

THE UNIVERSITY OF MICHIGAN-FLINT
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:

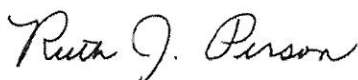
The attached proposed Fiscal Year 2013 Budget Development letter contains guiding principles and funding suggestions for development of the state budget for fiscal year 2013.

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:



Ruth J. Person, Chancellor
University of Michigan-Flint

November, 2011

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: Fiscal Year 2013 Budget Development

Dear Mr. Nixon:

The University of Michigan-Flint appreciates the opportunity to provide information for consideration in the development of the budget for Fiscal Year 2013.

Funding Formula Suggestions

The University of Michigan-Flint has some unique operating characteristics which we believe are important considerations in evaluating our success in meeting the educational needs of our students:

1. We understand that the State of Michigan has rightfully identified the need to increase the number of state residents with college degrees in order to attract more knowledge-based employment opportunities and help improve Michigan's economy.

The University of Michigan-Flint has been doing its part to achieve this objective by producing larger and larger numbers of graduates in recent years. However, our success is not adequately measured by calculation of the traditional 6-year graduation rate. This is because these measures only count those students who start and finish their degree at the same institution, in most cases remaining continuously enrolled during this period.

At the University of Michigan-Flint, a large number of students transfer in from community colleges after two years and subsequently complete their degrees. A significant number of students also transfer from the University of Michigan-Flint to other institutions and subsequently complete their degrees. We also have a large number of part-time students who take more time to complete their degrees. None of these

students are counted in the traditional 6-year graduation rate calculations. Further, the 6-year graduation rate does not reflect the great successes of our graduate and professional students which account for over 15% of our students.

We believe a more appropriate measure of our success is the number of students completing their degrees each year at the University of Michigan-Flint.

In recent years, the University of Michigan-Flint has significantly increased the number of students enrolled in its various educational programs, thus expanding higher education access to larger numbers of Michigan residents. Total enrollment in fall 2011 is approximately 8,300 students, up nearly 29% since 2005. This is the 8th consecutive year that enrollment has increased. Graduate student enrollment is also an all-time high of about 1,300 students. Since 1956, the University of Michigan-Flint has graduated more than 31,000 students, the vast majority of whom (over 80 percent) have chosen to live, work, and pay taxes in the State of Michigan.

We believe that increased enrollment should be an important consideration in development of the annual budget.

The University of Michigan-Flint currently has the 4th lowest state appropriation per FYES among the 15 Michigan public universities. As noted above, enrollment in fall 2011 is about 8,300 students, up nearly 29% since 2005. Yet our state appropriation does not take into account the cost of educating more students.

We believe the state appropriation per FYES should be considered in the development of the annual budget.

Specific Project Requests

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

Impact of Cost Containment Measures

In response to declining revenues, the State of Michigan implemented significant reductions in budget appropriations for higher education, including a 15% reduction in the current fiscal year. State appropriations now represent about 19% of UM-Flint's General Fund budget compared with 45%-50% a few years ago. Further, this reduction in state financial support occurred while enrollment at UM-Flint increased from 6,000-6,500 students to about 8,300 students today. Accordingly, tuition-generated revenue has become a more significant part of our budget. The reduced level of state funding support for UM-Flint is a major factor in the Board of Regents' decisions to modestly increase undergraduate tuition and fees. The University of Michigan-Flint raised undergraduate tuition and fees by 6.8% in 2011-2012 and 3.9% in 2010-2011.

In response to reductions in the level of state support, the University of Michigan-Flint has implemented effective cost control strategies. Following are examples of actions we have taken:

- Elimination of one of the four university vice chancellor positions
- Executive officers did not accept any salary increase in fall 2009
- Re-filling only positions deemed critical to the mission of the university
- Larger class sizes
- Reduced course offerings
- Improved energy efficiency
- Elimination of all non-essential travel
- Elimination of administrative support for groups of departments
- Less frequent custodial services
- Reduction in campus daily maintenance services
- Deferral of all but critical repairs and maintenance
- Increased reliance on part-time faculty

Aside from the cost of salaries for our faculty and staff, two of our largest expenses are healthcare and utilities. The University of Michigan recently instituted higher medical premiums for faculty and staff, which are adjusted annually. Further, the university is actively promoting exercise and healthy eating habits among its employees under the “Mhealthy” initiative, which is an effort to promote healthy living and reduce healthcare costs. Beginning in 2005, the university initiated changes to the cost sharing arrangement for healthcare benefits whereby the university now covers 70% and the employees’ share is 30%. We estimate the impact of the changes in employee healthcare contributions to be approximately \$1.1 million per year. The University will also delay eligibility for employer contributions to defined contribution retirement plans to reduce costs for new employees.

During 2011, the university completed its study of retiree health benefits. Beginning January 1, 2013, the university will institute a new points eligibility system, a reduced university contribution toward the cost of retiree health benefits, and implement a new policy on sharing the increased cost of retiree health benefits. These changes will be phased in over several years and will significantly reduce the cost of retiree benefits.

The University of Michigan-Flint has made significant strides in improving its energy efficiency over the last several years. Our primary efforts in 2011 have focused on campus lighting upgrades, installation of variable frequency drives to air supply unit motors, and installation of more instantaneous water heaters. We have also been working on plans to replace boilers in our Central Energy Plant with new, energy efficient equipment in 2012. In 2012 we are also focusing on the installation of motion and light harvesting sensors. When the latest group of energy projects is completed, we anticipate \$350,000-\$400,000 in annual savings.

The University of Michigan-Flint is participating in the State of Michigan Higher Education Purchasing Consortium in an effort to leverage purchasing power and reduce our utility expense

in the current fiscal year and beyond. We also make strategic purchases of natural gas when market conditions are favorable.

We have also outsourced certain non-core functions in order to reduce operating costs to include the campus bookstore, food service, credit card processing, and lease management.

The University of Michigan-Flint employs a budget system which provides financial incentives to increase enrollment and decentralizes responsibility for financial management decisions to major campus units. Academic units now have a direct financial incentive to grow enrollment.

Most Recent Board-Approved Operating Budget and Annual Financial Report

Board-Approved Operating Budget

A copy of the University of Michigan-Flint General Fund Operating Budget for Fiscal Year 2011-2012 approved by the Board of Regents at the June 16th, 2011 meeting is enclosed as requested.

Comments

The University of Michigan Board of Regents approved the 2011/2012 fiscal year General Fund budget for the University of Michigan-Flint. The total General Fund budget for the UM-Flint campus for the upcoming fiscal year is \$92.5 million. The 2011/2012 budget reflects the cut by the State of Michigan of 15%, resulting in the loss of over \$3 million dollars for UM-Flint.

The 2011/2012 budget reflects the challenges of absorbing a substantial budget cut from state. For over two decades, state appropriations have declined dramatically, while the number of people seeking degrees has risen. Investing in higher education in Michigan must become a priority to meet the demands of educating our citizenry.

University leaders have taken steps to significantly contain expenses, including reviewing all hiring decisions, improved energy efficiency, implementation of new technology, and reducing health-related insurance costs through implementation of efficiencies to the university healthcare plan. In fact, UM-Flint employees now pay 30% of their healthcare costs.

The Board of Regents also approved a 6.8 percent increase in undergraduate tuition and fees, and a 4.9 percent increase in graduate tuition and fees for Michigan students at UM-Flint. A typical in-state, full-time freshmen student with 15 credit hours will pay an average of \$4,592 in tuition and fees per semester in the coming year. The cost of tuition and fees for graduate students varies from program to program.

UM-Flint's budget for 2011/2012 includes an 8.8 percent increase in institutional financial aid, which is 2.0 percent more than the tuition increase, and approximately 3% more than in

2010/2011. Nearly 70 percent of all UM-Flint students receive some form of financial aid, including need-based, merit, and private scholarships, as well as loans.

Our highest commitment is to our students and maintaining our stellar reputation for academic excellence. We will continue to review all expenses and make prudent spending decisions. At the same time, we will continue to do all we can during these difficult economic times to enhance the outstanding educational experience at UM-Flint.

Annual Financial Report

The annual financial report for the University of Michigan includes the three campuses located in Ann Arbor, Dearborn and Flint.

Sincerely,

A handwritten signature in cursive script that reads "Ruth J. Person".

Ruth J. Person
Chancellor

DWB/tlb

Enclosure (1)

cc: Gerard Volland, Provost
Vahid Lotfi, Senior Vice Provost
Presidents Council
Bill Bowerman, Senate Fiscal Agency
Kyle Jen, House Fiscal Agency

Approved by the Regents
June 16, 2011

THE UNIVERSITY OF MICHIGAN-FLINT
Regents Communication

SUBJECT: Proposed Flint FY 2011-2012 General Fund Operating Budget

ACTION REQUESTED: Approval of 2011-2012 General Fund Budget

BACKGROUND:

The proposed 2011-2012 General Fund budget for UM-Flint (attached) assumes a 14.7% decrease in state funding. The proposed budget assumes a 6.8% increase in combined tuition and fees for resident undergraduate students (4.9% for graduate students) over the rates approved by the Regents for 2010-2011.

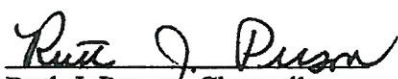
This budget proposal assumes:

- 1.0% undergraduate enrollment increase, 9.3% graduate enrollment increase; and,
- 8.8% increase in institutional financial aid, 2% above the combined tuition and fee increase.

The proposed budget includes our state appropriation of approximately \$17.8 million.

We request approval of the proposed 2011-2012 General Fund budget.

Recommended by:


Ruth J. Person, Chancellor
University of Michigan-Flint

June 16, 2011
Attachments

University of Michigan - Flint
Proposed General Fund Expenditure Budget
Fiscal Year 2011 - 12

	Budget for FY 2010 - 11	\$ Change	Budget for FY 2011 - 12
Revenues:			
State Appropriation	20,825,000	(3,062,600)	17,762,400
Student Tuition & Fees	67,608,000	6,612,000	74,220,000
Indirect Cost Recovery	50,000	-	50,000
Income from Investments	230,000	-	230,000
Department Activities	270,000	-	270,000
Total Incremental Revenues	88,983,000	3,549,400	92,532,400

University of Michigan - Flint
Proposed General Fund Budget
Fiscal Year 2011 - 12

Projected Expenditures (By Area)

	Original Budget for FY 2010 - 11	Base Trans. Between Unit Groups	Adjusted Budget for FY 2010 - 11 (1)	Salary & Benefits	Student Support	Fixed Costs	Academic Program Development (2)	Misc	Budget for FY 2011 - 12
College of Art & Sciences	21,332,989	1,580	21,334,569	521,886					21,856,435
School of Management	4,916,779	72,826	4,989,605	121,513					5,111,118
School of Health Profession & Studies	7,864,477	222,280	8,086,757	181,091					8,267,848
Assistant Provost & Graduate Programs	6,524,341	389	6,524,730	109,918	12,000				6,646,648
School of Education & Human Services	3,464,284	(3,700)	3,460,584	77,971					3,538,555
Other Instructional Programs	938,862	129	938,991						938,991
Subtotal - Academic Units	45,041,732	283,604	45,325,336	1,012,366	12,000	-	-	-	46,389,696
Chancellor	3,859,894	339	3,860,233	94,393					3,954,626
Provost/Academic Affairs	5,519,085	8,534	5,527,619	189,901	17,000				5,734,520
Division of Student Affairs	4,090,069	71,618	4,161,687	93,466	9,000				4,264,153
Student Aid	4,680,902		4,680,902	-	410,000				5,090,902
Business & Finance	11,663,675	100,265	11,763,940	216,163	6,000				11,986,103
Subtotal - Executive Officers	29,813,625	180,766	29,994,381	583,923	442,000	-	-	-	31,030,304
Utilities	4,924,000	(200,000)	4,724,000						4,724,000
Central Support	688,000		688,000			47,000			735,000
Deas Service	1,246,500		1,246,500			4,750			1,251,250
General Administrative Services	6,615,303	(95,882)	6,519,421			140,500 (3)		1,723,763 (4)	8,383,684
General Administrative Reserve	653,840	(178,378)	475,462					(2,229,895) (5)	(1,754,433)
Revenue from Special Programs							1,803,000		1,803,000
Subtotal - Other	14,127,643	(474,260)	13,653,383	-	-	192,250	1,803,000	(606,132)	15,142,501
Total Expenditures	89,983,000	-	89,983,000	1,606,282	464,000	192,250	1,803,000	(606,132)	92,532,400

Notes:

(1) FY 2010-11 Budget has been adjusted to reflect base budget transfers between areas

(2) Represents academic program development funding due to departments based on special revenue agreements

(3) The Fixed Cost Increase in General Administrative Services consists of:

Fixed price contracts for Facilities	3,500
System contracts	27,500
Deferred maintenance	100,000
Credit card charges	3,000
Crisis management charges	7,000
Other	(500)
	<u>140,500</u>

(4) The Miscellaneous Increase in General Administrative Services consists of:

Funding for new initiatives TBD	500,000
Funding to be distributed to depts through budget model	<u>1,223,763</u>
	<u>1,723,763</u>

(5) Reserve funding will be used to mitigate the impact of the cut in state appropriations