

FISCAL YEAR 2010 OPERATING BUDGET REQUEST
FOR SUBMISSION TO THE STATE OF MICHIGAN, OFFICE OF THE STATE BUDGET

1. **Division and Department:** Finance and Administration, Office of Budget and Financial Planning
2. **Introduction:** Annually, Oakland University (University) submits its operating budget request for the following year to the State of Michigan. This process gives the University an opportunity to inform the State of its high priority operating needs as well as providing an update on the University's cost containment efforts. The Fiscal Year 2010 Operating Budget Request (Attachment A) includes:
 - An analysis of State funding per Fiscal Year Equated Student (FYES) with a recommendation for continued commitment to floor funding;
 - A report on University cost containment efforts.
3. **Previous Board Action:** The Board of Trustees (Board) approved the Fiscal Year 2009 Operating Budget Request on January 9, 2008.
4. **Budget Implications:** The budget implications related to submission of the Fiscal Year 2010 Operating Budget Request are dependent on the State's ability to appropriate funds to meet the University's operating budget needs. State appropriations represent 27% of the Fiscal Year 2009 budget.
5. **Educational Implications:** State appropriations provide funding for academic programs according to the Board approved General Fund Budget.
6. **Personnel Implications:** State appropriations provide funding for personnel according to the Board approved General Fund Budget.
7. **University Reviews/Approvals:** The Fiscal Year 2010 Operating Budget Request is prepared by the Office of Budget and Financial Planning and reviewed by the Vice President for Government Relations, the Vice President for Finance and Administration and the President.
8. **Board Action to be Requested:** At the November 5, 2008 Formal Session the Board will be asked to approve the Fiscal Year 2010 Operating Budget Request.

**Fiscal Year 2010 Operating Budget Request for Submission to the
State of Michigan, Office of the State Budget
Oakland University
Board of Trustees
Finance, Audit and Investment Committee
October 30, 2008
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9. Attachments:

A. Fiscal Year 2010 Operating Budget Request

**Submitted by Vice President for Finance and Administration
and Treasurer John W. Beaghan:**

(Please Initial)

Reviewed by Secretary Victor A. Zambardi:

(Please Initial)

Reviewed by President Gary D. Russi:

(Please Initial)

ATTACHMENT A

**OAKLAND UNIVERSITY
FISCAL YEAR 2010 OPERATING BUDGET REQUEST**

October 30, 2008

OAKLAND UNIVERSITY PROGRAM SUMMARY STATEMENT

Fiscal Year 2010 Operating Budget Request For Submission to the State of Michigan, Office of the State Budget

Background

Founded in 1957, Oakland University (Oakland or University) is now the 8th largest of the 15 public universities in Michigan. Today, the University has over 18,000 students (headcount) and is a nationally-ranked academic institution offering students a personal, high-quality education through flexible class schedules, new facilities, student services, classroom technologies, labs, internships, co-ops, research opportunities with corporate partners, and a large number of undergraduate and graduate degree and certificate programs. The Carnegie Classification of Institutions of Higher Education categorizes Oakland University as a "Doctoral/Research University." Produced by The Carnegie Foundation for the Advancement of Teaching, the classification reflects Oakland's strong commitment to graduate education through its doctoral programs as well as its extensive undergraduate programs. Oakland University offers students opportunities to work directly on research projects with expert faculty who bring current knowledge right to the classroom.

In addition, Oakland University is now the exclusive educational partner of Cooley Law School's Auburn Hills campus, and that campus is now the exclusive educational partner law school of Oakland University. In addition, in 2008 the University finalized an affiliation agreement with William Beaumont Hospital to create the ***Oakland University William Beaumont School of Medicine (SOM)***; an historic partnership between two prominent institutions sure to have significant impact on the regional economy, physician shortage and lead the way toward innovation in patient-centered medical education and research. Planning continues toward enrolling the SOM charter class in the Fall of 2010.

The University's general fund revenues are dependent almost solely on a combination of State appropriations (27%) and tuition (72%). Only 1% of the University's FY 2009 projected general operating revenues will come from other sources.

The University's evolution from a small, primarily undergraduate liberal arts institution to its current stature has been a dramatic and challenging transition. One of the most significant challenges has been managing the steady growth in enrollment with resources that have increased at much slower rates. This trend is most notably highlighted by Oakland's appropriation per Fiscal Year Equated Student (FYES), which currently is below the level it was 10 years ago.

Per FYES Funding Request

\$ 4,201,350

Oakland University is submitting the FY 2010 Operating Budget Request to support a record enrollment, the 14th consecutive year of enrollment growth. The University's sole request is to have its base appropriation per FYES increased to the recognized funding floor (per Public Act 213 of 2008, section 450 subsection 2) level of \$3,775 per FYES, with continued emphasis on lifting the per FYES floor and that it remain a core premise behind establishing appropriation levels.

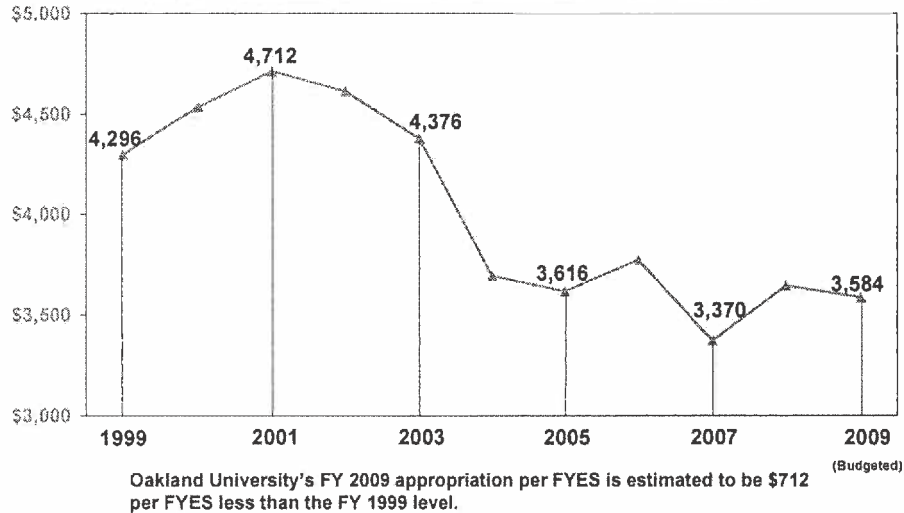
The University is pleased to receive the planned 1% increase in FY 2009 appropriation via PA 213 of 2008. Although minimal, it helps communicate that the governor and legislature acknowledge the importance of higher education, particularly under the very difficult budgetary and economic challenges the State is facing. The University is hopeful the State is able to conduct operations in FY 2009 without the need for mid-year budget reductions.

From a planning standpoint, it is essential that growing universities such as Oakland be able to rely on funding support that is sustainable via legislative action from year to year and which recognizes enrollment growth. Such funding commitments pave the way to meet the college graduate goals recommended by the Cherry Commission and ultimately advance the State in recovering from its lingering economic dilemma.

From a funding mechanism standpoint, Oakland continues to feel the effects of historical higher education funding patterns that have consistently left Oakland with per FYES funding levels well below the State average. At a projected appropriation per FYES of \$3,584 for FY 2009, Oakland's per FYES funding level is \$712 below what was realized in FY 1999 and still substantially below the current State average of \$5,792 per FYES. Funding at the FY 1999 per FYES level would equate to an additional \$11,429,320 in base appropriation for Oakland, while funding at the current State average would yield a \$33,667,818 base increase. The University's request of \$4,201,350 is modest and in line with the recognized funding floor of \$3,775 per FYES.

From a legislative standpoint, Oakland applauds the outcome of the FY 2009 appropriation bill which maintained the tradition of keeping funding for all universities within the same legislative action. Oakland strongly advocates that public policy continue to recognize all fifteen public universities in one appropriation-funding bill, to avoid dividing the universities into classes of institutions, sending a discouraging message ultimately and constraining the collective effort to increase the number of graduates from our public universities. Further, accountability can be managed, maintained and best encouraged through unified legislative action that holds all universities to the same conceptual standards, regardless of the magnitude of their contribution to any set of goals or objectives. To adopt separate appropriation bills will give students the impression a select few schools and their students are held in higher regard by the State's legislative appropriation process.

Oakland University Appropriation per FYES



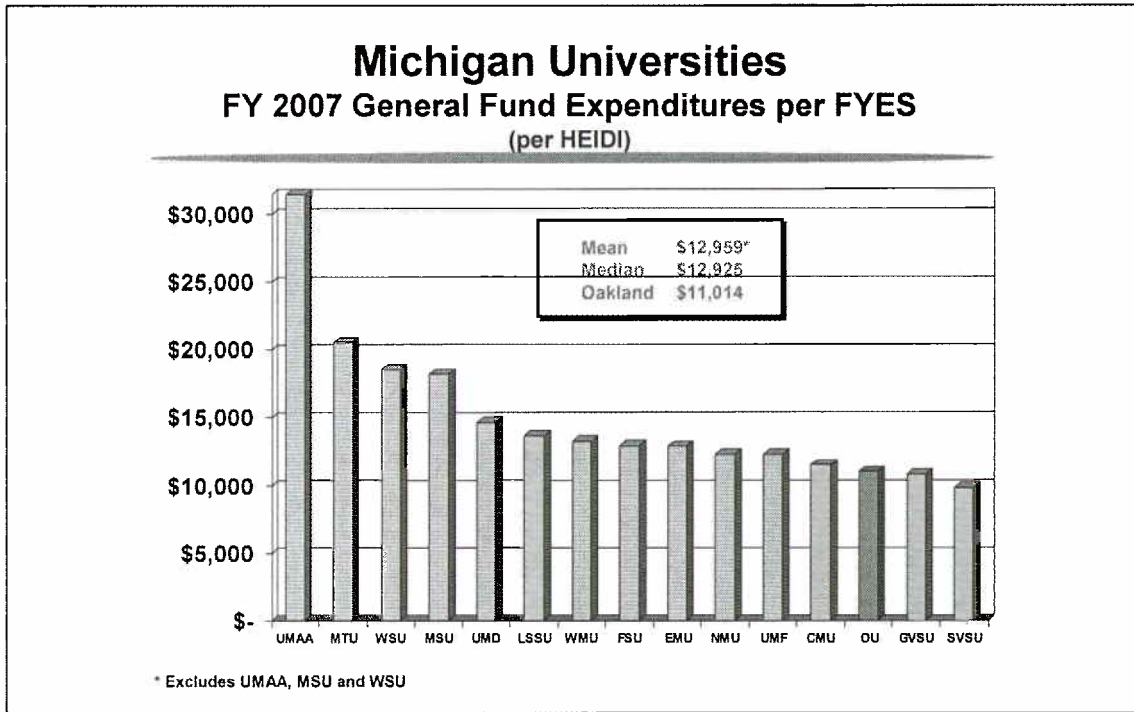
Oakland University continues to encourage a higher education funding structure that demonstrates fairness and equity in resource allocation. We applaud any effort by the Michigan Legislature and Governor to include such a strategy in higher education appropriation bills. The University is also very appreciative of thoughtful insight, such as that expressed by Senator Kuipers, in his Higher Education Funding Plan. For planning purposes, it is essential that universities be able to rely on a fair and equitable funding strategy that is applied on a consistent basis from year to year. Employing such a model to include a minimum per FYES funding level helps growing institutions deal with the pressure of providing access to higher education without jeopardizing quality.

Oakland University Per FYES Funding Request

FY 2008 Actual FYES	14,870
Current Per FYES funding floor	<u>\$ 3,775</u>
FY 2010 Appropriation at current funding floor	\$ 56,134,250
(Less) FY 2009 Appropriation	<u>(51,932,900)</u>
Appropriation Increase at funding floor	<u><u>\$ 4,201,350</u></u>

Oakland University Cost Containment Efforts

Oakland University has taken a number of measures over the last several years to control costs. A review of FY 2007 HEIDI data reveals that Oakland ranks 13th among the 15 State universities in General Fund Expenditures per FYES (see chart). At a per FYES expenditure level of \$11,014, Oakland is well below the average (\$12,959) of the 12 universities, excluding the 3 major research universities. Comparatively, this illustrates that Oakland is managing its cost very well, most notably during a period of sustained enrollment growth and infrastructure expansion.



Enrollment increases at Oakland University over the last few years have continued to create cost containment challenges. Continued growth in the number of students has made it necessary to increase the number of faculty, and staff. Each year, however, faculty appointments are analyzed and re-aligned based on demand. Faculty compensation from vacant positions as a result of retirements and other turnover is re-allocated among the academic units before any new funding decisions are made. The same approach has been followed with other employee groups. Oakland has been able to avoid cost increases by redirecting human resources to areas most affected by growth.

Oakland University has taken action to control costs in a number of areas over the last several years. These actions include benefit plan restructuring, organizational changes, process re-engineering, utility conservation programs, outsourcing, etc. Listed below is a summary of the cumulative permanent and one-time cost savings achieved by major category.

Category	Permanent	One-time
Benefit and Employment Changes	\$ 3,300,546	\$ 170,790
Re-organizations	924,280	286,910
Outsourcing and Partnerships	1,759,397	1,279,577
Process Re-engineering	980,760	544,967
Technology and Telecommunications	613,975	380,702
Utilities/Energy Conservation	1,486,850	9,193
Other Initiatives	885,960	722,049
Totals	\$ 9,951,768	\$ 3,394,188

Oakland University continues to rigorously pursue opportunities to contain costs on a campus-wide basis. Academic Affairs routinely reviews academic programs to identify high cost, low degree producing programs for cost saving opportunities. The Pawley Institute for Lean Management Training, an endowed Oakland University program, is being used to help the campus community understand how to eliminate waste from its processes and become even more efficient. Finally, Oakland University's Board of Trustees recently approved its second campus-wide energy services project. When completed, this work will improve the University's conservation efforts and the overall power reliability to the campus. Ultimately, these systems and upgrades are expected to reduce energy costs by over \$400,000 annually.

In addition to these on-going cost containment initiatives, Oakland University has implemented over \$12 million in permanent and one-time budget reductions since FY 2003, due to State funding cuts.

Oakland University is a growing, vibrant campus that will continue to fulfill its mission and produce well-educated students prepared to enter the State workforce.