

Submitted by: M. Roy Wilson, President

**Wayne State University
Proposed General Fund Budget
FY 2015**

Recommendation for Board Action

The Board of Governors approves the proposed FY 2015 General Fund budget, its projected revenues and expenditures, and the budgets for individual University units and specifically funded programs as summarized in this document. Also the Board of Governors authorizes the President to implement the budget management procedures, and budget-related policies, with such modifications as may be deemed necessary during the fiscal year.

Further, the Board of Governors approves the transfer of \$2,640,222 from the Rainy Day Fund to be used for the purpose of balancing the university's General Fund and providing funding for selective strategic initiatives in FY 2015.

Finally, the Board authorizes the President to make budget adjustments and/or recommend tuition adjustments to the Board in sufficient amount to offset an initial or subsequent state appropriation funding adjustment from the projected amount as shown in the proposed FY 2015 General Fund budget.

FY 2015 Budgeted Revenue

Wayne State has two primary sources of General Fund revenue: state appropriation and student tuition and fees. Funding from gifts, grants and contracts support specified functions such as research or scholarships and are not used for the general operations of the university. Historically, state appropriation was the predominant revenue source. Due to a series of state appropriation cuts starting in FY 2003, student tuition and fees by FY 2006 had supplanted state appropriation as the university's primary funding source.

FY 2015 state appropriation funding in Wayne State's General Fund increases to \$190.3 million, an increase of \$7.1 million, or 3.9 percent. Of the \$7.1 million, \$5.6 million is funding intended to offset previous budget reduction and is based on each Michigan public university's proportion of total funding in FY 2011. The remaining \$1.5 million of funding changes is based on a number of performance metrics, which include critical skills undergraduate completions, research spending as well as ranked performance versus peer institutions on several metrics. A new comparison metric was added in the FY 2015 legislation regarding the number of undergraduates receiving federal Pell grants. This measure expresses how many economically disadvantaged undergraduates are enrolled, of which Wayne State has a disproportionately higher number than our national peer institutions.

FY 2015 tuition rates proposed to the Board concurrently with this budget recommendation increase in the resident base full-time undergraduate rate by 3.2 percent, in compliance with the state tuition restraint language adopted by the legislature. Rates for graduate, Pharm.D and Law students increase by 3.2 percent. In a previous Board action, School of Medicine MD program rates increased 2.0 percent from FY 2014 rates. The tuition and fee resolution reviews the specific rates of every program in detail.

The University experienced an enrollment decrease for undergraduates and graduate enrollment below budgeted levels for FY 2014. For FY 2015, undergraduate credit hour enrollment is forecasted

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to decrease by approximately 1.5 percent, while graduate credit hour enrollment is projected to decrease by approximately 3.8 percent.

State appropriations and tuition and fee revenues comprise approximately 93 percent of the total FY 2015 proposed General Fund revenue budget. The proposed tuition and fee revenues are the result of proposed tuition and fee increases plus any changes due to enrollment, and show a change of \$3.4 million, or 1.0 percent.

Indirect cost recovery is projected to decrease by \$5.1 million or 15.5 percent from FY 2014 to a total of \$27.9 million for FY 2015. Investment income for Wayne State is budgeted to decrease by \$1.0 million to \$6.0 million.

Overall, the \$582.7 million proposed general fund budgeted revenues represents a 1.1 percent increase over FY 2014.

FY 2015 Budgeted Expenditures

Budgeted expenditures for FY 2015 are projected to increase by 1.1 percent, from FY 2014 to a total of \$582.7 million. Overall, this is lower than the projected FY 2015 national Higher Education Price Index of 1.6 percent. Some of the budget adjustments for FY 2015 include approximately a 2.5 percent university-wide budget reduction, continuation of the Student Success and Retention Initiative, a small increase in student financial aid, enhancements to the research operations, and increases in anticipated utility costs.

For the FY 2015 budget, compensation represents 66 percent of the general fund budget. Total compensation (including salary and fringes) is projected to be \$382.0 million.

Expenditures associated with facilities services (utilities, debt service and deferred maintenance) are projected to increase by \$1.6 million or 3.8 percent, related to inflationary increases for utilities, increases in building-related operational costs for new and renovated space, and debt service.

Institutional financial aid is projected to increase overall by \$939,104.

FY 2016 General Fund Budget

In tandem with the development of the FY 2015 General Fund budget, the budgetary outlook for FY 2016 General Fund budget is also part of the overall budget discussion. Development of an outlook for FY 2016 will help guide decision making looking forward. Key planning parameters for FY 2016 include the following assumptions: 1) continued growth in state higher education funding along with improved Wayne State outcomes on performance related funding results in a 4.0 percent increase in state appropriations; 2) continued tuition restraint efforts from the legislature, maintaining a 3.2 percent undergraduate tuition increase limit; 3) contractual salary adjustments for faculty of 2.5 percent and 4) funding of additional debt service. These parameters are for planning purposes only and may change based on developments that occur during the final periods of FY 2014 and through FY 2015.

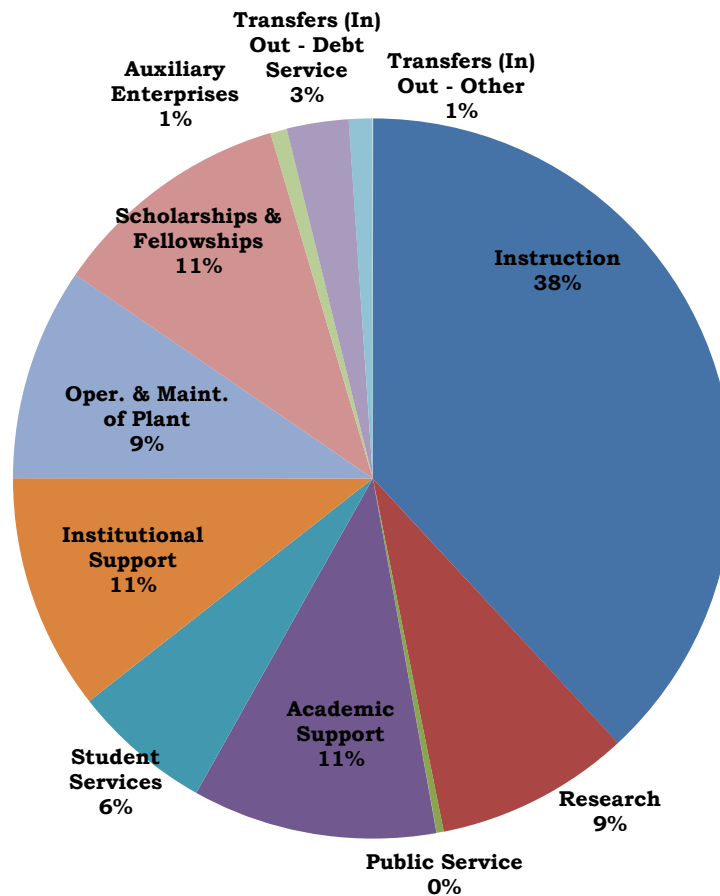
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Summary

The proposed FY 2015 General Fund budget contains over \$337 million for direct instructional costs, academic support and research related expenditures. Scholarships and fellowships of \$63 million are budgeted as well as \$36 million in student support. Institutional support, public service, operation and maintenance of plant, debt service and other transfers totaling \$147 million make up the balance of the General Fund expenditures for FY 2015. The estimated functional use of General Fund expenditures described above is shown by percentage below:



The proposed budget is a responsible budget that seeks to contain costs, manage a volatile revenue environment, emphasize strategic priorities and encourage accountability. It reflects the University's commitment to its students and to the community, and is responsive to the commitment to provide a quality education at an affordable price.

**General Fund Budget
 SUMMARY REVENUES AND EXPENDITURES**

**Fiscal Year 2015
 (In Dollars)**

	FY 2014 Approved Budget	FY 2015 Recommended Budget	Variance	
			\$	%
Revenues				
State Appropriations	183,165,411	190,286,911	7,121,500	3.9%
Net Tuition and Fee Revenues	348,125,402	351,477,366	3,351,964	1.0%
Indirect Cost Recovery	33,000,000	27,900,000	(5,100,000)	-15.5%
Investment Income	7,000,000	6,000,000	(1,000,000)	-14.3%
Other Revenues	5,189,613	4,443,373	(746,240)	-14.4%
Transfer from Rainy Day Fund	-	2,640,222	2,640,222	0.0%
Total Revenues	576,480,426	582,747,872	6,267,446	1.1%
Expenditures				
Schools and Colleges	201,232,528	204,635,647	3,403,119	1.7%
Divisions	149,555,379	149,730,509	175,130	0.1%
Student Financial Aid	62,563,889	63,502,992	939,103	1.5%
Central Accounts	160,143,516	162,454,851	2,311,335	1.4%
Other Expense	2,985,114	2,423,873	(561,241)	-18.8%
Total Expenditures	576,480,426	582,747,872	6,267,446	1.1%
Net Budget Surplus (Shortfall)	0	0	0	0.0%

FY 2015 Budget and Enrollment Review

BOG Budget and Finance Committee

June 27, 2014

Topics

- Review of FY 2015 Budget & Tuition Recommendation
 - FY 2015 Tuition and Fees Recommendation
 - FY 2015 General Fund Budget Recommendation
 - FY 2015 Auxiliary Fund Budget Recommendation

Tuition and Fees Recommendation

- Undergraduate tuition: 3.2%
 - Tuition increase is \$10.45 per credit hour
- Graduate tuition: 3.2%
- PharmD tuition: 3.2%
- Law School: 3.2%
- Medicine (M.D.) *previously approved* 2.0%
- Student Services Fee 3.2%

Resident Lower Division (Includes all Tuition & Fees)	FY 2014	FY 2015	Change	Change per Week (based on 15 weeks / semester)	% Change
Per Credit Hour	\$572.60	\$590.20	\$17.60	\$1.17	3.2%
3 Credit Hours per Semester	\$1,283.20	\$1,323.60	\$40.40	\$2.69	3.2%
6 Credit Hours per Semester	\$2,349.10	\$2,423.70	\$74.60	\$4.97	3.2%
12 Credit Hours per Semester	\$4,480.90	\$4,623.90	\$143.00	\$9.53	3.2%
15 Credit Hours per Semester	\$5,546.80	\$5,724.00	\$177.20	\$11.81	3.2%

Spring Summer Program

- Development of program to encourage students to take additional classes during spring/ summer term and therefore speed up degree completion
- If an undergraduate student takes and passes 24 hours during the fall and winter terms and has a cumulative GPA 2.5, they will receive a 30% discount on their spring / summer tuition if registered for at least 3 credits for spring / summer.

Impact of 3.2% Tuition & Fees Change

24 Credit Hours				
Institution	FY 2014 Tuition & Fees	FY 2015 Tuition & Fees	% Change	FY 2015 Variance from WSU
MTU	\$13,728	\$14,003	2.00%	\$4,754
UM-AA	\$13,142	\$13,484	2.60%	\$4,235
GVSU	\$10,454	\$10,788	3.20%	\$1,540
WMU	\$10,355	\$10,686	3.20%	\$1,438
MSU	\$10,342	\$10,611	2.60%	\$1,362
UM-D	\$10,104	\$10,427	3.20%	\$1,179
LSSU	\$9,960	\$10,249	2.90%	\$1,000
UM -F	\$9,346	\$9,626	3.00%	\$378
NMU	\$9,037	\$9,326	3.20%	\$77
CMU	\$8,976	\$9,263	3.20%	\$14
WSU	\$8,962	\$9,249	3.20%	\$0
FSU	\$8,760	\$9,040	3.20%	(\$208)
OU	\$8,490	\$8,762	3.20%	(\$487)
EMU	\$7,511	\$7,751	3.20%	(\$1,497)
SVSU	\$6,738	\$6,954	3.20%	(\$2,295)
<i>Average</i>		\$10,015		

Tables are for Lower Division Tuition Rates

30 Credit Hours				
Institution	FY 2014 Tuition & Fees	FY 2015 Tuition & Fees	% Change	FY 2015 Variance from WSU
MTU	\$13,728	\$14,003	2.00%	\$2,554
UM-AA	\$13,142	\$13,484	2.60%	\$2,035
MSU	\$12,915	\$13,251	2.60%	\$1,802
CMU	\$11,220	\$11,545	2.90%	\$96
WSU	\$11,094	\$11,449	3.20%	\$0
FSU	\$10,950	\$11,300	3.20%	(\$149)
UM-D	\$10,614	\$10,954	3.20%	(\$495)
OU	\$10,613	\$10,952	3.20%	(\$497)
GVSU	\$10,454	\$10,788	3.20%	(\$661)
WMU	\$10,355	\$10,686	3.20%	(\$763)
LSSU	\$9,960	\$10,249	2.90%	(\$1,200)
UM -F	\$9,844	\$10,139	3.00%	(\$1,310)
EMU	\$9,364	\$9,664	3.20%	(\$1,785)
NMU	\$9,037	\$9,326	3.20%	(\$2,123)
SVSU	\$8,423	\$8,693	3.20%	(\$2,756)
<i>Average</i>		\$11,099		

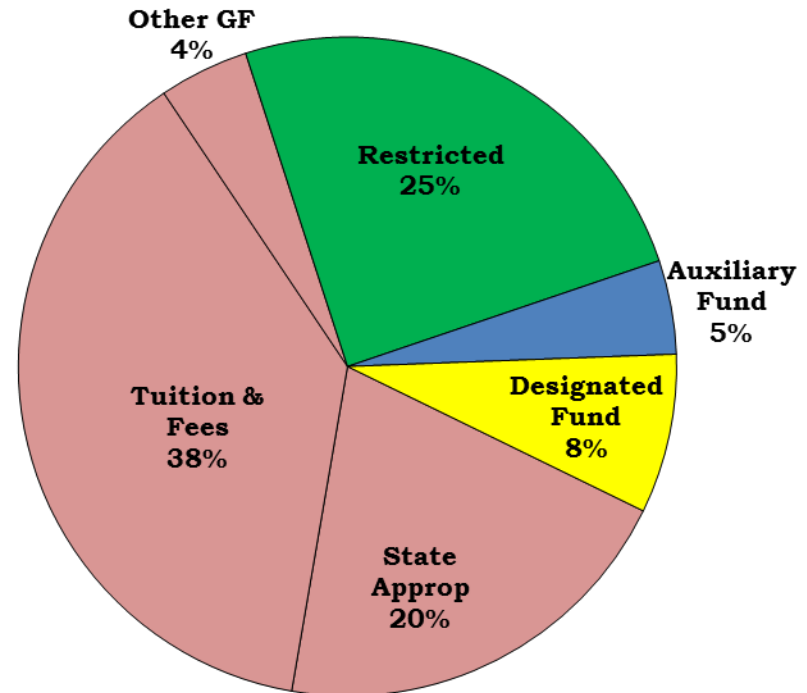
Indicates Board has not set rates yet

FY 2015 Current Funds Budget

Revenues

Total Revenues \$928 M

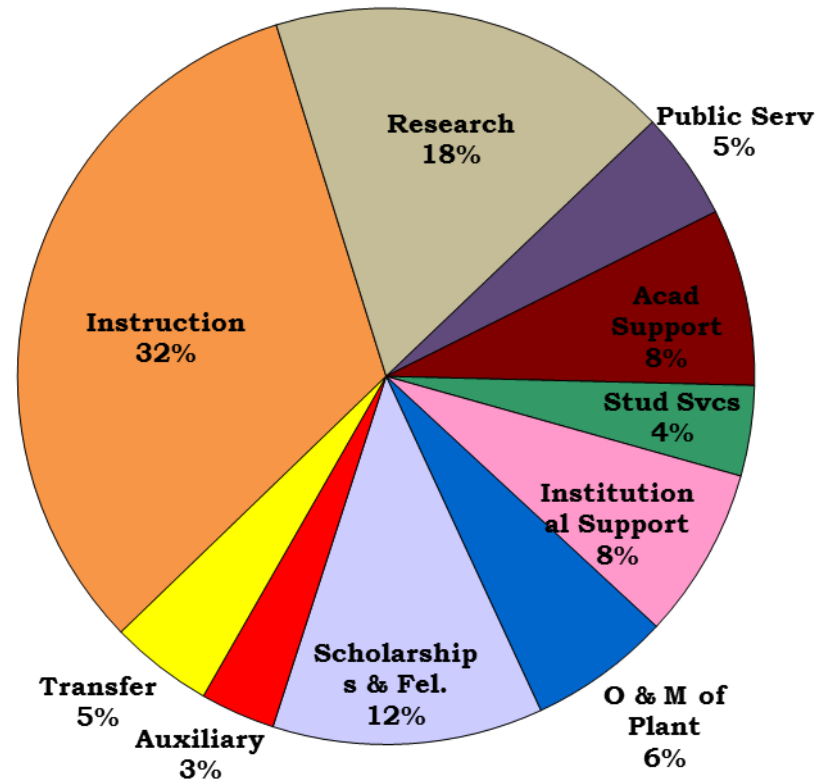
- General Fund Budget: \$583 M
 - Sources: Tuition, fees, ICR and state appropriation
 - Uses: Faculty and staff compensation, utilities, insurance
- Designated Fund Budget: \$73 M
 - Sources: Fees for services, donor gifts and non-governmental organizations
 - Uses: Funding for specific purposes for schools, colleges and divisions
- Auxiliary Fund Budget: \$43 M
 - Sources: Housing, Parking, University Press, Bookstore, Student Center, etc.
 - Uses: Salaries, operations and debt service of auxiliary entities
- Restricted Budget: \$230 M
 - Sources: Governmental grants, sponsored contracts and non-governmental grants and contracts
 - Uses: Grants—support the university’s research activities
 - Uses: Gifts—dedicated components of the educational budget such as scholarships, endowed chairs, and capital improvements



FY 2015 Current Funds Budget Expenditures

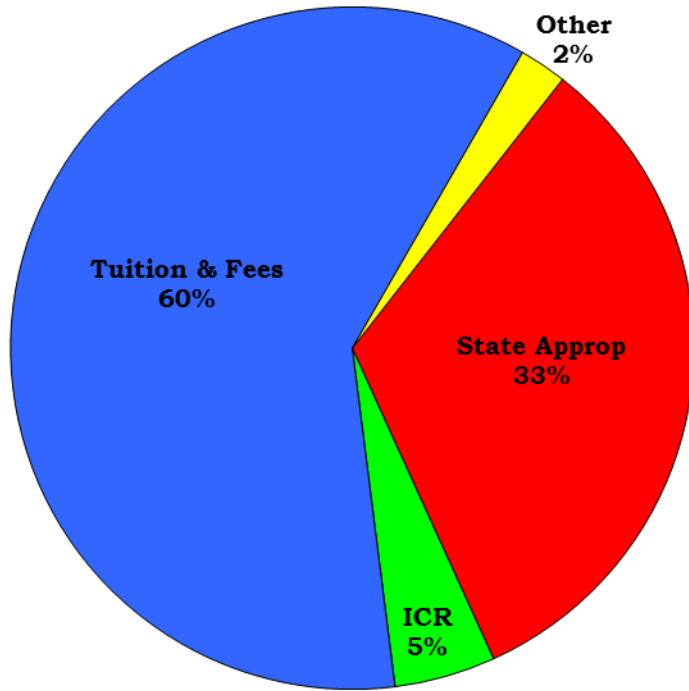
Total Expenditures \$928 M

- Primary Mission 55%
 - Instruction/Public Service: \$345 M
 - Research: \$164 M
- Support Programs 32%
 - Scholarships: \$110 M
 - Institutional Support: \$70 M
 - Expenditures associated with administrative operations
 - Academic and Student Support: \$109 M
 - Expenditures associated with supporting academic and student services
- Auxiliary 3% \$30 M
- Plant Operations 6% \$58 M
- Transfers 5%
 - Debt Service/Plant Improvement: \$42 M

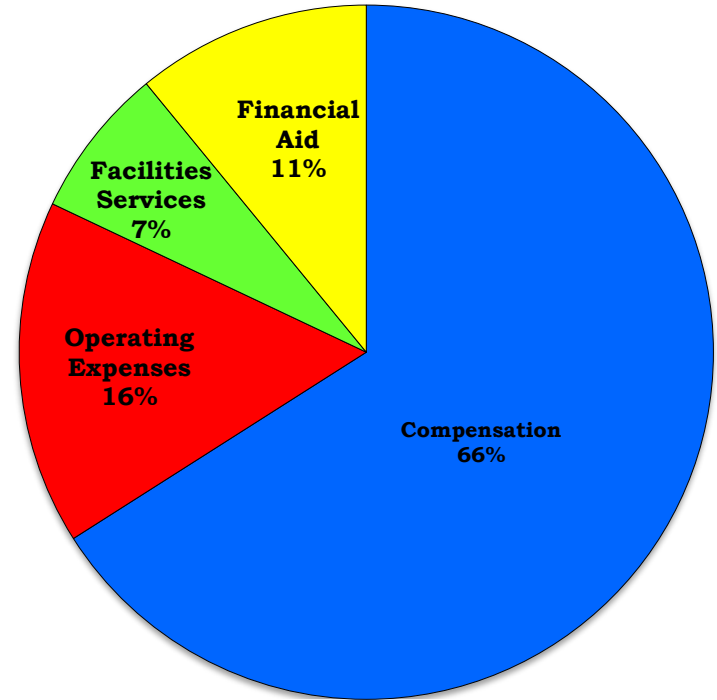


General Fund Budget \$583 M

Revenues

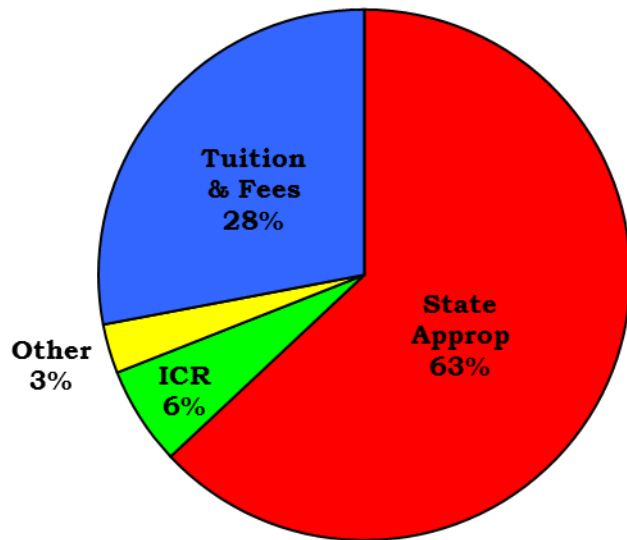


Expenditures

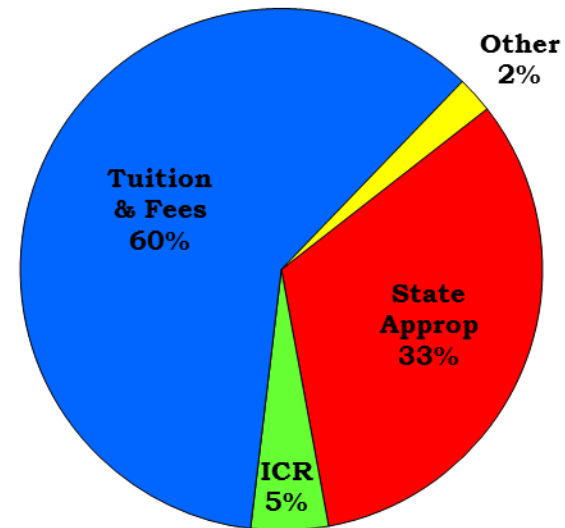


Changes in General Fund Revenue Budget

FY 2001 - \$381M



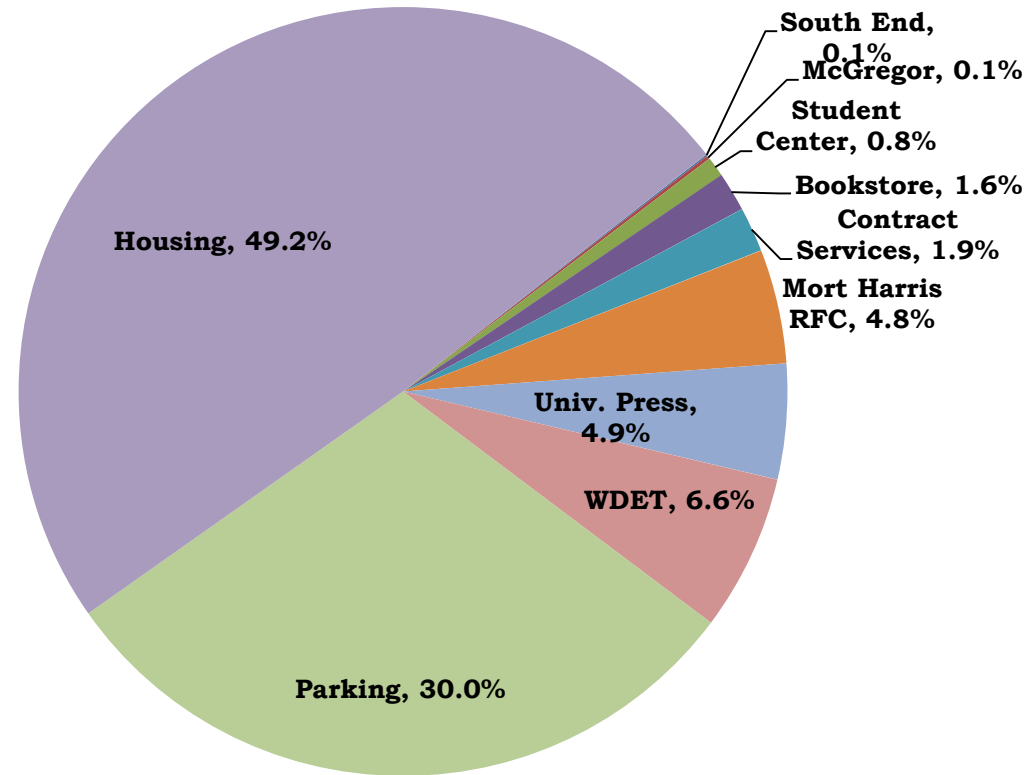
FY 2015 - \$583 M



In FY 2001, the State of Michigan covered 63 percent of the cost of a student's education. In FY 2014, the State of Michigan covers 33 percent of the cost of the education.

Auxiliary Fund Budget--\$43 M

- Auxiliary Budget:
 - Used to account for activities such as parking, housing and the Recreation Center
- Budget highlights:
 - Majority funds reside within Housing (49%) and Parking (30%)
 - Overall auxiliary budgets will remain stable compared to FY 2014



Budget Summary

- General Fund Budget of \$583 M
 - Represents a 1.1% increase over FY 2014 budget and includes:
 - Tuition rate increase of 3.2%
 - A 2.5% increase in faculty compensation
 - An Additional \$1.5 M of additional general funds support for Capital Campaign
 - State Appropriations increase of \$7.1 M, of which \$5.6 M is base restoration and \$1.5 M from performance funding (mostly from Pell Metric)
- Protects academic programs and offerings were possible
- Implemented \$7.7 M of budget reductions
 - Five year total of over \$65 M base budget reductions
- Enrollment projections show a 2.4% overall decrease
 - Projections look better for FY 2016
 - Restructured scholarship initiatives appear to be working
- Tuition and Fees rates for students taking 24 credit hours are still below MPU average