Executive Summary

The University of Michigan continues its focus on academic excellence and affordability in FY2020. The FY2020 budget recommendation is crafted to provide a balanced budget while meeting the university’s top priorities.

Academic Excellence. Our FY20 budget proposes key investments in the undergraduate experience, hiring and retention of faculty, and additional priorities that increase excellence across the Ann Arbor campus.

Accessibility. The budget recommendation continues our commitment to provide all in-state students with a financial aid package that meets 100 percent of demonstrated financial need.

Fiscal Discipline. The university maintains a steady focus on cost containment. In addition to finding low-priority areas to discontinue, we strategically employ philanthropy to relieve general fund expenses and continue to develop alternative revenue streams.

Our budgetary goals are attainable with a modest tuition increase. Our proposed tuition plan is as follows: An undergraduate tuition increase of 1.9 percent – $296 a year in many cases – for in-state students. The increase for out-of-state undergraduate students would be 3.7 percent. Tuition for most graduate programs would increase 3.2 percent. A limited number of differential increases also are recommended for specific programs.

Introduction & Context

The 2020 fiscal year general fund budget recommendation for University of Michigan-Ann Arbor maintains our longstanding focus on academic excellence, access and affordability, and fiscal discipline.

The context of the fiscal year 2020 budget is shaped by several factors:

FY20 State funding. At this time the FY20 state appropriation has not been determined. Annual support from the state is critical to our budget, and increases in appropriations are typically allocated to help the university to meet mandatory and inflationary cost increases. While we await a final appropriation decision we have modeled a modest 1.5 percent increase.

Growth in enrollment. Enrollment in FY20 is projected to grow modestly at the undergraduate level. We also expect graduate enrollment to increase, including students joining new online programs. This growth requires some new investments to accommodate student needs and investments in staff and infrastructure to support online courses.
Ongoing SES Aid initiatives.  U-M has made substantial commitments to keep U-M affordable for families from Michigan.  This includes programs such as the Go Blue Guarantee, which promises free tuition for students from families at or below $65,000 in income and tuition support for students from families with incomes up to $180,000.  The FY20 budget includes funds to meet the growing costs of these commitments.

Compliance.  U-M’s commitment to safety, integrity, and legal and regulatory compliance leads us to provide increased resources for these areas in FY2020.

Strategic funding for new initiatives.  New investment in strategically important areas is a top annual budget priority.  We have identified key areas for new and increased funding that will strengthen our tradition of academic excellence.  Units will continue to rely on their long practice of reallocating and finding alternative revenue to fund their highest priority initiatives.

Investments in Academic Excellence

U-M stands as one of the world's leading teaching and research universities.  We take seriously our responsibility to preserve the university’s stature through investments that foster excellence.  With our ongoing commitment to affordability, we must be focused and strategic in our efforts to innovate and pursue increasing levels of academic excellence and impact.

The FY2020 budget recommendation therefore includes resources for several major initiatives that further enhance the university’s academic excellence.  Foremost among them are:

- Investments in undergraduate education and student success
- Additional faculty investments
- Research and Discovery
- Compliance
- Other critical investments in excellence

We discuss below the impetus for several initiatives and share examples of new and ongoing investments.

Investments in undergraduate education

Engaged learning.  The University continues to invest in valuable opportunities for students to integrate learning and apply their coursework to complex real-world problems.  Michigan Ross is extending their successful Impact Studio initiative to undergraduates.  The Studio brings together students from multiple schools to translate insights from Michigan faculty research into practical solutions for the world’s most pressing challenges.  The University will also be increasing its investment in living learning communities such as the innovative Living Arts on North Campus, which promotes creative innovation across disciplinary boundaries.  Underclassmen who
participate in the university’s Undergraduate Research Opportunity Program (UROP) will see new opportunities this year to conduct research with governmental and community organizations.

Quantitative Methods and Social Sciences (QMSS) initiative. The College of Literature, Science, and the Arts is offering a new minor for undergraduates as part of its ongoing QMSS program. Students can leverage U-M’s strengths in data science and social sciences, developing proficiency in data-intensive analyses of social phenomena. U-M is in a unique position to provide undergraduates students with this credential and skills that are in high demand in industry and academe.

Student success. The university continues to offer a broad array of services to promote student success. They ensure students persist and graduate on time with a college experience that reflects involvement, personal and professional development, and academic accomplishments. One important academic resource is the Science Learning Center, where the university is increasing funding for peer tutoring and other student-to-student support.

Investments in faculty

Faculty hiring to keep pace with growth. As enrollment grows, the university must also add to its faculty ranks to maintain appropriate class size. Several units will be adding faculty to contribute to the strength and vitality of scholarship on campus, maintain a favorable student-faculty ratio and preserve student access to the exceptional teaching, scholarship and mentoring they expect at U-M. Key strategic hires are planned in Biosciences, Computer Science & Engineering, Data Science, and Environment and Sustainability.

Faculty retention. Our world-class faculty are highly sought-after by other institutions, particularly in growth areas like engineering and computer science. Increasingly we also compete with industry for top faculty scholars in these fields as well as in business and artificial intelligence. To retain faculty and maintain its excellence, the university must be proactive about providing competitive compensation and research facilities for faculty, and be prepared to offer strong retention packages.

Innovative research and discovery. Our $1.5 billion in total research expenditures places U-M as the top public research university in the nation. The FY2020 budget aims to make strategic, targeted investments across campus that provide key infrastructure and resources to sustain U-M’s research strength into the future.

For example, in FY20 the School of Social Work is increasing investment in the Child and Adolescent Data lab, which promotes evidence-based decision making in children’s policy in Michigan. The College of Engineering is adding $2.5 million in support in FY20 for “Blue Sky” Initiatives, designed to advance daring and transformational ideas. The Institute for Social Research is dedicating funds to launch the first Virtual Branch of the Federal Statistic Research Data Centers. The virtual FSRDC will provide Michigan
researchers and their collaborators around the country with state-of-the art access to data and secure U-M’s centrality in secure virtual research computing.

**Compliance.**
The university operates in an increasing complex regulatory environment. We maintain an unwavering commitment to operating with accountability and maintaining a culture of compliance, integrity, and ethical conduct. In FY2020, we are strengthening our investments in key areas of compliance and risk management. We are adding staff in research compliance and hiring additional investigators for the office responsible for reviewing allegations of harassment, discrimination and sexual misconduct. The university is also launching mandatory online training for all faculty and staff to emphasize our strong commitment to eliminating sexual misconduct.

**Other critical components of excellence**
The proposed FY2020 budget includes additional investments in ongoing programs and initiatives that cross broad categories and are judged essential for our excellence.

**Library collections.** Our world-class library collections are fundamental to scholarship and teaching. Our broad-reaching archives and collections, together with well-qualified librarians and curators, support and accelerate new discoveries. They also fulfill the essential mission of preserving our knowledge, our culture and the university’s considerable intellectual heritage for future students and scholars. The university is providing an additional investment for collections in FY2020.

**Learning technology.** The University of Michigan is committed to providing a top academic technology environment to the U-M community. Cutting-edge resources increase engagement, efficiency, and flexibility in teaching and learning while allowing students to engage with material in innovative ways. The university’s substantial ongoing investment in this area includes FY2020 funding to locate a hub for Augmented and Virtual Reality (AVR) Technologies in the Duderstadt Center. As a central resource located in a high-traffic teaching and learning center, the hub aims to advance the use of hands-on, immersive technology across the curriculum.

**Access and affordability**
The FY20 budget proposal supports the university’s unflagging commitment to making a U-M education accessible to all, regardless of financial means.

**Strengthening socioeconomic diversity.** The budget includes continued funding for HAIL Scholarships, the Go Blue Guarantee, and Wolverine Pathways. Our financial aid commitments ensure that a U-M degree is in reach for all families in Michigan. The FY20 budget recommendation includes an 11.2 percent increase in the undergraduate aid budget to ensure we can cover our aid commitments for all who qualify for the Go Blue Guarantee and other need-based aid.
Net price. Many students pay less than the published cost of attendance. “Net price” captures what families pay after grant aid has been applied. In the last decade, our central undergraduate financial aid budget has seen a compound annual growth rate of 12 percent, allowing us to reduce the net price for families with need.

The success of this investment, and our long-standing policy of meeting full demonstrated need for in-state students from all income levels, has had a striking effect on net price over time, making U-M increasingly affordable. We have done this by replacing loan dollars – money that students must eventually repay – with grant dollars, which are not repaid, decreasing student debt.

Sticker price. All in-state students, regardless of their aid status, qualify for a heavily discounted resident tuition rate. This makes the world-class U-M experience a substantial bargain for Michigan families. Non-resident students are not entitled to the state-subsidized discount represented in our resident rates. However, the university weighs carefully the value of a U-M degree and nonresident tuition rates compare favorably to private peers.

Fiscal discipline

The goals of this budget plan could not be attained without ongoing fiscal discipline. The university typically faces unavoidable cost increases in areas such as compliance, insurance, health care benefits and supplies, and the FY2020 budget is no exception. However, U-M mitigates these budget pressures with a focus on cost containment and a holistic approach to reducing the cost of operations. These strategies allow the university to meet its increased costs and make new investments, without making the cost of a U-M education unaffordable.

The FY2020 budget recommendation contains substantial savings realized through

- reductions and reallocations
- shifting general fund expenses to other sources of income
- cultivating new revenue streams

For example, the Medical School will be saving $300,000 through work redesign, enabling the school to leave open administrative positions unfilled. The Office of Research is planning similar strategy to save $250,000. The School of Nursing is reducing redundant course offerings and eliminating low-enrollment electives, freeing up $340,000 for higher priorities.

Philanthropic giving plays a critical role in providing units the flexibility to shift costs off the general fund. Gift funds help cover variety of costs, such as support for engaged learning opportunities and increased aid that attracts the very best talent to U-M’s campus. Units also continue their work in increasing revenue from a range of initiatives such continuing education and online learning.
Through these strategic efforts schools, colleges, and units across the campus have identified $27 million in funds to direct toward new, high-priority initiatives in FY2020. Once implemented, these reductions will mean that since 2004, over $433 million in recurring expenses will have been trimmed from the general fund budget, allowing resources to be reallocated to higher priorities and substantially reducing the pressure for higher tuition increases.

**Budgeted 2020 General Fund Revenues**

*Components of the General Fund.* The general fund is the primary source of support for the academic mission of the university. The general fund has three main sources: Tuition, the state appropriation, and indirect cost recovery on sponsored research. Indirect cost recovery pays specifically for the indirect costs of research, so it cannot be allocated for other uses. Amidst the uncertainty in the state appropriations decision at the time of our budget development, the university is planning its budget based on an FY2020 state appropriation of $325.5 million, a 1.5 percent increase over FY2019 funding. In incremental terms, this would provide an additional $4.7 million in funds. We are grateful for this state support. However, state funding has been in long-term decline when measured in real dollars. This has put increasing pressure on our other sources of funding, including tuition.

Tuition is, in most years, the last part of the budget to be determined. The university models expected tuition revenue based on projected enrollment and residency, and proposes the lowest tuition rate increases necessary to meet the university’s priorities, to preserve its excellence, and maintain fiscal stability.

*Moderate increases in tuition.* The budget recommends a lower-division, undergraduate tuition increase of $296 a year – 1.9 percent – for in-state students. The increase for out-of-state undergraduate students would be 3.7 percent. Tuition for most graduate programs would increase 3.2 percent. A limited number of differential increases also are recommended for specific programs. (See Tuition and Fee Schedule)

Additionally, beginning in FY2020 international students will be levied a $500-per-term fee. Revenue from the fee will assist in covering the costs of compliance and sustaining services associated with international students.

We note that while our tuition recommendation is driven by carefully calculated budgetary needs, we consider resident tuition rates in context of state governance, economic conditions, and families’ ability to meet any increased cost of attendance. Our recommended in-state tuition increase is well below the three-year average annual growth rate in Michigan personal income of 3.1 percent. Our aid policies mean that most in-state undergraduates with need will experience no net increase in tuition costs.
Summary

The budget recommendation for the Ann Arbor campus is a carefully balanced spending plan. It aims to provide the resources necessary to advance the academic excellence of a world-class institution while maintaining access for a wide range of students. The proposed FY20 budget leverages our revenue sources through our commitment to financial discipline, the accumulating benefits of cost containment, continuing to demand efficiency, and strategic development and use of new revenue streams.

The $2.31 billion FY2020 general fund budget, detailed in Table 1, is based on a state appropriation of $325.5 million, an incremental $27 million in cost containment and reallocation and a recommended lower-division, undergraduate tuition increase of 1.9 percent for in-state students and 3.7 percent for out-of-state undergraduate students with an increase for most graduate programs of 3.2 percent.