

**OAKLAND UNIVERSITY
BOARD OF TRUSTEES
WORKING SESSION AGENDUM ITEM
July 13, 2005**

Fiscal 2006 Budget Preparation Briefing

Introduction

The State of Michigan fiscal 2006 budget has not yet been established. With approximately 38% of the Oakland University general fund budget funded from appropriations, finalization of the University's budget is on hold pending passage of the State's budget.

State Proposals

The Governor's Office, House of Representatives, and Senate have each proposed different models for funding higher education within the State's budget. For consistency, the proposals are shown below as compared to Oakland University's initial FY 2005 appropriation which was used in developing the University's FY 2005 General Fund budget.

	<u>Governor</u>	<u>House</u>	<u>Senate</u>
Initial FY 2005 *	\$48,106,101	\$48,106,101	\$48,106,101
Proposed FY 2006	\$47,261,300	\$49,375,700	\$51,429,200
Net Gain/(Loss)	(\$844,800)	\$1,269,599	\$3,323,099
Percent Change	-1.76%	2.64%	6.91%

* Initial FY 2005 funding of \$48,106,101 was reduced to \$47,261,300 on a one-time basis via Executive Order 2005-7 issued by the Governor in March 2005.

There has been some confusion in the presentation of the House and Senate proposals related to the percentage increase. The House's proposed increase is 2.64% above the initial FY 2005 appropriation. It is 5.0% above the Governor's proposal. Similarly, the Senate's proposal is 6.91% above the initial FY 2005 appropriation. It is 8.8% above the Governor's proposal.

The House and Senate will meet in conference committee prior to sending their final budget to the Governor. Depending on the length of these deliberations, the State budget will be approved some time before October 1, 2005, the beginning of the State's new fiscal year.

Appropriation History

The Detroit News, quoting the Senate Fiscal Agency, recently reported comparative changes in appropriation and tuition rates over a ten year period for the 15 public universities. The News report shows that, over a ten year period, Oakland University has experienced the third highest rate of increase in State appropriations (on a percentage basis), which we would attribute to recognition of Oakland's quality

Fiscal 2006 Budget Preparation Briefing
Board of Trustees Working Session
July 13, 2005
Page 2

programs, history of funding deficiencies and effective work in Lansing by our Governmental Relations staff and multi-client representation.

Oakland University has the second lowest level of State funding on a fiscal-year-equated-student (FYES) basis. Per FYES funding peaked at \$4,712 in FY 2001 (\$52,950,476 in total base appropriation). Per FYES funding in FY 2005 is \$293 less than FY 1995 rates. This substantial decrease in State support on a per FYES basis is due primarily to the rapid enrollment growth experienced by Oakland University coupled with significant appropriation reductions over the past several years. Oakland's enrollment on a FYES basis has grown from 9,622 in FY 1995 to 13,833 in FY 2005, a 44% growth in ten years.

Compared to the FYES funding of the smaller 12 public universities, Oakland's funding is approximately 83% of the average. Compared to funding of all 15 public universities, Oakland's funding is approximately 64% of the average. This comparison supports Oakland's continual message of maintaining quality, excellence and regional stature, on less than average State support.

Tuition and Fee History

The Detroit News report also shows that Oakland University has experienced the fourth lowest rate of tuition growth (on a percentage basis) over a ten year period, which we would attribute to a sustained commitment to providing an excellent education at an affordable price. Of the three institutions which experienced a lower percentage tuition rate growth over this ten year period, two (UM-AA \$3,250, MSU \$2,599) had a significantly higher growth in actual tuition costs as compared to Oakland (OU \$2,237) due to their already higher tuition rates.

Only four institutions have lower tuition and required fees than Oakland (UM-F, CMU, NMU and SVSU). Fees are relatively unchanged since FY 2002, with a \$1 per credit increase in the Course Fee and a \$7 per semester increase in the General Service Fee; all other fees have remained constant during this time period.

Budget Reduction History

With several years of appropriation reduction, coupled with the FY 2005 tuition restraint agreement (Oakland's tuition increase in FY 2005 was limited to 2.4%), significant budget reductions were required in order to balance the General Fund budget. Since FY 2003, base budget reductions totaled \$6.4 million, with an additional \$5.6 million in one-time reductions. In addition to downsizing travel, equipment and other non-personnel budgets, 56 full-time positions were eliminated; saving both salary and benefit costs of over \$3.6 million annually. If these budget reductions had not been implemented, an additional cumulative tuition and fee increase of 8.5% would have

**Fiscal 2006 Budget Preparation Briefing
Board of Trustees Working Session
July 13, 2005
Page 3**

been needed to balance the budget over the past three years.

FY 2006 Budget Changes

The FY 2006 General Fund budget will have to account for known financial commitments (e.g., collective bargaining increases), projected cost increases in basic operating expenses (e.g., utilities 8%, health care 12%), as well as programmatic enhancements needed to minimally improve Oakland's offerings and services (e.g., faculty positions, general education support, financial aid reorganization, public safety). These projected cost increases are expected to be offset by additional revenue including potential appropriation increases, (as noted above), enrollment growth (projected at 2.65% over the FY 2005 budget), and potential tuition and fee increases.

FY 2006 Critical Budget Needs

In addition to the budget changes noted above, additional critical budgetary needs have been identified by senior leadership and prioritized into categories one, two and three. Funding these critical priorities would allow for minimal enhancement to areas such as research, public safety, student support, deferred maintenance, marketing, energy and systems management, and development activities.

Conclusion

Upon finalization of the State of Michigan higher education budget, a formal Oakland University General Fund budget will be presented to the Board of Trustees for review and approval.

Attachment

A. Fiscal Year 2006 Budget Preparation Briefing – PowerPoint Presentation

Submitted for Review by VP for Finance and Administration

John W. Beaghan

(Please Initial)

Reviewed by Secretary Victor A. Zambardi

(Please Initial)

Reviewed by President Gary D. Russi:

(Please Initial)



**Fiscal Year 2006
Budget Preparation Briefing
Board of Trustees Working Session
July 13, 2005**

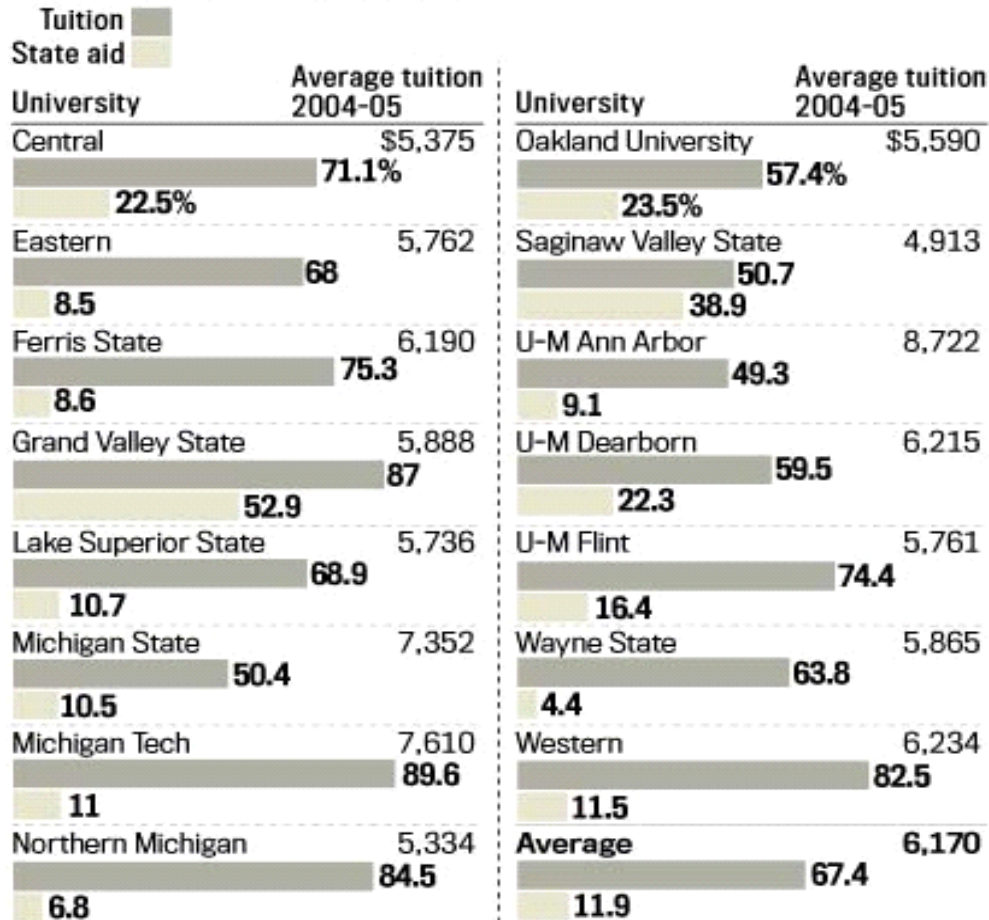


Tuition and State Aid Changes

University tuition

A school-by-school breakdown showing the change in tuition and state aid over the past decade.

Percentage change from 1994-95 to 2004-05



Source: Senate Fiscal Agency

The Detroit News



Base State Appropriations FY 1995 - 2005

<u>Fiscal Year</u>	<u>Appropriation</u>
1995	\$ 37,153,000
1996	38,967,000
1997	40,186,000
1998	42,461,000
1999	44,321,000
2000	48,083,000
2001	52,950,476
2002	52,384,700
2003	50,551,147
2004	46,633,500
2005	47,261,300 (After E.O. 2005-7)

Data per Audited Financial Statements

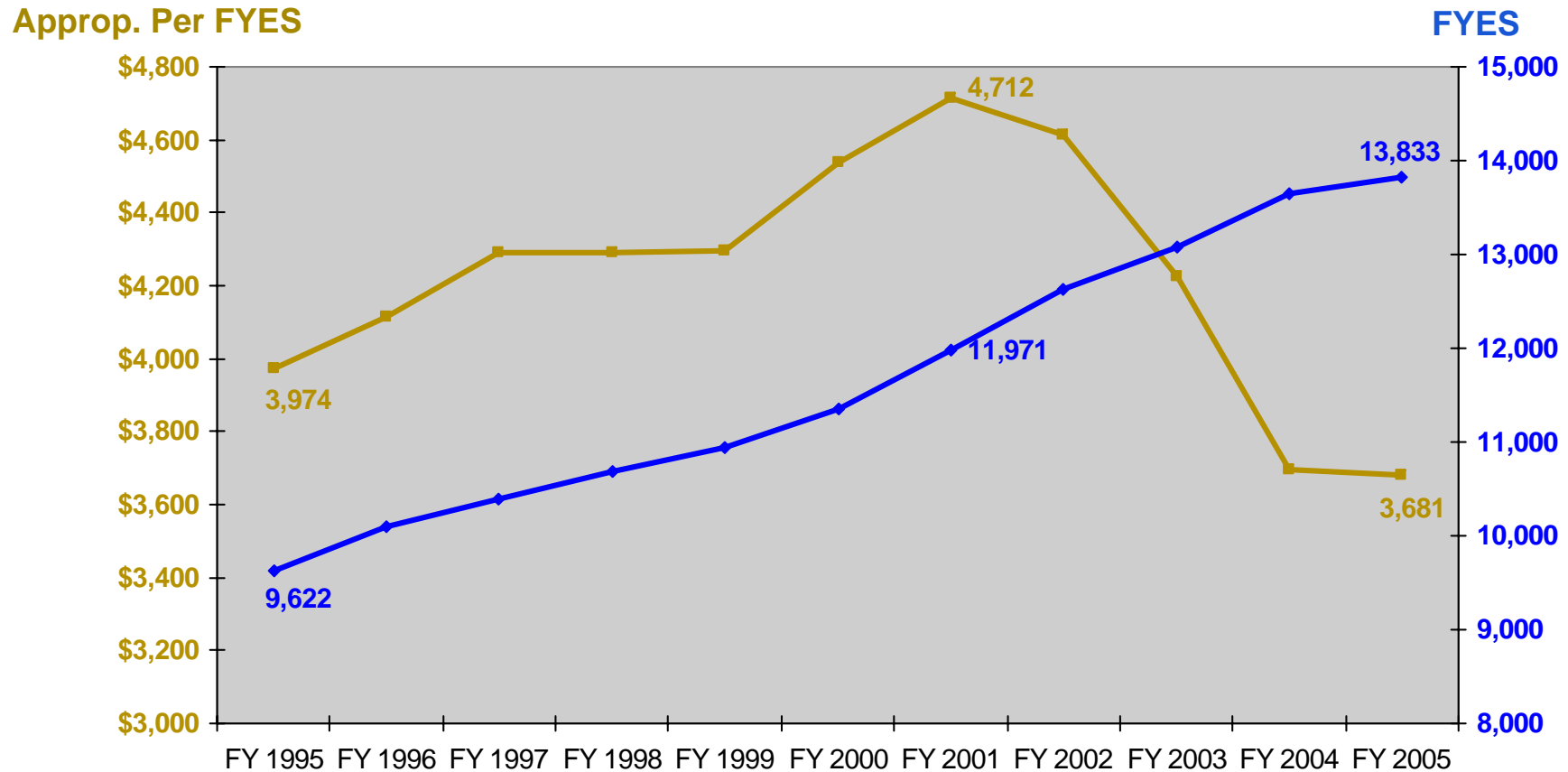


FY 2005 Base Appropriations per FYES Resident Students

Wayne State University	\$ 8,665
Michigan State University	8,289
University of Michigan - Ann Arbor	8,104
Michigan Technological University	7,918
Northern Michigan University	5,415
Ferris State University	4,653
Lake Superior State University	4,447
Western Michigan University	4,349
University of Michigan - Flint	4,263
Eastern Michigan University	3,878
University of Michigan - Dearborn	3,754
Central Michigan University	3,661
Saginaw Valley State University	3,467
Oakland University	3,462
Grand Valley State University	3,072



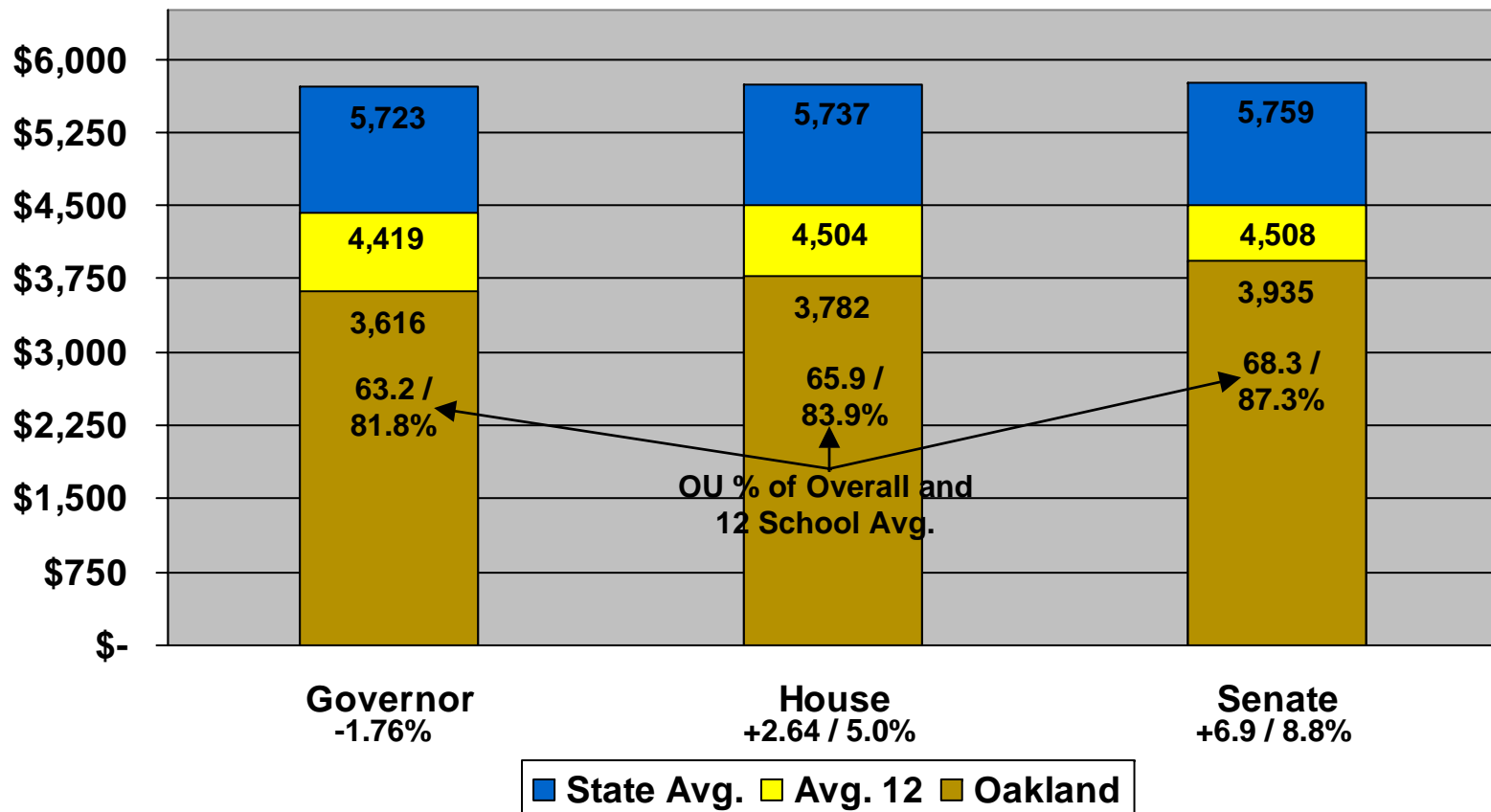
Base Appropriation per FYES and FYES



Appropriation per FYES based on State Appropriation data



Base Appropriation per FYES Proposed Funding





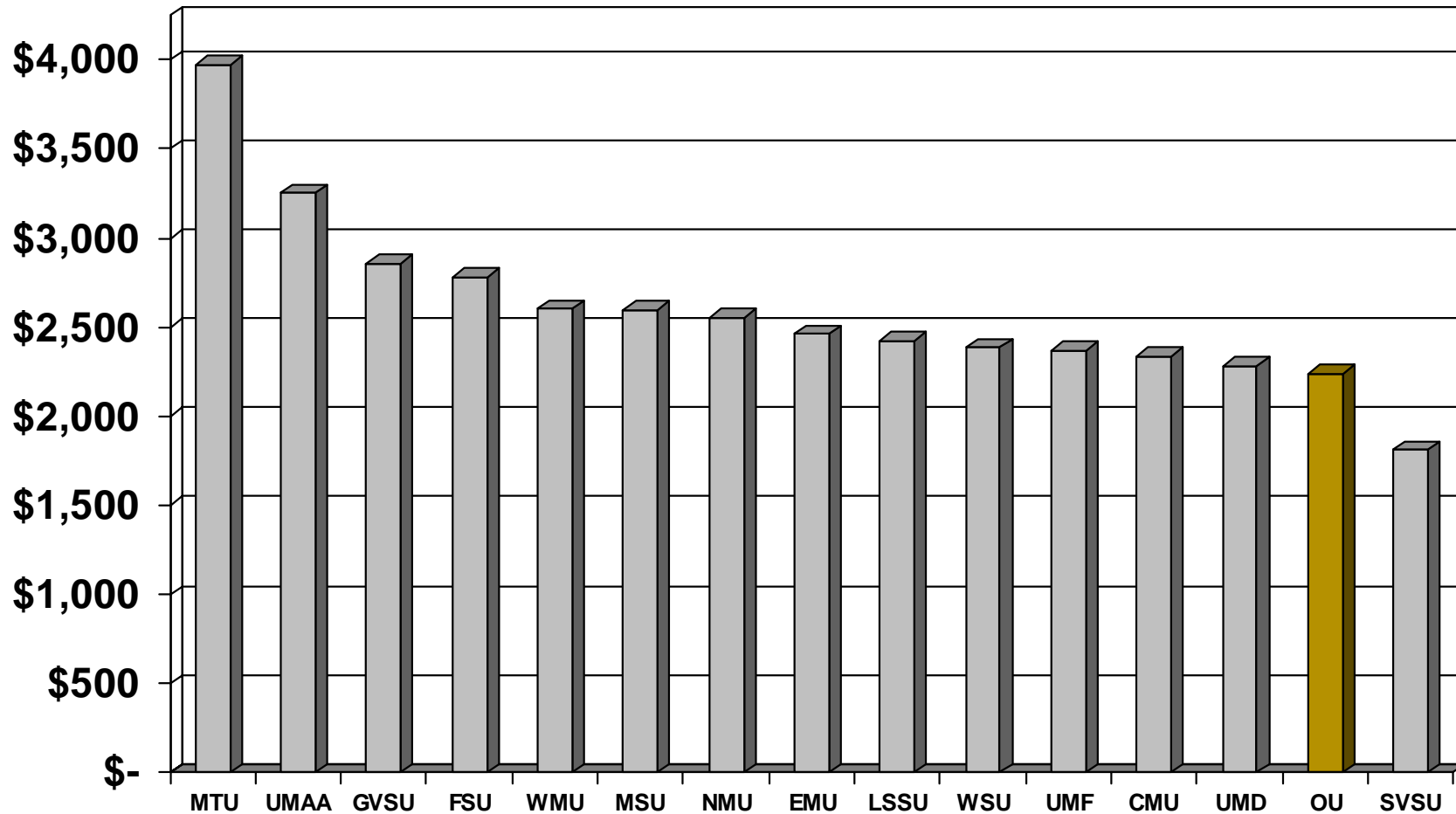
FY 2005 Tuition and Required Fees Resident Students – per FYES

University of Michigan - Ann Arbor	8,722
Michigan Technological University	7,610
Michigan State University	7,396
Ferris State University	6,190
University of Michigan - Dearborn	6,002
Western Michigan University	5,934
Grand Valley State University	5,888
Wayne State University	5,828
Eastern Michigan University	5,762
Lake Superior State University	5,736
Oakland University	5,590
University of Michigan - Flint	5,461
Central Michigan University	5,375
Northern Michigan University	5,334
Saginaw Valley State University	4,913



Michigan Universities

10-Year Change (FY 1995 – FY 2005) in Resident Student Tuition and Required Fees





Student Fees

FY 2000 – FY 2005

Fee Description	Assessed by:	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
General Service Fee ⁽¹⁾	Semester	147.00	145.00	145.00	140.00	125.00	124.00
Recreation Center Fee ⁽¹⁾	Semester	75.00	77.00	77.00	75.00	75.00	75.00
Student Activity Fee ⁽¹⁾	Semester	21.00	21.00	21.00	21.00	15.00	15.00
Nursing Assessment Testing Fee	Semester	56.00	56.00	56.00	56.00	56.00	56.00
Course Fee	Credit Hour ⁽²⁾	13.50	13.00	12.50	12.50	12.00	11.50
Applied Music Fee	Credit Hour ⁽²⁾	85.00	85.00	85.00	85.00	85.00	85.00
Applied Music Fee (Group)	Credit Hour ⁽²⁾	25.00	25.00	25.00	25.00	25.00	25.00
Physical Therapy Course Fee	Credit Hour ⁽²⁾	30.00	30.00	30.00	30.00	30.00	30.00
Competency Credit Fee	Credit Hour ⁽²⁾	34.00	34.00	34.00	34.00	33.00	32.00
Education Course Fee	Course ⁽²⁾	35.00	35.00	35.00	35.00	35.00	35.00
Graduation Fee	Student (one-time)	30.00	30.00	30.00	30.00	30.00	30.00

⁽¹⁾ Included as part of "required" fees

⁽²⁾ Certain courses only



Budget Reductions FY 2003 – FY 2005

Unit	Base	One-Time
Academic Affairs	\$ 3,824,900	\$ 2,060,800
Finance & Admin.	1,299,900	434,300
Student Affairs	394,800	126,600
University Relations	129,200	42,700
President	403,600	114,100
General	360,000	2,847,500
Total	\$ 6,412,400	\$ 5,626,000
	↓	
Tuition Increase Avoided	8.5%	

Position eliminations: FY 2004 – 44 FTE
FY 2005 – 12 FTE



Budget Reductions by Category FY 2003 – FY 2005

Faculty Salaries	Non Faculty Salaries	Fringe Benefits	Travel	Equipment	Other	Total
\$1,129,100	\$1,578,000	\$931,900	\$87,400	\$98,800	\$2,587,200	\$6,412,400
17.61%	24.61%	14.53%	1.36%	1.54%	40.35%	100.00%



FY 2006 General Fund Base Budget Changes

Revenue Changes:

Net Tuition, Fees, Aid (enrollment growth)	\$ 1,467,505
Indirect Cost Recovery	250,000
Charter Schools	(1,386,000)

Revenue Change Total \$ 331,505

Expense Changes:

Charter Schools	(1,042,388)
Compensation	4,235,841
Utilities	228,479
Indirect Cost Recovery	270,000

Academic Affairs:

Off Campus Incentive	695,702
Spring Summer	258,663
General Education	149,751
Executive Education	139,454
Faculty Base	568,960
Course Fee increase	88,700

Financial Aid and Admission Office Reorganization	460,842
Public Safety	121,864
Other	977,558

Expense Change Total \$ 7,153,426

Net Changes \$ (6,821,921)



FY 2006 Budget Critical Needs

Priority 1:

Vice Provost for Research Grant Start-up	\$	100,000
Police Department Overtime Supplement		46,078
Annual Service Maintenance Agreements		146,000
Deferred Maintenance		300,000
Fire Safety System Maintenance		14,680
Media Buyer Retainer		28,000
Assistant Athletic Director - Development (partial funding)		50,565
Data Specialist - Enrollment Management		53,950
Total Priority 1	\$	<u>739,273</u>



FY 2006 Budget Critical Needs

Priority 2:

Meadow Brook Art Gallery Operations	\$	75,000
Casualty Repairs		30,000
Grounds Maintenance		22,000
Systems Programmer - Energy Management		85,000
Central Finance Accountant		65,614
Web Development - Marketing		96,000
Total Priority 2	\$	<u>373,614</u>



FY 2006 Budget Critical Needs

Priority 3:

Workflow Control Manager	\$	65,615
Fire Systems Inspector (move from MUSIC fund)		63,583
Distributed IT Support Position		51,034
Institutional Memberships		70,000
Web CT and Merit Network Site License		325,500
Student Support - Academic Skills (Tutoring)		16,000
Clerical Support for Development Officers		51,745
Total Priority 3	\$	<u>643,477</u>