

**Agendum
Oakland University
Board of Trustees Formal Session
July 1, 2014**

**GENERAL FUND BUDGET AND TUITION RATES
FOR FY2015**

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 FY2015 General Fund budget and tuition rates. Highlights and assumptions for this proposal are described below.

Attachment A is a FY2015 General Fund Budget Briefing.

Attachment B is the FY2015 Proposed General Fund Budget which provides summarized budget information for each major academic and operating unit of Oakland University (University) and a comparison to the FY2014 General Fund budget.

Attachment C is the proposed Schedule of Tuition Rates Effective Fall Semester 2014.

State Appropriations:

The FY2015 State appropriation is \$48,364,100 and includes the FY2015 performance funding of \$2,712,500, a 5.9% increase over the prior year. The increase is based partially on a restoration of previous appropriation reductions and the State's performance funding model; critical skills degree completions, research expenditures, six-year graduation rates, total degree completions, institutional support as a percent of core expenditures, and Pell Grant awards. Despite the increase, the University's appropriation is still below the FY2006 funding level. Historically, the University has been under-funded by the State on a per Fiscal Year Equated Student (FYES) basis as compared to the other public universities in Michigan. The University's FY2015 base appropriation per FYES will be \$2,896 as compared to the state average of \$4,751, second lowest in the State.

Again this year, the State implemented a tuition restraint mandate, 3.2%, with which the University must comply or risk losing its performance funding.

Cost Containment and Budget Reductions:

The University has accumulated data on cost containment initiatives totaling over \$41 million of permanent and one-time savings, such as eliminating positions, reducing program offerings, further deferring needed maintenance, renegotiating vendor contracts, refinancing debt, energy savings initiatives, implementation of "healthy living" employee benefits, lean academic and administrative practice redesign, and an early retirement plan. Per the State's Higher Education Institution Data Inventory (HEIDI) database, the University's General Fund expenditures per FYES was second lowest in FY2013, \$4,459 below the state average, supporting that the University is an efficient and lean organization.

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Protecting the Core Education of Students:

The University's economic and societal impact on the state and region have been steadily increasing over the past decade – due to strategic planning, outstanding faculty and staff, aggressive fiscal management, and creative partnerships with business, industry, and the community. To maintain the University's distinctive and valued educational programming and services, additional revenue is needed to adequately fund operations and strategic initiatives for the benefit of Oakland students. State funding as a percentage of the University's proposed FY2015 General Fund revenue will be 20% with the remaining cost of core operations of the University to be funded primarily by tuition. Even with the continuation of cost containment and budget reduction initiatives, a tuition increase is necessary to protect the core education of Oakland University students.

Tuition:

In an effort to keep resident undergraduate tuition rates below the state average (currently sixth lowest in the State on an "all-in" basis), while continuing the University's financial aid strategy, program improvements, and pricing transparency, the proposed FY2015 resident undergraduate average tuition rate for a full-time student is \$11,460, a 3.17% increase, \$11.75 per student credit hour. For FY2015, increases will be focused on upper division credit hours recognizing the higher cost of instruction for upper division courses. The proposed FY2015 resident graduate tuition rate for a full-time student is \$15,294, a 3.2% increase.

In FY2013, on average, a full-time undergraduate student received non-debt financial aid (scholarships, grants, and other awards) of \$3,891, reducing the overall net average cost by nearly one third, to \$6,815.

Highlights of the Proposed General Fund Budget:

Revenue:

1. State appropriation of \$48,364,100, 5.9% higher than FY2014.
2. FYES enrollment of 17,096 (excluding School of Medicine), a 1.1% increase over the prior year budget.
3. Average resident undergraduate tuition of \$11,460 for full-time students, an increase of 3.17%.
4. Average graduate in-state tuition of \$15,294 for full-time students, an increase of 3.2%.
5. Continuation of the University's no fee pricing strategy.

Expenditures:

1. Expense budget increases are made up of, in part:
 - a. Program improvements: New academic degree program funding, library collections, and faculty positions.
 - b. Operating funds required for approved course offerings with related faculty appointments (reflecting program growth and market demand), debt service obligations, utilities, support staff for new buildings, and other contractual obligations.

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2. Continued focus on student financial aid funding including the student full aid guarantee, economic hardship fund, and need-based and competitive merit-based scholarship awards, an increase of 10.3%.
3. **Previous Board Action:** On June 26, 2013 the Board approved the FY2014 General Fund budget and tuition rates.
4. **Budget Implications:** Approval of the FY2015 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2014 provides the needed authorization for assessing students and expending University resources for instructional, programmatic, and operating needs.
5. **Educational Implications:** Provides General Fund budget for academic programming.
6. **Personnel Implications:** Provides General Fund budget for personnel.
7. **University Reviews/Approvals:** The FY2015 Proposed General Fund Budget and the Schedule of Tuition Rates Effective Fall Semester 2014 were developed by the Office of Budget and Financial Planning, with input from the President's Cabinet, and was reviewed by the Vice President for Finance and Administration, and Interim President. In addition, budget development strategies and assumptions were reviewed by the Senate Budget Review Committee and Student Leadership.

8. Recommendation:

WHEREAS, the FY2015 Proposed General Fund Budget and Schedule of Tuition Rates Effective Fall Semester 2014 require Board of Trustees approval; now, therefore, be it

RESOLVED, that the Board of Trustees approves the FY2015 General Fund Budget at an expenditure level of \$233,956,402 (see Attachment B for detail) and approved encumbrances and carry-forwards from the June 30, 2014 fund balance; and, be it further

RESOLVED, that the Board of Trustees approves the Schedule of Tuition Rates Effective Fall Semester 2014 (see Attachment C for detail); and, be it further

RESOLVED, that the Board of Trustees approves the spending of General Fund revenues generated from enrollment in excess of that budgeted to adequately cover the instructional, programmatic, and operating expenditures necessary to support higher than budgeted enrollment levels.

9. Attachments:

- A. FY2015 General Fund Budget Briefing
- B. FY2015 Proposed General Fund Budget
- C. Schedule of Tuition Rates Effective Fall Semester 2014

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Submitted to the President
on _____, 2014 by

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

Recommended on _____ July 1_, 2014
to the Board of Trustees for approval by

Betty J. Youngblood
Interim President



**FY2015 General Fund Budget Briefing
July 1, 2014**

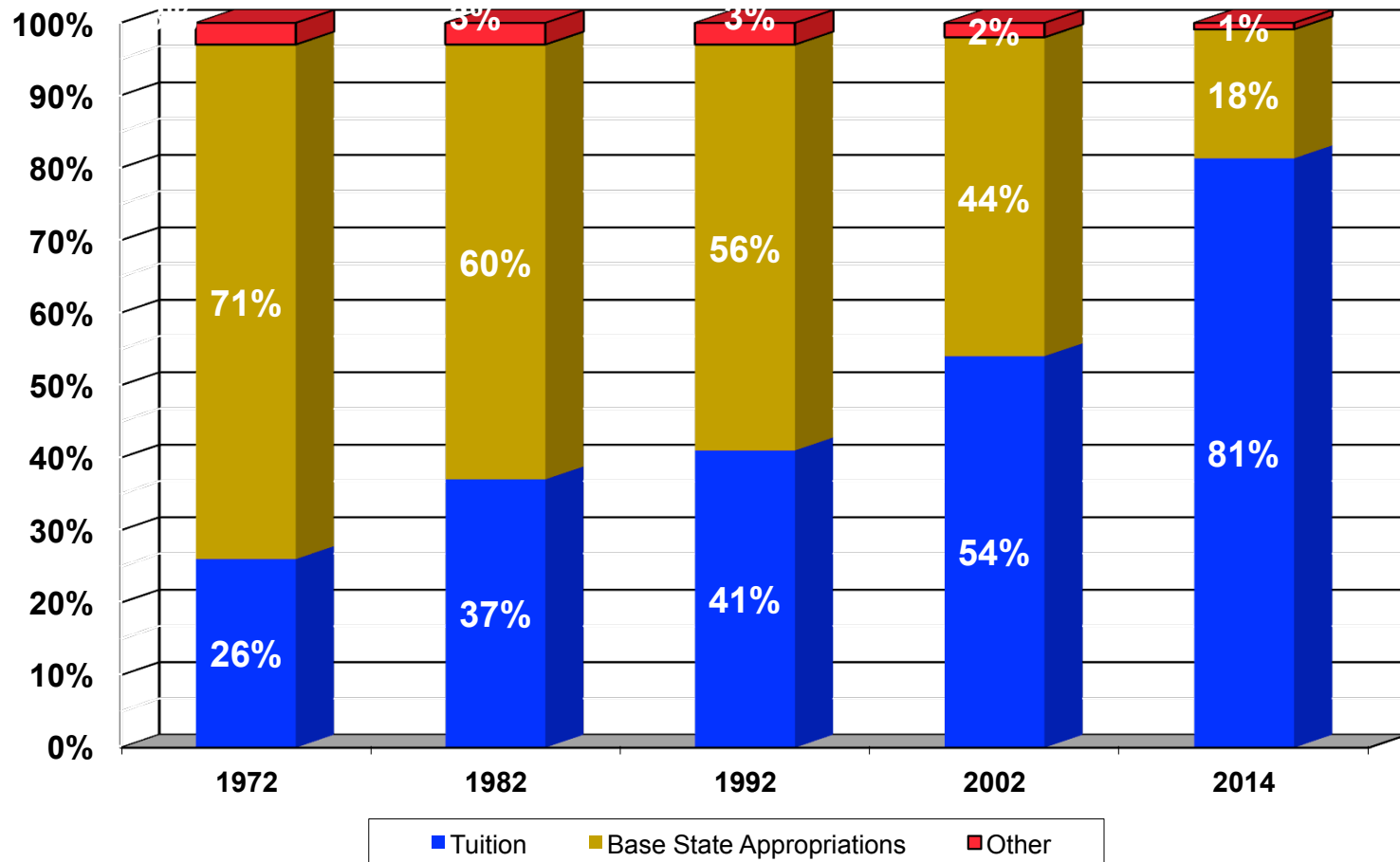
FY2015 General Fund Budget

Guiding Principles

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

General Fund Funding Model

Oakland University Funding Model



State Appropriations

FY2015 State Funding Per School

<u>Universities</u>	<u>FY2015 Base</u>	<u>FY2013 FYES</u>
UM-Ann Arbor	\$ 295,174,100	43,762
Michigan State	264,429,100	45,446
Wayne State	190,519,800	23,301
Western	102,742,000	20,978
Central	79,115,000	21,694
Eastern	71,771,100	18,358
Grand Valley	63,136,000	22,271
Ferris	49,087,000	12,206
Oakland	48,364,100	16,699
Michigan Tech	45,923,100	6,135
Northern	44,277,200	8,257
Saginaw Valley	27,610,200	9,025
UM-Dearborn	23,689,300	6,687
UM-Flint	21,337,700	6,760
Lake Superior	12,782,500	2,238

Oakland University

State Appropriations, FY2005 – FY2015

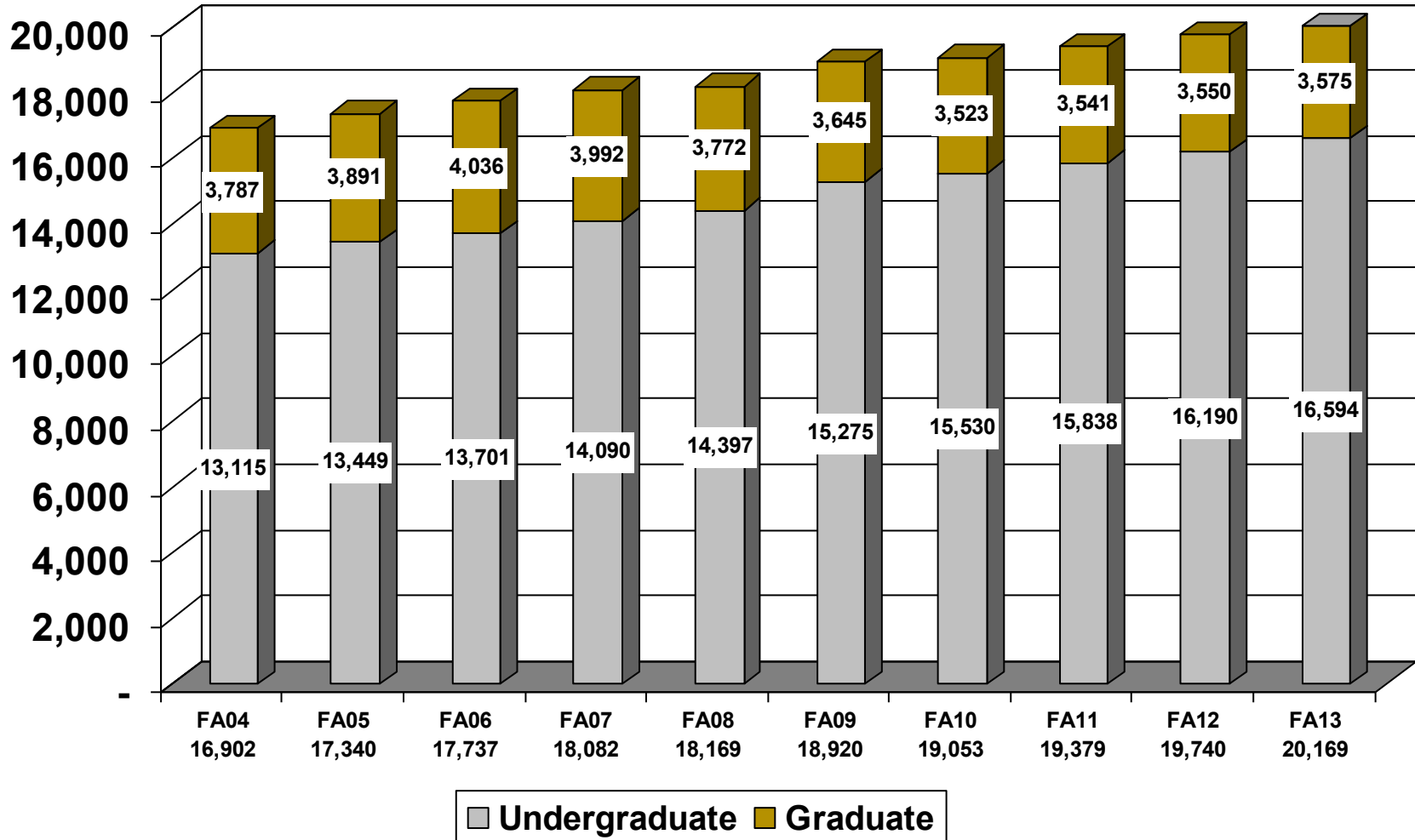
<u>Fiscal Year</u>	<u>Base Appropriation</u>	<u>FYES</u>
2005	\$ 47,261,300	13,833
2006	51,530,500	14,245
2007	46,613,614	14,633
2008	51,932,900	14,871
2009	52,452,200	15,073
2010	52,220,800	15,867
2011	50,761,000	16,217
2012	43,145,000	16,319
2013	43,145,000	16,699
2014	45,651,600	
2015	48,364,100	

FY2015 Base Appropriation per FYES

	<u>Appropriation per FYES</u>	<u>FY2013 FYES</u>
Wayne State	\$ 8,176	23,301
Michigan Tech	7,485	6,135
UM-Ann Arbor	6,745	43,762
Michigan State	5,819	45,446
Lake Superior	5,712	2,238
Northern	5,362	8,257
Western	4,898	20,978
Ferris	4,022	12,206
Eastern	3,910	18,358
Central	3,647	21,694
UM-Dearborn	3,543	6,687
UM-Flint	3,156	6,760
Saginaw Valley	3,059	9,025
Oakland	2,896	16,699
Grand Valley	2,835	22,271
<i>Average</i>	<i>\$ 4,751</i>	

Enrollment/Tuition Management

10-Year Headcount Enrollment Growth, Fall 2004 – Fall 2013



Source: Institutional Research

FY2014 Undergraduate Tuition All-In Price per FYES

State Universities	Tuition & Mandatory Fees *	Other Fees **	All-In Price
UM-Ann Arbor	\$13,977	\$1,375	\$15,352
Michigan Tech	13,728 _{1,610}		15,338
Michigan State	13,625 ₃₀₁		13,926
Wayne	11,967 _{1,107}		13,074
Western	10,851 _{1,107}		11,958
Central	11,220 ₂₅₃		11,473
Ferris	11,025 ₃₇₆		11,401
UM-Dearborn	10,614	711	11,325
Grand Valley	10,716 ₅₄₄		11,260
OAKLAND	11,108	-	11,108
Eastern	9,364	1,484	10,848
Lake Superior	9,991	658	10,649
UM-Flint	9,907	662	10,569
Saginaw Valley	8,423	1,152	9,575
Northern	9,037	365	9,402
AVERAGE	\$11,037	\$780	\$11,817

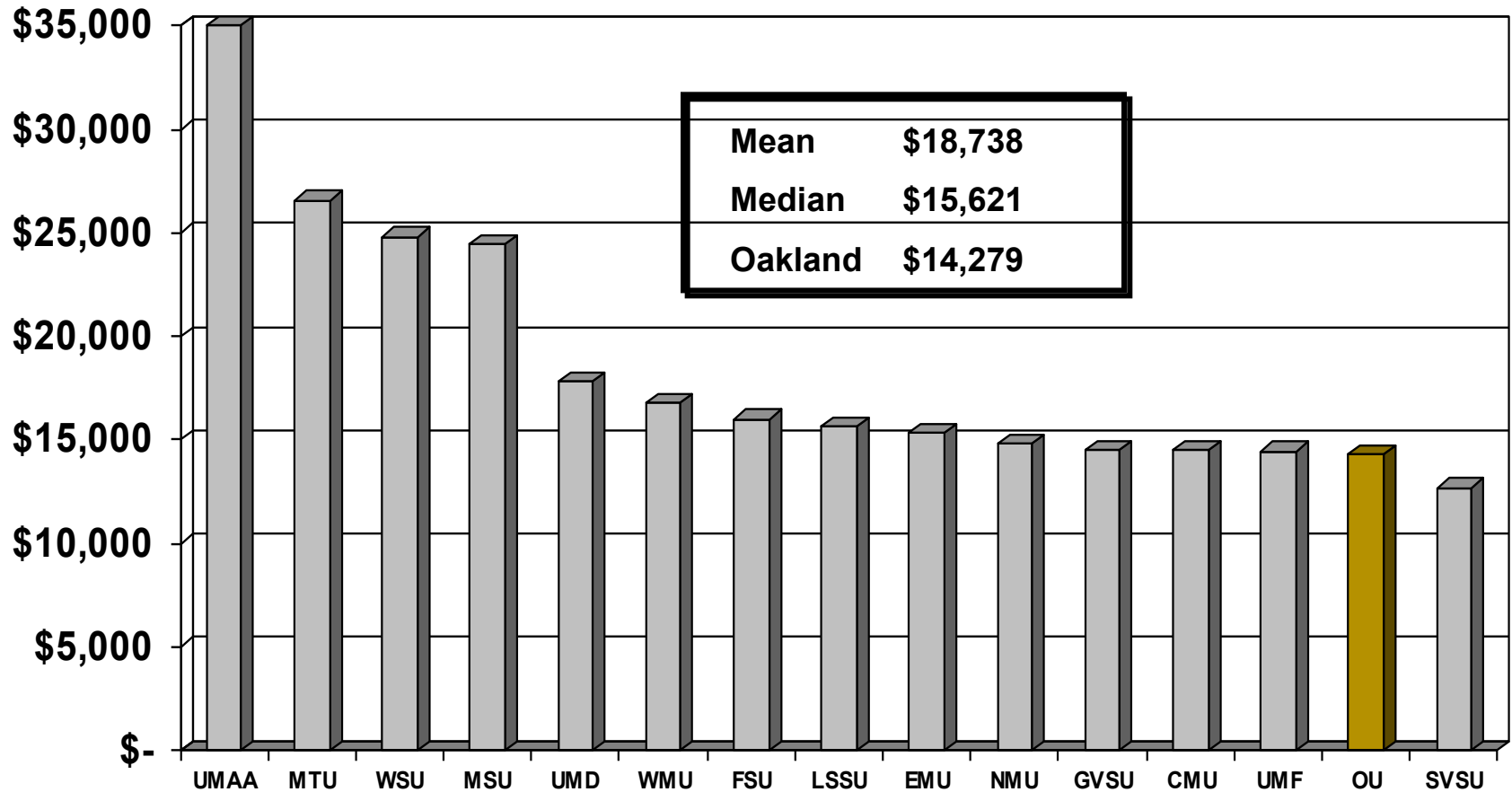
* Source: HEIDI ** All Other Fees per the President's Council - State Universities of Michigan Tuition and Fee Report and state university websites.

Average Undergraduate Net Cost

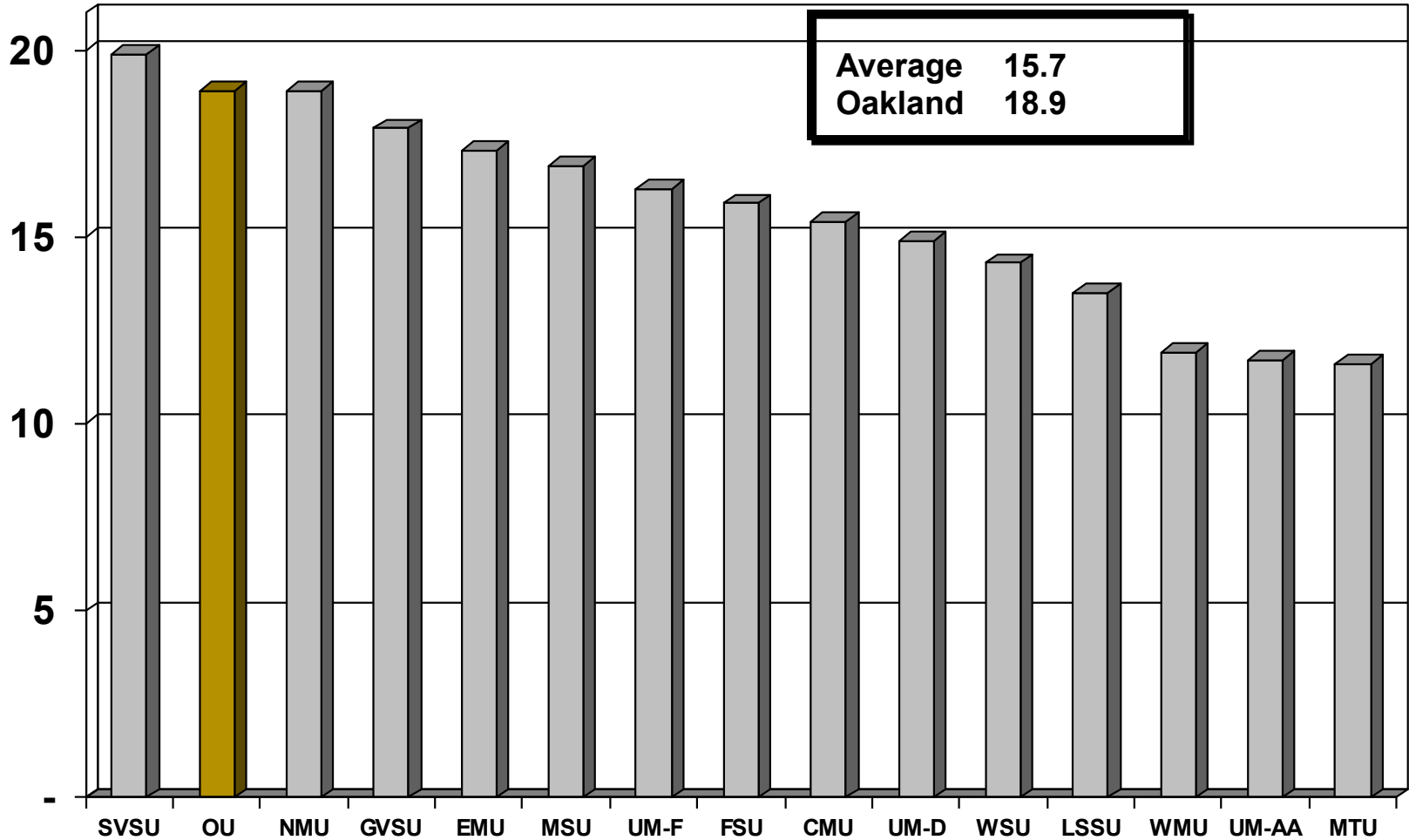
	FY2013	FY2014
Tuition	\$ 10,706	\$ 11,108
Financial Aid	<u>(3,891)</u>	<u>(3,938)</u>
Avg. Net Cost	\$ 6,815	\$ 7,170
Avg. Net Cost %	63.7%	64.5%

Cost Controls and Efficiency

FY2013 General Fund Expenditures per FYES

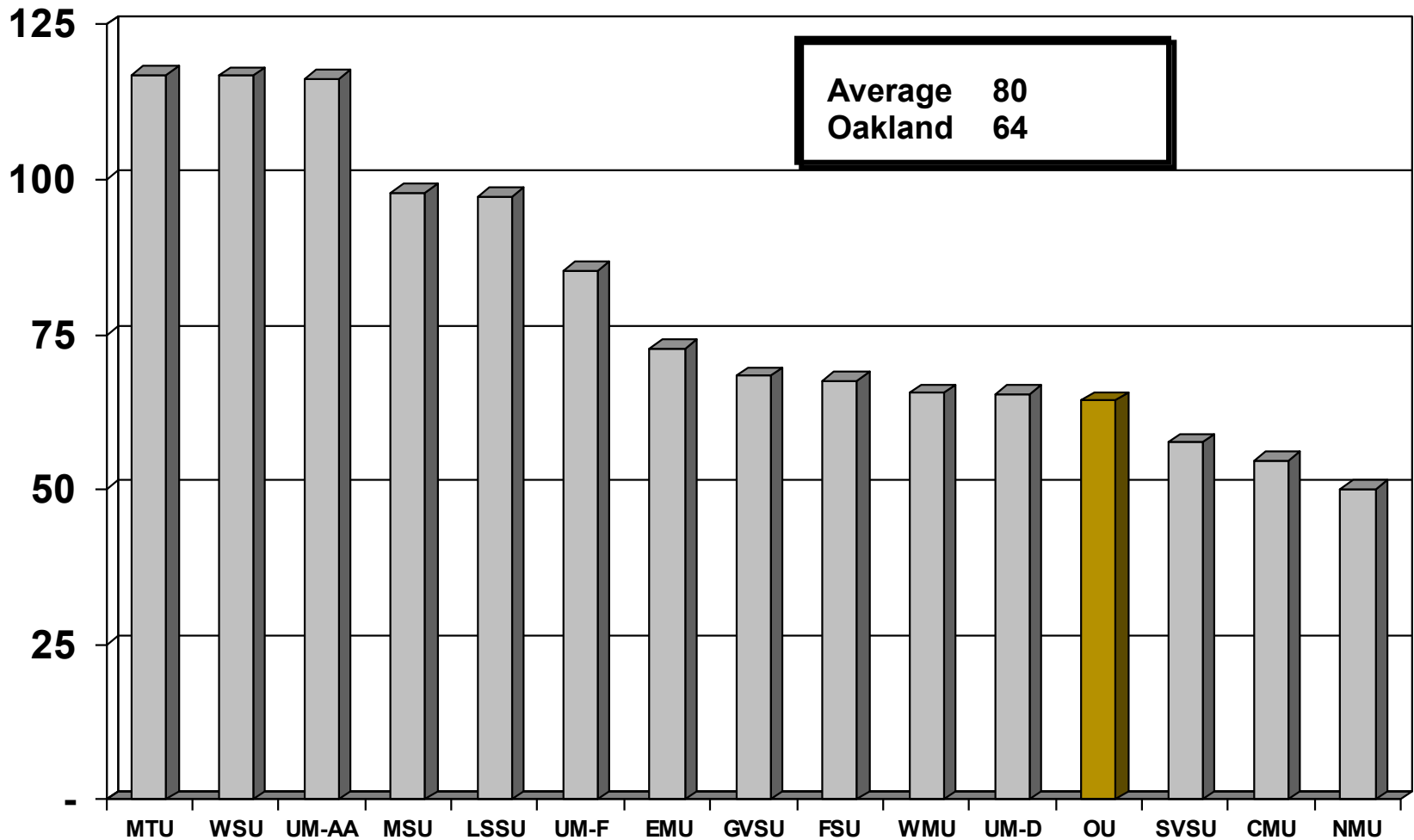


FY2013 Michigan Universities FYES per Faculty FTE



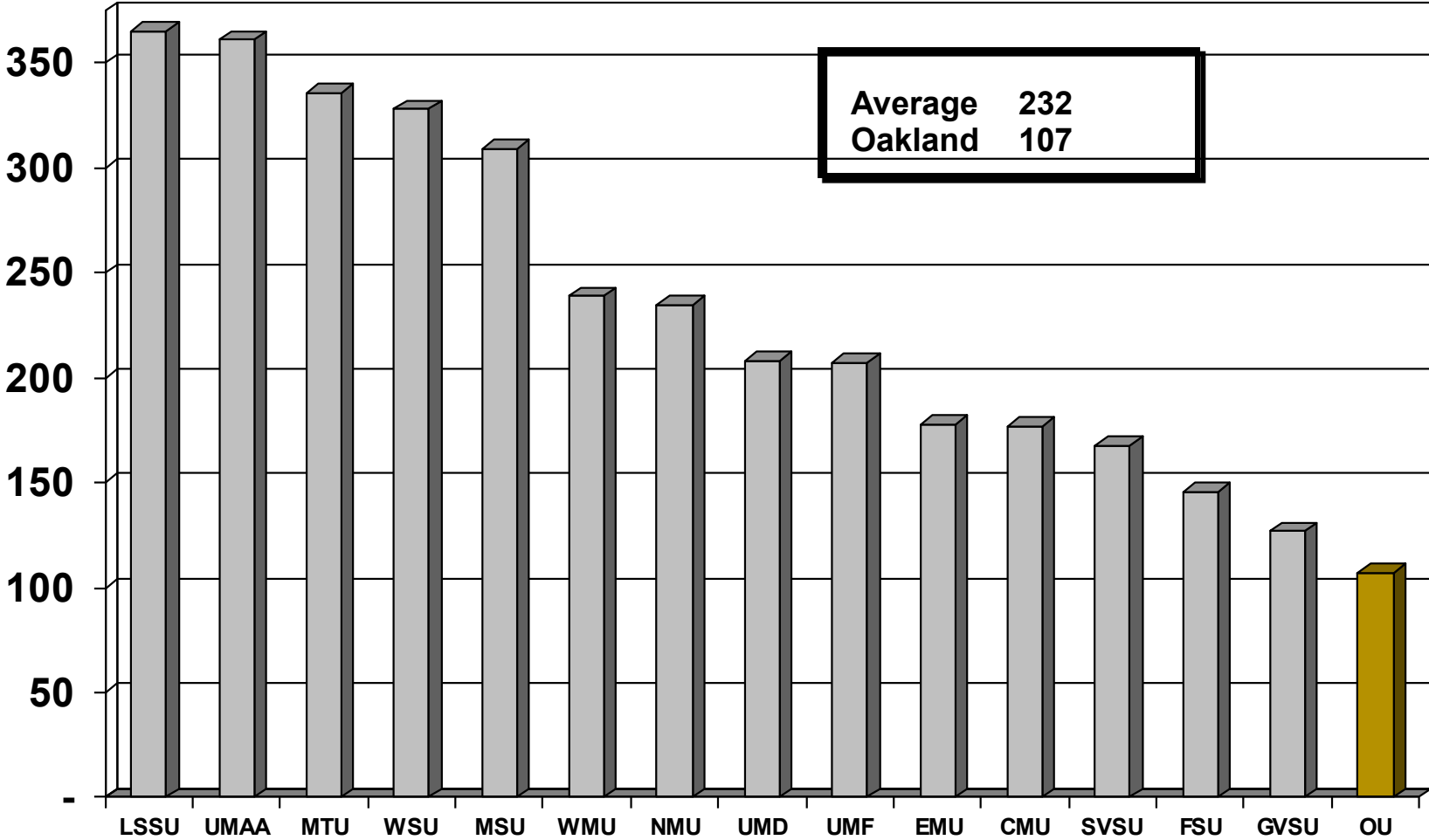
Source: HEIDI

FY2012 Michigan Universities Staff per 1,000 FYES



Source: HEIDI

FY2013 General Fund Building Sq. Ft. per FYES



Source: HEIDI

Lean – Cost Containment and Budget Reductions FY03-14

	Permanent	One Time	Total
Cost Containment			
Benefit and Employment Changes	\$ 7,796,030	\$ 869,438	\$ 8,665,468
Re-organizations	1,476,280	286,910	1,763,190
Outsourcing and Partnerships	4,739,196	1,624,258	6,363,454
Process Re-engineering	1,084,066	717,167	1,801,233
Technology and Telecommunications	854,618	864,911	1,719,529
Utilities/Energy Conservation	1,915,450	9,193	1,924,643
Other Initiatives	<u>977,589</u>	<u>1,333,659</u>	<u>2,311,248</u>
Total Cost Containment	<u>\$ 18,843,229</u>	<u>\$ 5,705,536</u>	<u>\$ 24,548,765</u>
Budget Reductions			
Faculty Salaries	\$ 1,337,416	\$ 595,320	\$ 1,932,736
Non Faculty Salaries	3,327,324	284,338	3,611,662
Fringe Benefits	2,136,991	238,671	2,375,662
Operational Costs	<u>6,511,729</u>	<u>4,507,671</u>	<u>11,019,400</u>
Total Budget Reductions	<u>\$ 13,313,460</u>	<u>\$ 5,626,000</u>	<u>\$ 18,939,460</u>
Total Cost Containment and Budget Reductions	<u><u>\$ 32,156,689</u></u>	<u><u>\$ 11,331,536</u></u>	<u><u>\$ 43,488,225</u></u>
State Appropriation Reductions	<u><u>\$ 11,868,300</u></u>	<u><u>\$ 4,764,400</u></u>	<u><u>\$ 16,632,700</u></u>

* Limited technology and other strategic initiatives, delayed hiring, departmental spending restraint, postponed classroom renovations and deferred maintenance projects, reduced year-end encumbrances, carry-forwards, contingencies and reserves.

FY2015 General Fund Budget

Assumptions

- 5.9% appropriation increase
- 1.1% enrollment increase (excluding School of Medicine)
- On-going financial aid strategy
 - Student full aid guarantee
 - Increase in need and merit based institutional aid
- Continued healthy living benefit savings
- Lean practice cost containment initiatives

FY2015 General Fund Budget

Assumptions

- Program Improvements:
 - Faculty positions
 - Library 24/7 and collections
 - Faculty Travel/Research
- Student Support needs addressed (advisors, admissions)
- Operating needs funded (e.g. software licenses, utilities)
- Support staff for new buildings
- Continued pricing transparency

FY2015 General Fund Budget

Assumptions

- Undergraduate tuition rate below State average (“all-in”)
- 3.17% Average undergraduate tuition increase
- 3.20% Average graduate tuition increase

**Oakland University
Fiscal Year 2015
Proposed General Fund Budget**

Attachment B

Category	FY 2014 Budget	FY 2015 Projected Budget	Amount Change	% Change
State Appropriation - Base	\$ 45,634,800	\$ 48,364,100	\$ 2,729,300	5.98%
Student Tuition	208,618,389	222,170,020	13,551,631	6.50%
Financial Aid Offset	(35,519,056)	(39,168,481)	(3,649,425)	10.27% (1)
Net Tuition & Fees Revenue	\$ 173,099,333	\$ 183,001,539	\$ 9,902,206	5.72%
Indirect Cost Recovery	2,300,000	2,300,000	0	0.00%
Miscellaneous Income	290,763	290,763	0	0.00%
Encumbrances	11,178,005	0	(11,178,005)	-100.00% (2)
Total Funding Sources	\$ 232,502,901	\$ 233,956,402	\$ 1,453,501	0.63%
Less: Budgeted Expenditures	\$ 232,502,901	\$ 233,956,402	\$ 1,453,501	0.63%
Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	
FYES Enrollment	17,202	17,419	217	1.26%

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.

Oakland University
General Fund Budgeted Expenditures
Fiscal Year 2014 vs. 2015

	FY2014 Adjusted Total Budget	FY2014 Enc. / Carryforward	FY2014 Adjusted Base Budget	FY2015 Budget Changes	FY2015 Budget
School of Medicine	\$ 8,399,332	\$ (238,488)	\$ 8,160,844	\$ 3,794,972	\$ 11,955,816
College of Arts & Sciences	43,159,092	(1,054,081)	42,105,011	1,709,602	43,814,613
School of Business Administration	14,710,100	(393,633)	14,316,467	535,164	14,851,631
School of Education and Human Services	13,518,118	(203,916)	13,314,202	458,060	13,772,262
School of Engineering and Computer Science	10,821,578	(71,395)	10,750,183	424,509	11,174,692
School of Health Sciences	5,351,775	(267,169)	5,084,606	275,280	5,359,886
School of Nursing	9,105,962	(261,924)	8,844,038	500,081	9,344,119
Kresge Library	5,853,153	(233,613)	5,619,540	356,006	5,975,546
Instructional and Information Technology	8,111,735	(943,229)	7,168,506	213,438	7,381,944
Academic Affairs - Other	31,532,814	(3,996,400)	27,536,414	1,446,238	28,982,652
Finance & Administration	23,500,228	(729,283)	22,770,945	1,732,298	24,503,243
Student Affairs	17,865,833	(510,568)	17,355,265	(1,580,666)	15,774,599
Development, Alumni and Comm. Engagement	7,663,960	(1,575,379)	6,088,581	570,900	6,659,481
President	9,334,417	(698,927)	8,635,490	889,475	9,524,965
General	23,574,804	0	23,574,804	1,306,149	24,880,953
Total	\$ 232,502,901	(\$ 11,178,005)	\$ 221,324,896	\$ 12,631,506	\$ 233,956,402

**Oakland University
Schedule of Tuition Rates
Effective Fall Semester 2014**

Tuition Rate Per Credit Hour	Current Rate 2014	Proposed Rate 2015
Resident UG Lower	353.75	353.75
Resident UG Upper	386.75	410.25
Resident Grad	617.50	637.25
Resident Doctoral	617.50	637.25
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	46,249.00	48,099.00

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	10,612.50	10,612.50	
2) Upper Division Tuition	11,602.50	12,307.50	
Residential Undergraduate Average	11,107.50	11,460.00	3.17%

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

Graduate Tuition	14,820.00	15,294.00	3.20%
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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.