

THE UNIVERSITY OF MICHIGAN-DEARBORN  
Regents Communication

Approved by the Regents  
November 17, 2011

SUBJECT: Fiscal Year 2013 Budget Development  
ACTION REQUESTED: Approval of Fiscal Year 2013 Budget Development  
BACKGROUND: See Attached Document

The attached proposed Fiscal Year 2013 Budget Development letter contains guiding principles and funding suggestions for development of the state budget for fiscal year 2013, as requested by the State Budget Office.

We are not requesting funding for a specific initiative or project separate from the funding formula or the capital outlay process.

We have addressed the impact of cost containment measures and commented on the FY 2012 budget approved at the June 16, 2011, Regents meeting.

We recommend that the Regents approve the proposed Fiscal Year 2013 Budget Development.

Recommended by:

A handwritten signature in black ink, appearing to read "D. Little".

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Daniel Little, Chancellor  
University of Michigan-Dearborn

November 2011



OFFICE OF THE CHANCELLOR  
4901 EVERGREEN ROAD, 1070 AB  
DEARBORN, MI 48128-1491  
313 593-5500 FAX: 313 593-5204  
umd.umich.edu

November 4, 2011

Mr. John Nixon  
State Budget Director  
State Budget Office  
George W. Romney Building, 6th Floor  
111 South Capitol  
Lansing, MI 48913

Subject: Financial and program information request to be submitted for the fiscal year 2013 budget development process for the University of Michigan-Dearborn

Dear Mr. Nixon:

Thank you for the opportunity to provide input with respect to financial and program information for the fiscal 2013 budget development process.

#### **Guiding Principles on funding formulas**

The greatest strength of Michigan's public universities is their breadth and diversity. Each campus has developed academic programs, research agendas and forms of community engagement that are tailored to the region and constituencies they serve. Any proposed funding formula needs to be measured by the degree to which it succeeds in preserving this breadth and diversity.

Each institution has its own definition of its academic mission, and there is a good deal of appropriate mission overlap among the 15 universities. All are concerned to provide a high-quality education to a wide (and growing) number of students; all are concerned to bring students to successful completion of their programs of study; and all are concerned to support faculty research on topics of state and national importance. Any proposed funding formula should support this common core of the academic missions of the 15 universities.

The resources that are devoted to universities – tuition dollars, tax dollars and gift dollars – are justified whenever the benefits to the stakeholders significantly outweigh the investment. This is certainly true for university students; it is estimated that a university degree results in as much as one million dollars in additional lifetime earnings. It is true for the taxpayer; universities are upholding their part of the social contract by creating talented, accomplished knowledge-workers and leaders who can help the state in its economic recovery. And it is true for donors, who have the profound satisfaction of assisting students and faculty in accomplishing the work that they believe in. The Return on Investment of a successful university is many times its cost.

#### **Specific funding formula suggestions**

Persistence to graduation by FTIAC and Transfer Students

The rate at which a university succeeds in bringing students to graduation is certainly one measure of any university's effectiveness. We are proud of the results our campus achieves in supporting the academic success of our students. We do not believe, however, that the IPEDS six-year graduation rate methodology is the single satisfactory measure of success for most non-flagship state institutions around the country. This methodology does not include students

who transfer out of the original institution and graduate elsewhere, and it does not include students who came to the institution as transfer students. In fact, the majority of our students who transfer in come from community colleges – precisely the outcome we want for our region and state as well as supportive of the mission of our community colleges. Also, the majority of our students who transfer out go to other public universities in Michigan. This lack of measurement of transfer students (in and out) is important for most of the public universities in the state. The Voluntary System of Accountability (VSA), a national collaboration designed by the American Association of State Colleges and Universities (AASCU) and the Association of Public and Land-Grant Universities (APLU), makes use of the data on individual undergraduate academic progress provided by the National Student Clearinghouse to accurately measure the outcome of all students in a given cohort. This method demonstrates that after six years, 83 percent of students who began at the University of Michigan-Dearborn in 2003 have graduated from UM-Dearborn or another college or university or are still enrolled at UM-Dearborn or another school. This tracking measurement is extremely important to our University because of our non-traditional student population. We believe the VSA provides an expanded set of measures of graduation success beyond the traditional IPEDS definition.

There are other measures of productivity and financial accountability that the University of Michigan-Dearborn would propose in developing a funding formula or for a dashboard of metrics. One set includes measures of the number of degrees awarded per faculty, per student and per dollar of appropriation. These are useful measures because they allow a direct productivity measure of the faculty and the academic programs with respect to the outcome we at UM-Dearborn care about most: completed degrees. They should be benchmarked against peers to ensure appropriate comparisons.

Also important to consider are measures of research productivity: the ability of a given university to attract sponsored research (governmental and private) to the campus. This measure is important because the research activity itself is important for future economic development, and because the volume of research at some universities is great enough to offer economic stimulus to the region.

### **Specific Project Requests**

The University of Michigan–Dearborn is not requesting funding for a specific initiative or project separate from the formula allocation or the capital outlay process.

### **Cost Containment**

At UM-Dearborn we are continuously searching for further ways to cut costs without jeopardizing an affordable, quality education for our students. For nearly 40 years UM-Dearborn has utilized private services and functions. The most notable areas include privatized food and bookstore services. In addition, many of our buildings on campus are maintained by efficient cost providers of custodial services, saving the University \$350,000 annually based on an annual university operating budget of \$108 million. UM-Dearborn has also eliminated its campus print shop, saving \$80,000 annually and has transferred credit card processing to an off-campus provider saving \$350,000 annually. We also pay for and share numerous services with the University of Michigan in Ann Arbor. Shared services include financial and human resource systems, insurance, investment, accounts payable, procurement and legal services that have led to greater efficiencies on our campus.

UM-Dearborn also participates in the University of Michigan’s health-care and retirement plans. U-M realized many years ago that controlling health-care benefit costs for its employees and retirees was crucial to its financial stability. Beginning in 2004 the University reduced its employer health care contribution from 100 percent to 80 percent. In 2009, the employer contribution was again reduced to 70 percent, with the employee paying 30 percent of the



premium cost. These reductions save UM-Dearborn \$1.2 million annually. Beginning in 2013, a graduated reduction in retiree health care costs will be realized.

Another notable example of our continued examination of core mission and effective use of financial resources was the difficult decision to transfer ownership of the Henry Ford Estate, former home of Henry and Clara Ford, to the Edsel and Eleanor Ford House. This national historic landmark has been part of our campus since the founding gift in 1959. The ownership transfer is expected to save the University at least \$200,000 annually and millions of dollars in much-needed restoration and preservation. The transfer, which is expected to be completed by December 31, 2011, will allow restoration and preservation costs to be addressed by the Ford House. This transfer honors both our stewardship responsibilities towards the Estate and the need to dedicate our resources to our core academic mission.

### **Institutional Budgeting**

Please see the attached copy of UM-Dearborn's General Fund Operating Budget for fiscal year 2011-2012 as requested. This budget was approved by our Board of Regents at the June 16, 2011 meeting.

This budget included the realization of a 15% reduction in state funding. We worked exhaustively to plan carefully for this significant decrease in revenue (which was just under \$4 million) and efficiently find a way to increase our financial aid expenditures by 15% - to best support our students with the greatest financial need. Since 2004, our enrollment for new students has grown by 38%, and undergraduate enrollment has grown by 15% during this time period and is currently at an all time high of 7,405. This is providing increased revenues, improving efficiency and also increasing the number of UM-Dearborn graduates to our region and state. This enrollment management philosophy and framework is intentional and extremely strategic, providing achievement in financial efficiency and more graduates to our region.

Additionally, our 2011-2012 budget includes budgeting for our planned debt in support of our portion of the costs associated with our Science Building and Computer information Systems renovation project. We are looking forward to the state capital outlay funding, as this project will provide the opportunity for our campus to further support education in the fields of science and engineering, which is critical to our region and the state.

I appreciate your request for this financial and program information in consideration of the development of the 2013 budget development process.

Sincerely,



Daniel Little  
Chancellor

Attachment

Cc: Katherine Davy, Provost  
Edward Bagale, Vice Chancellor for Government Relations  
Jeffrey Evans, Vice Chancellor for Business Affairs  
Stanley Henderson, Vice Chancellor for Enrollment Management and Student Life  
Presidents Council

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the Regents  
June 16, 2011

ACTION ITEM

SUBJECT: Proposed Dearborn Campus FY 2011-12 General Fund  
Operating Budget

ACTION REQUESTED: Approval of 2011-12 General Fund Budget

BACKGROUND:

The proposed 2011-12 General Fund Budget reflects a 15% reduction in the appropriation from the State of Michigan. The recommended tuition and fee increase for undergraduate and graduate students is 6.9%. Further details on tuition and fee increases are included in the companion Action Item.

Our proposed budget includes a 2.0% salary program and a significant decrease in contingency funds which was needed to help offset the appropriation reduction. Also proposed is funds to address enrollment growth costs in all four academic units and the first installment of a two-year phase-in of debt service for the science building capital outlay renovation project.

Additional details of the 2011-12 budget are outlined in the attached tables.

We recommend the Regents approve the proposed 2011-12 General Fund Budget.

Recommended by:



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Daniel Little, Chancellor  
University of Michigan-Dearborn

June 2011  
Attachments

**General Fund Revenue Budget  
Fiscal Year 2011-2012**

	<b>Budget for FY 2010-11</b>	<b>% of Total</b>	<b>Budget Changes</b>	<b>Budget for FY 2011-12</b>	<b>% of Total</b>
State Appropriations	24,639,700	22.8%	(3,623,400)	21,016,300	19.3%
Student Tuition & Fees	79,406,400	73.6%	6,459,000	85,865,400	78.6%
Indirect Cost Recovery	1,040,000	1.0%	260,000	1,300,000	1.2%
Income from Investments	137,000	0.1%	(50,000)	87,000	0.1%
Departmental Activities	2,740,900	2.5%	(1,893,000)	847,900	0.8%
<b>Total Revenue</b>	<b>107,964,000</b>	<b>100.0%</b>	<b>1,152,600</b>	<b>109,116,600</b>	<b>100.0%</b>

**General Fund Expenditure Budget  
Fiscal Year 2011-2012**

<b>Area</b>	<b>Budget for FY 2010-11</b>	<b>Salary Prog./ Benefits</b>	<b>Student Support</b>	<b>Academic Programs</b>	<b>Miscellaneous</b>	<b>Budget for FY 2011-12</b>
Arts, Sciences & Letters						
Education	19,932,721	411,690	-	717,400	-	21,061,811
Engineering	3,243,523	73,170	-	81,000	-	3,397,693
Business	10,639,718	232,100	-	184,000	-	11,055,818
Other Instructional Units	8,522,194	235,390	-	119,000	-	8,876,584
	488,715	-	-	-	-	488,715
<b>Academic Units</b>	<b>42,826,871</b>	<b>952,350</b>	-	<b>1,101,400</b>	-	<b>44,880,621</b>
Chancellor's Area	3,134,189	36,227	-	-	(1,763,500)	1,406,916
Academic Affairs	8,269,281	95,582	-	-	318,600	8,683,463
Business Affairs	15,656,756	180,972	-	-	(1,854,500)	13,983,228
Institutional Advancement	2,235,644	25,841	-	-	-	2,261,485
Enrollment Mgt & Student Life	4,703,133	54,362	-	-	102,200	4,859,695
Government Relations	265,208	3,065	-	-	-	268,273
<b>Senior Officers</b>	<b>34,264,211</b>	<b>396,050</b>	-	-	<b>(3,197,200)</b>	<b>31,463,061</b>
Utilities	3,207,920	-	-	-	(100,000)	3,107,920
Infrastructure Maintenance	1,094,940	-	-	-	-	1,094,940
Fringe Benefits	17,373,422	337,000	-	-	(95,000)	17,615,422
Student Aid	5,909,619	-	908,000	-	-	6,817,619
Debt Service	2,559,612	-	-	-	850,000	3,409,612
Student Fee Allocation	727,405	-	-	-	-	727,405
<b>Other</b>	<b>30,872,918</b>	<b>337,000</b>	<b>908,000</b>	-	<b>655,000</b>	<b>32,772,918</b>
<b>Total Expenditures</b>	<b>107,964,000</b>	<b>1,685,400</b>	<b>908,000</b>	<b>1,101,400</b>	<b>(2,542,200)</b>	<b>109,116,600</b>