Undergraduate Students

	<u>FY2019</u>
Tuition	\$13,916
Average Aid per Student *	<u>\$ (4,608)</u>
Average Net Cost	\$ 9,308
Average Net Cost %	66.9%

* Financial Aid can vary greatly from student to student, however, the average net tuition cost for a full-time resident undergraduate student was \$9,308 in FY2019, a 33.1% discount off the “sticker price”, due to Institutional, Federal and State awards, not including student loans or work-study.

Total Revenue Per Undergraduate Student



Source: HEIDI: FY2020 Appropriations/FY18 UG FYES plus FY2020 UG All-In tuition calculation

FY2021 Budget Planning Assumptions



- Enrollment -7.1%
- Undergraduate Tuition Increase 0.0%
- Graduate Tuition Increase
 - Masters 0.0%
 - PhD 0.0%
- Appropriations -\$1,329,033
- Expenditures -8.45%
- Contractual Commitments Funded

Incremental FY2021 Funding Sources



FY2021

Tuition, Fees & Other (net of Financial Aid)	\$ (9,585,000)
State Appropriation	(1,329,000)
Net Incremental Revenue	<u>\$ (10,914,000)</u>

- Does not include School of Medicine

FY2021 Base Budget Reductions



Salaries/Fringe Reduction	\$ 3,578,000
Travel Expenditures	810,000
Overtime Expenditures	300,000
Other Operating Expenditures	2,860,000
Total	<u>\$ 7,548,000</u>

• Does not include School of Medicine

Incremental FY2021 Expenditures



Utilities	\$	88,000
New Academic Programs		366,000
Technology Upgrades		367,000
Staff Commitments		2,054,000
Miscellaneous		699,000
Total Incremental Expenditures	\$	<u>3,574,000</u>

• Does not include School of Medicine

One Time Funding Sources



Workshare Compensation Savings	\$ 1,076,000
Non-General Fund Reserves	5,867,000
Total One Time Funds	<u>\$ 6,943,000</u>

- Does not include School of Medicine

Annual Budget Comparison



	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>
Prior Year Revenue Budget	\$ 252,036,289	\$ 252,896,095	\$ 257,016,588
Incremental:			
State Appropriations	1,646,000	1,008,800	(1,329,033)
Tuition (net of Financial Aid)	(2,855,065)	2,788,285	(10,162,323)
Miscellaneous	2,068,871	323,408	577,412
Total Budgeted Revenues	<u>\$ 252,896,095</u>	<u>\$ 257,016,588</u>	<u>\$ 246,102,643</u>
Prior Year Expenditure Budget	\$ 252,036,289	\$ 252,896,095	\$ 257,016,588
Incremental:			
Operating Expenses	859,806	3,597,493	(10,913,945)
Strategic/Other Initiatives	0	523,000	0
Total Budgeted Expenditures	<u>\$ 252,896,095</u>	<u>\$ 257,016,588</u>	<u>\$ 246,102,643</u>

- Excludes School of Medicine
- Budget totals are Net of Financial Aid

Student Impacts Upon Graduation



Average Student Debt :

Oakland (a)	\$ 27,103
State of Michigan (b)	\$ 31,791

Median Post-Graduation Starting Salary :

Oakland (c)	\$ 54,000
National (d)	\$ 49,725

Percent of Employed Oakland Graduates Residing in Michigan (c)

96.0%

- (a) Undergraduate first time full time students who borrowed and received a degree between 7/1/17-6/30/18 – Common Data Set
- (b) State of MI avg. loan debt (2017-2018) 4-yr public graduating seniors – CollegeInsight
- (c) Career Services First-Destination Survey 2018-2019
- (d) National Assoc. of Colleges and Employers First-Destination for Class of 2018

Questions?

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**Oakland University
Fiscal Year 2021
Proposed General Fund Budget**

Attachment B

Category	FY 2020 Budget	FY 2021 Projected Budget	Amount Change	% Change
State Appropriation - Base	\$ 53,824,900	\$ 52,495,867	\$ (1,329,033)	-2.47%
Student Tuition	283,569,231	267,417,523	(16,151,708)	-5.70%
Financial Aid Offset	(63,794,052)	(58,787,237)	5,006,815	-7.85% (1)
Net Tuition Revenue	\$ 219,775,179	\$ 208,630,286	(\$ 11,144,893)	-5.07%
Indirect Cost Recovery	2,200,000	2,000,000	(200,000)	-9.09%
Miscellaneous Income	3,140,248	6,887,497	3,747,249	119.33%
Encumbrances	12,486,306	0	(12,486,306)	-100.00% (2)
Total Funding Sources	\$ 291,426,633	\$ 270,013,650	(\$ 21,412,983)	-7.35%
Less: Budgeted Expenditures	\$ 291,426,634	\$ 270,013,650	(\$ 21,412,984)	-7.35%
Revenues Over (Under) Expenditures	(\$ 1)	\$ 0	\$ 1	
FYES Enrollment	17,077	15,910	(1,167)	-6.83%

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 2020 vs. 2021

	FY2020 Adjusted Total Budget	FY2020 Enc. / Carryforward	FY2020 Adjusted Base Budget	FY2021 Budget Changes	FY2021 Budget
School of Medicine	\$ 22,608,056	\$ (684,315)	\$ 21,923,741	\$ 1,987,266	\$ 23,911,007
College of Arts & Sciences	56,027,233	(1,773,879)	54,253,354	(734,418)	53,518,936
School of Business Administration	18,755,826	(594,091)	18,161,735	(355,641)	17,806,094
School of Education and Human Services	13,767,734	(267,098)	13,500,636	(286,692)	13,213,944
School of Engineering and Computer Science	15,133,579	(297,614)	14,835,965	(217,864)	14,618,101
School of Health Sciences	7,577,910	(160,309)	7,417,601	(89,358)	7,328,243
School of Nursing	11,113,752	(513,940)	10,599,812	(367,359)	10,232,453
Kresge Library	7,185,875	(38,352)	7,147,523	(385,288)	6,762,235
Instructional and Information Technology	0	0	0	0	0
Academic Affairs - Other	41,181,232	(3,710,578)	37,470,654	328,361	37,799,015
Operations & Finance	35,444,393	(1,016,845)	34,427,548	(561,111)	33,866,437
Student Affairs	13,255,948	(423,463)	12,832,485	(586,222)	12,246,263
Development, Alumni and Comm. Engagement	5,470,544	0	5,470,544	(260,165)	5,210,379
President	19,988,822	(1,945,405)	18,043,417	(690,072)	17,353,345
General	23,544,735	(689,422)	22,855,313	(6,708,115)	16,147,198
Total	\$ 291,055,639	(\$ 12,115,311)	\$ 278,940,328	(\$ 8,926,678)	\$ 270,013,650

**Oakland University
Schedule of Tuition Rates
Effective Fall Semester 2020**

Tuition Rate Per Credit Hour	Current Rate 2020	Proposed Rate 2021
Resident UG Lower	448.75	448.75
Resident UG Upper	519.75	519.75
SBA 001-299 courses	462.75	462.75
SBA 300+ courses	551.50	551.50
SECS 001-299 courses	474.25	474.25
SECS 300+ courses	563.75	563.75
SHS 001-299 courses	449.25	449.25
SHS 300+ courses	540.25	540.25
SON 001-299 courses	465.75	465.75
SON 300+ courses	556.25	556.25
Resident Grad	770.50	770.50
Resident Doctoral	775.00	775.00
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	56,522.00	56,522.00

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	13,462.50	13,462.50	
2) Upper Division Tuition	15,592.50	15,592.50	
CAS Residential Undergraduate Average	14,527.50	14,527.50	0.00%

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

Graduate Tuition	18,492.00	18,492.00	0.00%
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C) Doctoral Michigan resident student taking a full 8 credit hour load for two semesters (16 total credit hours):

Doctoral Tuition	12,400.00	12,400.00	0.00%
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Lower / Upper division undergraduate students defined:

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

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

The School of Medicine tuition rate is annual.