



World-Class Education in the Real World™

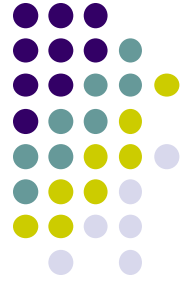


Budget Updates:

- **1st Quarter Review**
 - **Tuition Structure**
- **FY 2009 Governor's Higher Education Recommendation**

Board of Governors ◆ *March 19, 2008*

Agenda



- 1st Quarter Budget Recap
- Tuition Structure Discussions
- FY 2009 Budget
 - State Outlook & Governor's Recommendation



FY 2008 Budget Update

FY 2008 Revenues Outlook



<u>GF Revenues</u>	<u>Budget</u>	<u>Proj. Actuals</u>	<u>Variance</u>
● State Approp. ¹	\$216.4 M	\$218.7 M	\$ 2.3 M
● Tuition & Fees	\$249.3 M	\$254.1 M	\$ 4.8 M
● Contingency Fee	\$ 11.9 M	\$ 5.3 M	(\$ 6.6 M)
● ICR	\$ 29.0 M	\$ 29.0 M	\$ 0.0 M
● Invest Income	\$ 4.1 M	\$ 5.4 M	\$ 1.3 M
● Other	\$ 3.8 M	\$ 3.8 M	\$ 0.0 M
● <u>State Approp Res.</u>	<u>(\$ 10.3 M)</u>	\$ 0.0 M	\$ 10.3 M
● Total Revenues	\$ 504.3 M	\$516.3 M	\$ 12.1 M

¹These funds do not include the FY 2007 one-time deferred payment of \$20 M

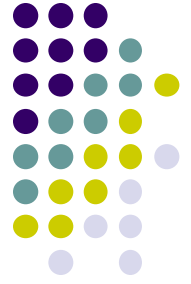
FY 2008 Enrollment Update

Headcount



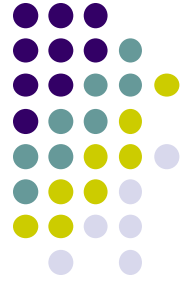
TYPE	FY 2007	FY 2008	Variance	
● <u>Undergrad</u>				
● Fall	20,892	21,145	253	1.2%
● Winter	18,973	18,841	-132	-0.7%
● Sprg/Sum	9,992	10,202	210	2.1%
● <u>Grad / Prof</u>				
● Fall	12,090	12,095	5	0.0%
● Winter	11,676	11,439	-106	-1.8%
● Sprg / Sum	6,183	5,892	-291	-4.7%
● <u>Total</u>				
● Fall	32,982	33,240	258	0.8%
● Winter	30,649	30,280	-369	-1.2%
● Sprg / Sum	16,175	16,094	-81	-0.5%

Spring & Summer numbers are based on current estimates



Analysis of Tuition Structures

Tuition Structure Philosophy



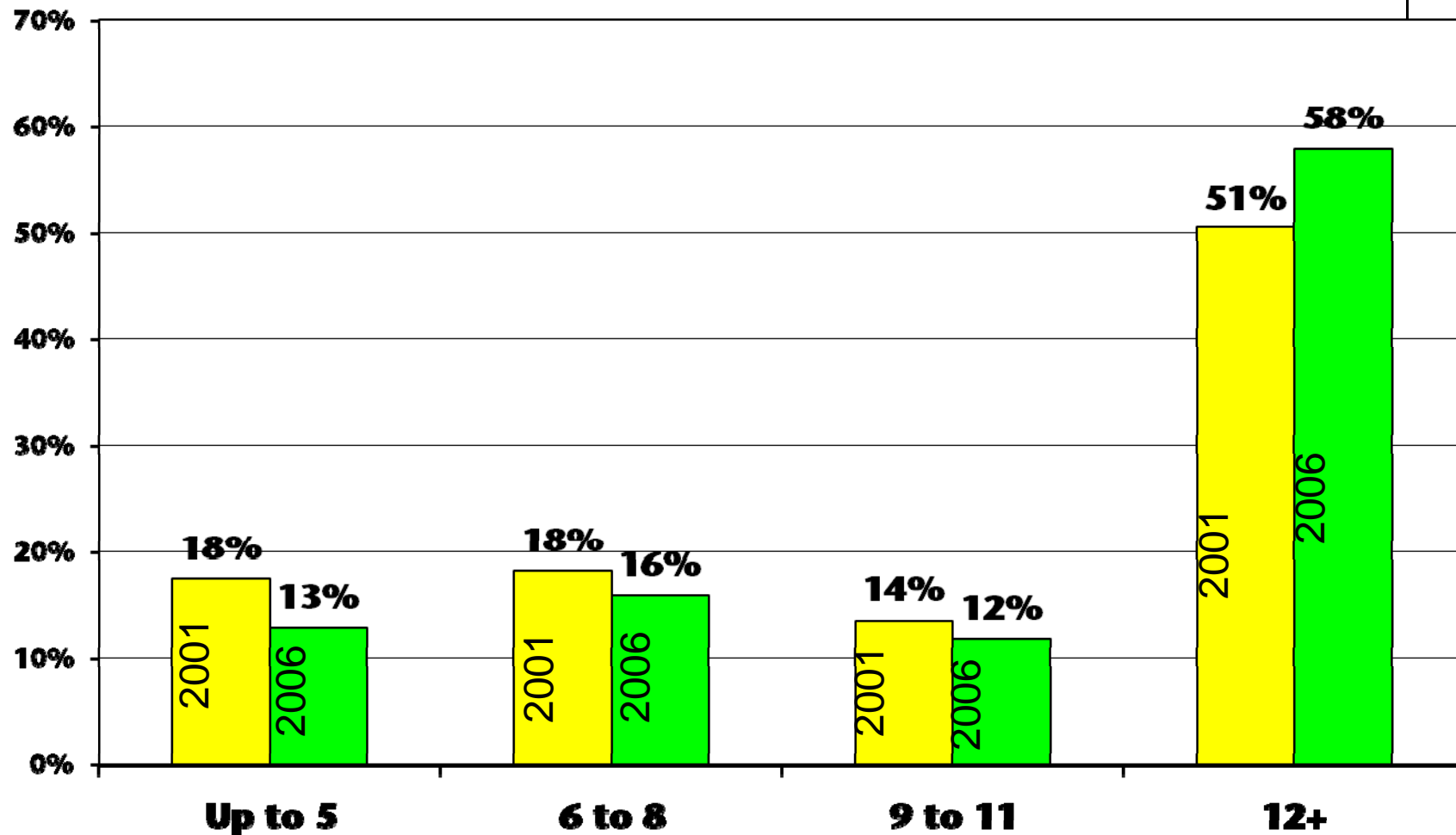
- With limited State support for higher education institutions across the nation, new tuition structure & pricing models are being tested
- Tuition strategies are most effective if they are designed to respond to the objectives of the institution
- The mission, economy, and markets are unique for each University

Why Change Tuition Structures?



- Tuition Structures Should be Designed:
 - To Advance Academic Goals
 - Emphasis should be placed on moving Undergraduates closer to four-year rather than six-year graduation rates
 - Certain structures could also help year-to-year retention rates
 - Not to Burden One Type of Student Over Another
 - Part-Time vs. Full-Time Students
 - Resident vs. Non-Resident
- Depending on student demographics, a change in the structure could generate additional revenues

UG Student Credit Hour Load Fall 2001 & Fall 2006



Credit Hours per Semester

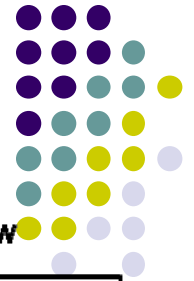
Full Time Student = 12 hours

Types of Tuition Structures

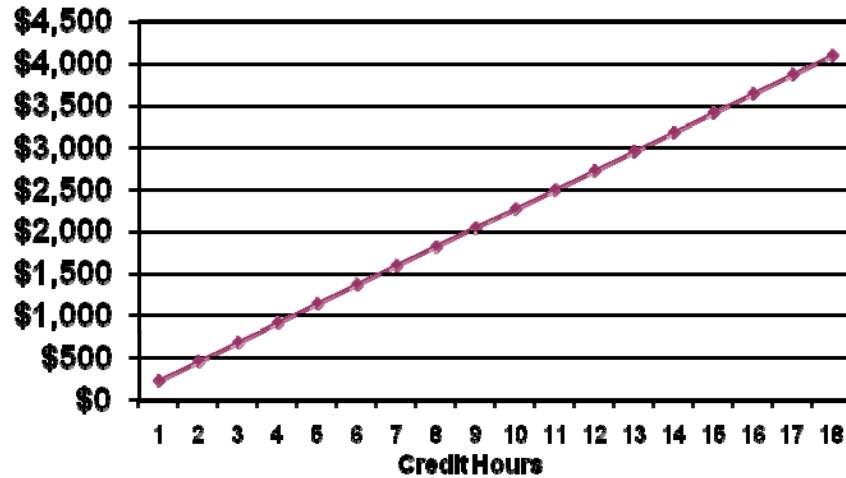


- **What are Some of the Current Tuition Structures used at Other Universities:**
 - Linear Tuition
 - Linear with a Flat Tuition Window
 - Tiered Tuition
 - Flat Tuition
 - Guaranteed / Fixed Tuition
 - Discounted Linear Tuition
 - Differential Tuition by Program Type

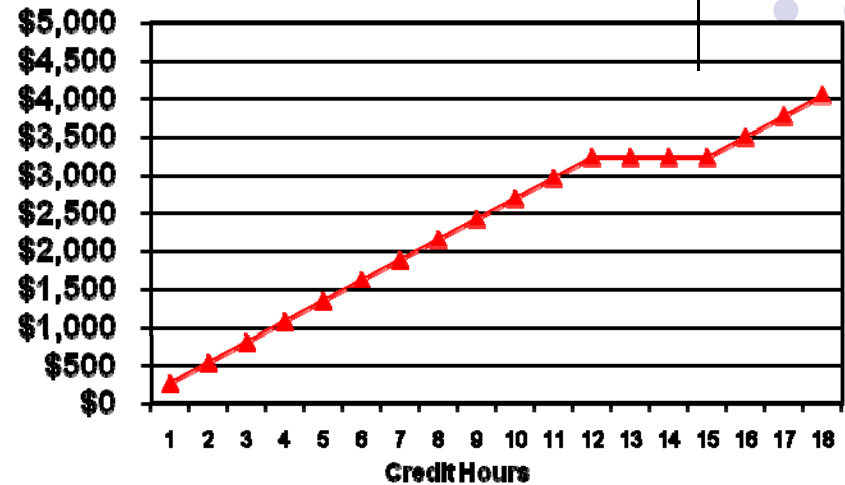
Illustrations of Various Tuition Structures



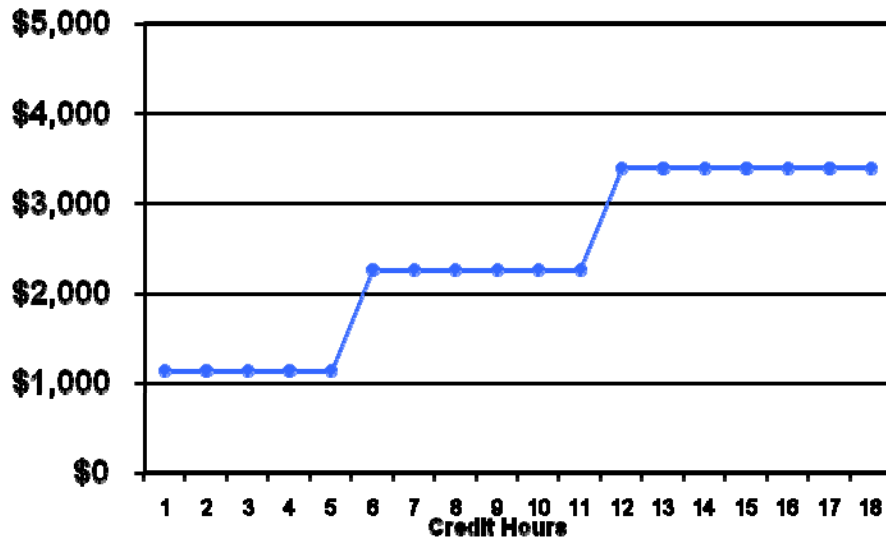
Linear Tuition



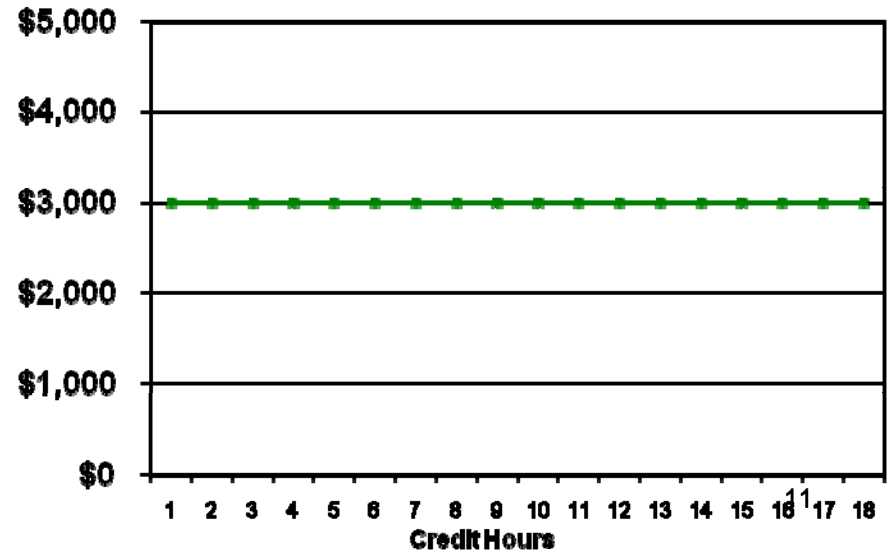
Linear with a Flat Tuition Window



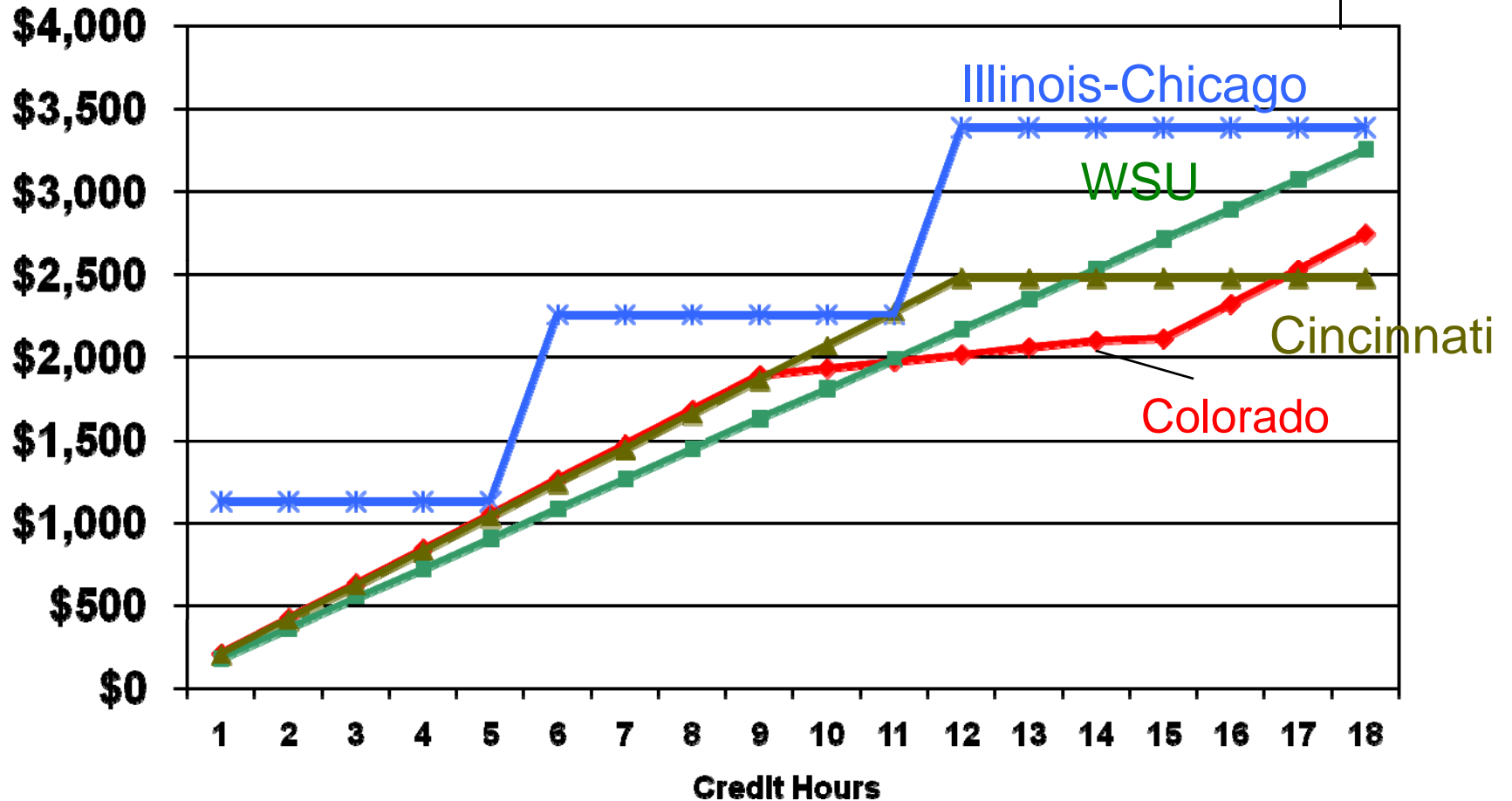
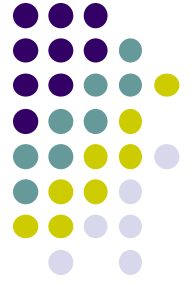
Tiered Tuition



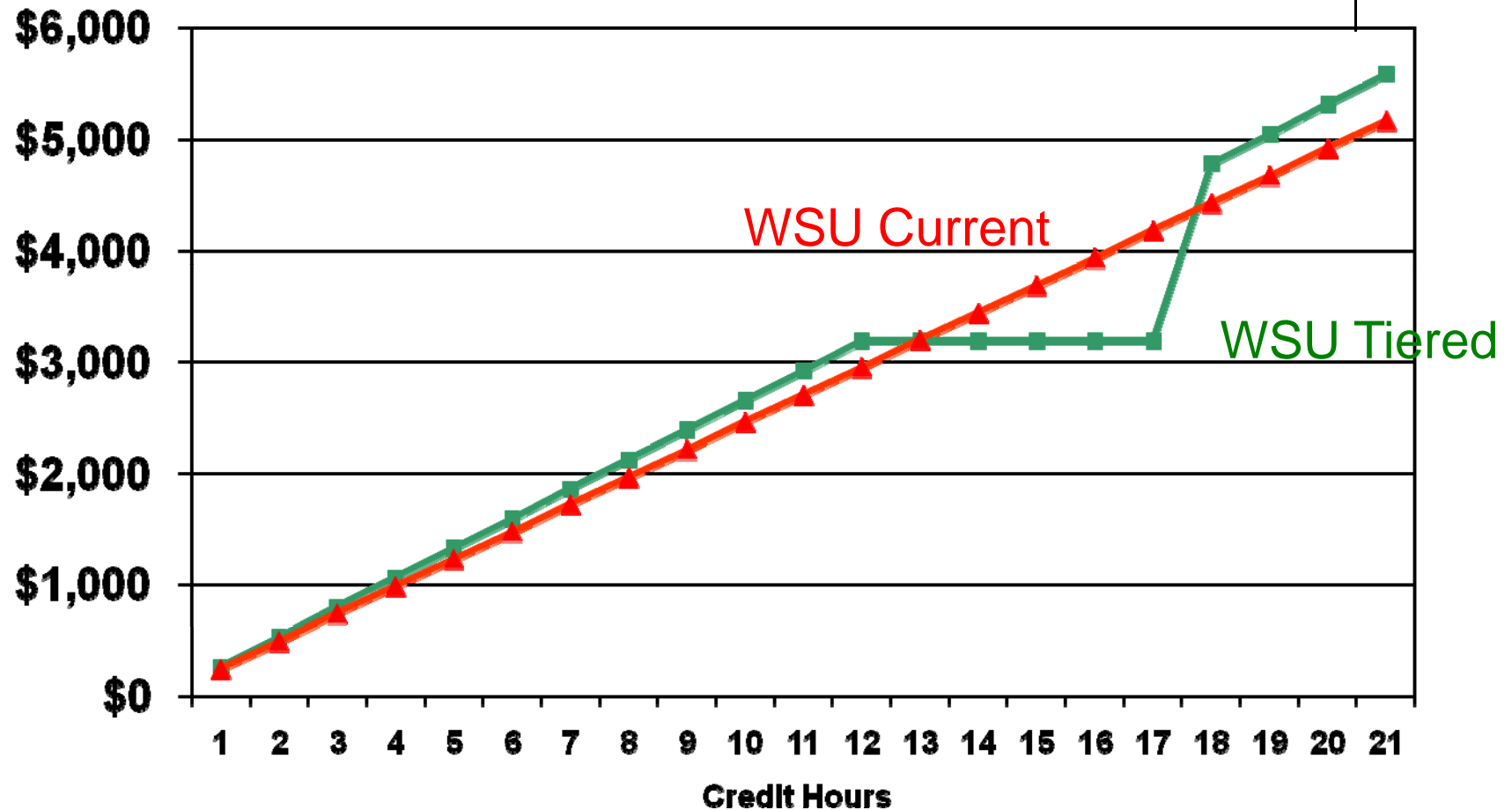
Flat Rate Tuition



Examples of Currently Used Tuition Structures



What Would a Tiered WSU Tuition Structure Look Like?



To retain the same amount of tuition revenue, a tiered tuition structure would require a \$20/ credit hour adjustment

Recommendation



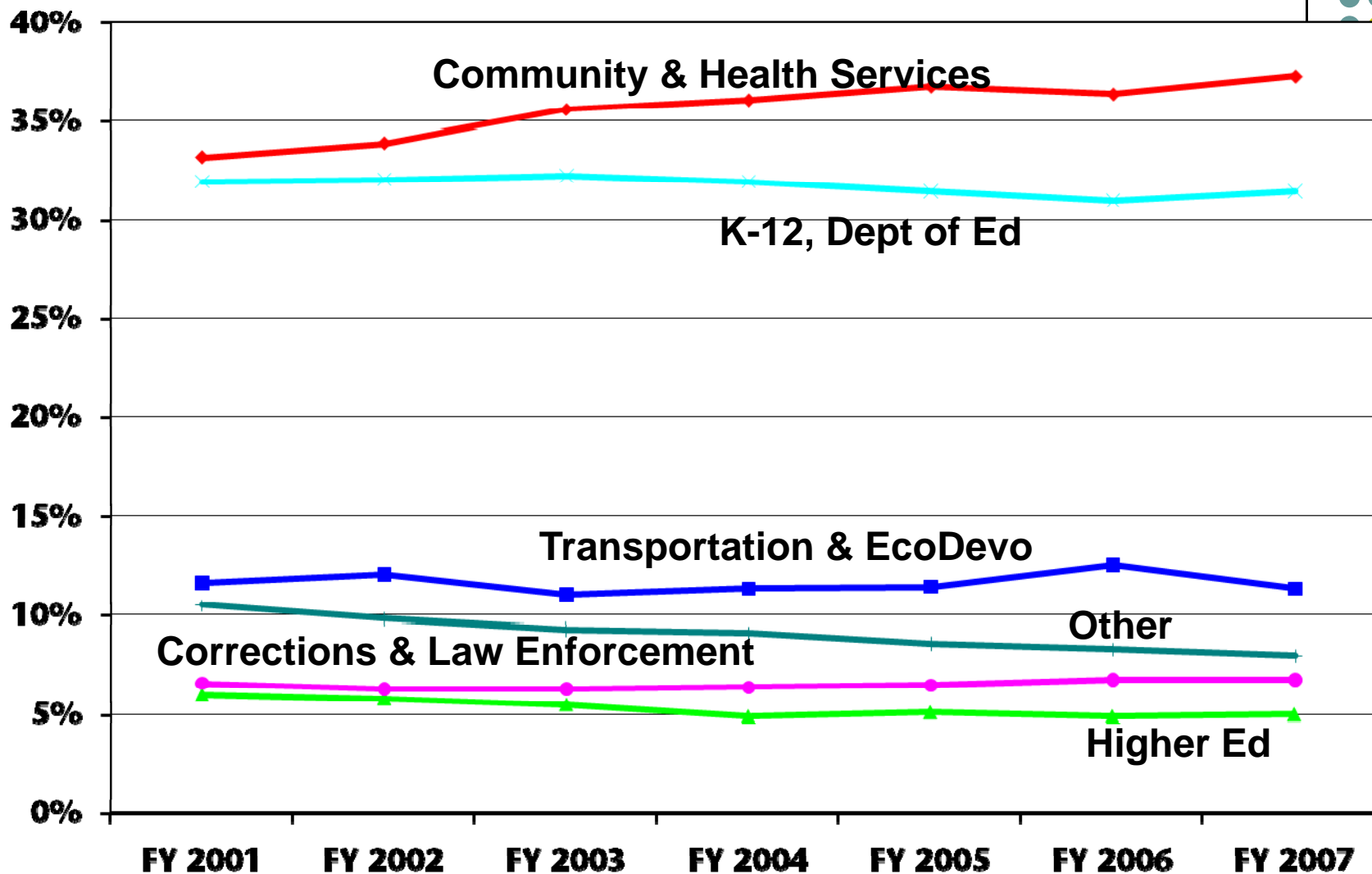
- Keep same tuition structure in place
- Investigate the implementation of differential tuition rates for selected undergraduate programs.



State Revenue Update

State of Michigan

Changes in Agency Funding



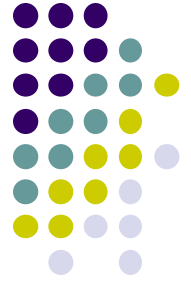
If Higher Ed share of funding “pie” had remained constant since FY 2001, the HE budget would be \$450 M higher.

FY 2009 Higher Education State Appropriations



- Governor's FY 2009 Higher Education Recommendation is 3.3% or \$43.6 M
 - Last years recommendation was 3.5% and higher education received a -0.5% decrease
- FY 2009 recommendation includes:
 - Budget for the 3 research universities--\$25.0 M
 - Budget for the 12 MPU--\$18.6 M
 - New funding formula for all of higher education
 - Formula has a provision that no institution can receive an appropriation less than CPI (2.3%)

New Higher Education Funding Formula



- New formula has three components
 - Participation: Outreach to Low-Income students
 - Research: Federal Grants & Licenses
 - Degree Completion
- Formula is the same for all institutions except:
 - Greater weight for research components for research universities
 - Includes commercial licensing as a component of research formulas for research universities

● Formula Weighting Factors

<u>Components</u>	<u>3 MRUs</u>	<u>12 MPUs</u>
● Participation	25%	35%
● Research	25%	15%
● <u>Degree</u>	<u>50%</u>	<u>50%</u>
● Total	100%	100%

Formula Components (Research Institutions)



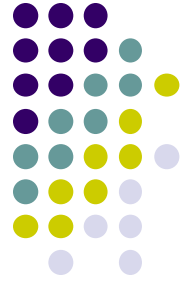
- Participation (\$6.25 M)
 - Based (100%) on the percentage of Undergraduates receiving Pell Grants
 - Percent of Pell Undergraduates:
 - WSU 45%; MSU 19%; UM 12%
- Research (\$6.25 M)
 - Federal Research Expenditures (50%); Licensing Income (25%); Active Licenses (25%)
- Degree Completions (\$12.5 M)
 - Based on amount of degrees completed at all levels
 - Degrees in Science, Technology, Engineering, Math and Sciences are weighted at 4x from other general degrees

Final Formula Allocations Under Gov. Recommendations



<u>Component</u>	<u>WSU</u>	<u>MSU</u>	<u>UM</u>	<u>Total</u>
Participation	\$3.7 M	\$1.5 M	\$1.0 M	\$6.2 M
Research	\$0.8 M	\$1.5 M	\$3.8 M	\$6.2 M
Degrees	\$2.4 M	\$4.8 M	\$5.3 M	\$12.5 M
Total	\$6.9 M	7.8 M	\$10.2 M	\$25.0 M
% Increase	3.17%	2.71%	3.15%	3.00 %

April Budget Items



- SOM Tuition Structures and Tuition Rates
- 2nd Quarter Budget Report