

**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 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.

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
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.

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 (\$1.1 M).
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.

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

Oakland University
Fiscal Year 2021
Proposed General Fund Budget

Category	FY2020 Budget	FY2021 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	Proposed Rate
	2020	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 I 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.