

Executive Summary

The University of Michigan-Ann Arbor continues its focus on academic excellence and affordability in FY2022. The FY2022 budget recommendation is developed to provide a balanced budget as the university emerges from one of the most challenging periods in its history and looks forward to an academic year more similar to its pre-pandemic operations. This budget provides the resources needed to preserve our excellence while fostering a supportive, healthy and thriving environment for our UM community.

Academic Excellence. Our FY2022 budget reflects careful planning to maintain UM's excellence in a constrained environment. A key focus of this budget is on investments in our students, faculty and staff. This budget also provides vital support for the role UM plays in our community, state, and nation as a leading public research university.

Accessibility & Affordability. In challenging times UM's commitment to access is more important than ever. UM provides generous financial aid packages to keep a Michigan education affordable. 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. This aid allows 65 percent of in-state students to pay less than full tuition and of those 27 percent pay no tuition. Substantial aid is also available for out-of-state students.

Fiscal Discipline. The university's ongoing focus on cost containment is critical in the FY2022 budget. We have maintained our annual practice of discontinuing lower-priority activities and employing philanthropy to relieve general fund expenses. Furthermore, the measures we adopted to meet the budget challenges posed by COVID-19 present ongoing opportunities to operate more efficiently.

Our budgetary goals are attainable with an undergraduate tuition sticker price increase of 1.4 percent for residents and 1.8 percent for nonresidents. The majority of the 65 percent of in-state students that pay less than full tuition will have a zero percent increase in net tuition, as aid will fully cover that increase. Tuition for most graduate programs would also increase 1.8 percent. A limited number of differential increases also are recommended for specific programs.

Introduction & Context

The 2022 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 2022 budget is shaped by several factors:

The Ongoing COVID-19 Pandemic. The global pandemic brought about an abrupt change to university operations and strategic planning, posing a number of new challenges to our faculty, staff and students. We anticipate a return to more normal, in-person operations in research,

teaching, and service in fiscal year 2022, while continuing to prioritize health and safety and following the latest guidance on preventing the spread of COVID-19. This budget allows the university to make this emergence while making important investments in our people.

FY2022 State Funding. 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. At this time, the FY2022 state appropriation has not been determined, and the differences between the Governor, Senate, and House funding proposals are considerable. While we await a final appropriation decision we have modeled no change in ongoing funding from FY2021 levels.

Ongoing Aid Initiatives. UM has made substantial commitments to keep UM affordable for Michigan families. In addition to our long-standing policy to meet the full need of all Michigan residents, over the past decade we have made sizable investments in grant aid to reduce net price and offset tuition increases for families with need. This includes programs such as the Go Blue Guarantee. We know that families may be feeling more financial pressures related to the pandemic, increasing their reliance on financial aid. The FY2022 budget includes funds to meet the growing costs of these commitments.

Cost Containment. This budget takes seriously our commitment to keep costs down and limit the need to increase tuition and fees while making key investments. These efforts enable UM to achieve \$29 million in ongoing savings.

Investments in Academic Excellence

UM 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 promote innovation and foster excellence. These investments continue even in a constrained budget environment, through careful evaluation of priorities and strategic decisions about resources.

Students. This budget funds cross-campus efforts to welcome students back to a residential experience, to increase opportunities for student engagement, and to enhance our wide array of offerings that support student success. One new initiative is called "Strengthening the 2nd Year Experience" which expands our traditional first year experience programming to include students returning for their second year. This program creates a welcoming community for students in their transition to campus by engaging them in programs related to personal and academic growth, navigating campus resources, building meaningful connections with others, and prioritizing well-being.

Student mental health is a national concern that has been amplified by the persistent effects of the global pandemic, and exacerbated by the pervasive impact of institutionalized racism. The UM campus has not been immune to this crisis, as many of our students have reported mental health issues that impact their sense of well-being, impair academic performance, and undermine

their campus engagement. The proposed FY22 budget provides resources to integrate and expand services to promote student wellbeing. This includes increased resources to expand options for peer coaching, to enhance the availability and approach to wellness coaching, to improve efficiency and increase timely access to care, and to help students locate support and resources including the use of technology where appropriate. These efforts are the foundation of a comprehensive undertaking to holistically address student health and wellbeing. We are eager to launch many of these enhancements as soon as possible, including several that will be in place when students return for fall term.

Faculty and Staff. The FY22 budget makes another key investment in people through the reinstatement of salary programs for faculty and staff, many of whom went without raises during our year-long salary freeze. The salary and hiring freezes affected individuals across the institution and we are grateful for their tenacity and commitment to providing our students with the best educational experience possible, continuing to pursue innovative research and discovery, and providing the support and infrastructure that makes UM a great public research university. In addition, this budget includes funding for contractual increases for bargained-for employees, and resources to increase the minimum wage for permanent employees to \$15/hour.

Service to Society. As a public research university, UM takes seriously its role in strengthening the economy, enhancing democracy, and improving quality of life. The tumult of the past year made the importance of this mission even more evident. This budget enables us to produce research that advances human knowledge and to equip the next generation of leaders with the knowledge, skills, and empathy to lead a just and prosperous democracy. For example, this includes additional investments in team science on child and family welfare, creation of an online hub of resources to empower educators across the US to improve K-12 teaching and learning, and support for a slate of anti-racism initiatives including the hiring of faculty with scholarly expertise in racial inequality.

The FY22 budget also enables UM to take the initial steps in addressing the recommendations of the President's Commission on Carbon Neutrality. UM has advanced a plan for attaining carbon neutrality that is both financially responsible and environmentally just. Through scalable, transferrable measures, UM intends to model how large and complex institutions can make transformative change in addressing the climate crisis.

Access and Affordability

A key factor in the development of the FY2022 budget proposal was sustaining the university's unflinching commitment to making a UM education accessible regardless of financial means.

Strengthening Socioeconomic Diversity. The budget includes continued funding for programs such as the Go Blue Guarantee and Wolverine Pathways. Our financial aid commitments ensure that a UM degree remains in reach for all Michigan families. The FY2022 budget recommendation includes a 6.4 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. The budget also includes aid for nonresident families with need.

Net Price. Many students--65 percent of in-state and 45 percent of out-of-state undergraduate students--pay less than the published cost of attendance. "Net price" captures what families pay after grant and scholarship aid has been applied, and is a key metric for affordability and access. Our investments in the central financial aid budget over the past decade have allowed us to reduce the net price for families with need. This progress on net price has only been possible with the robust investments we have made to offer generous aid packages. This FY22 budget includes allocations for financial aid which extend this important work, with the end result that many students who receive aid will experience no increase in their tuition costs.

Sticker Price. All in-state students, whether or not they apply for aid, qualify for a heavily discounted resident tuition rate. This makes the world-class UM education 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 UM degree, and nonresident tuition rates compare favorably to private peers. Our recommended 1.8 percent increase for out-of-state students aligns with this tuition philosophy, and is below inflation

Fiscal Discipline

The goals of this budget plan could not be attained without our continued commitment to fiscal discipline.

UM has long practice in mitigating budget pressures through a focus on cost containment. As part of the annual budget process, units across campus examine their operations each year to identify lower-priority activities, programs, and expenditures they can eliminate, perform more efficiently, or support through alternative funding. Examples include extending the lifecycle for staff computer replacements, restructuring positions to limit the need for hiring, and eliminating low-enrollment courses. This valuable exercise has identified \$29 million in recurring savings in FY22.

In addition to this annual process, units across campus realized substantial savings during pandemic operations when UM froze salaries and hiring. Other one-time savings came from the postponement of construction projects and eliminating expenditures in areas such as travel, professional development, and non-essential supplies. These constraints, representing a shared sacrifice among UM's employees, have allowed units to accumulate savings that can be put towards funding short-term needs in FY22. Just as importantly, the pandemic pushed us to find new ways of doing business, and we know we can apply lessons learned during the period of constrained spending and to identify areas where we can achieve ongoing savings in FY22 and the future.

Philanthropic giving continues to play an essential role in allowing the university the flexibility to shift costs off the general fund and providing funding for key priorities. Our donors have long played a key role in supporting university priorities and stepped up during the pandemic to increase support for students and key programs.

We also wish to acknowledge the important contribution of federal relief funding to our budget. We have received over \$57M in one-time funding to be allocated directly to UM students as grants for emergency expenses and additional grants in aid packages to meet college costs. The relief funding appropriated for the institution's exceptional pandemic-related costs totaled \$68.5M and has defrayed key COVID-related operating costs such as testing, quarantine, and contact tracing; helped meet technology costs related to the transition to remote instruction; and filled in for lost revenue in housing and dining.

Finally, another aspect of our fiscal discipline is our innovation in optimizing academic capacity. New alternative-entry programs that bring new students to campus in Winter and Summer and new online degree options enable us to expand programs and provide additional opportunities, without requiring investments in increasing fall-term capacity.

Budgeted 2022 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.

We had no state appropriations decision at the time of our budget development, and remain concerned that the Michigan House of Representatives has proposed a budget that redistributes state appropriations across the 15 public universities in Michigan. If passed this plan would decrease our institution's appropriation substantially. Despite this uncertainty, the university is tentatively budgeting for a FY2022 state appropriation of \$322.9 million, unchanged from FY2021 funding.

The university models expected tuition revenue based on projected enrollment and residency, and has proposed the lowest tuition rate increases necessary to meet the university's priorities, preserve its excellence, and maintain fiscal stability.

Moderate Increases in Tuition. The budget recommends a lower-division, undergraduate tuition increase of \$230 a year – 1.4 percent – for in-state students. The increase for out-of-state undergraduate students would be 1.8 percent. Tuition for most graduate programs would increase 1.8 percent. A limited number of differential increases also are recommended for specific programs (See Tuition and Fee Schedule). These increases are below inflation. This tuition

increase is coupled with an increase in financial aid to mitigate the increase for those who need it. Our aid policies mean that most in-state undergraduates with need will experience no net increase in tuition costs.

Summary

As we emerge from a year of unprecedented changes and challenges, we are guided by our unwavering commitment to sustain the excellence of our education, research, and service mission. Our priorities are focused on the staff, students, and faculty who make up this great university, and our commitment to providing long-term societal benefits through public service.

Finally, we note that the budget process for an institution as complex as UM requires considerable work on the part of budget administrators and officers at every level of the university. The challenges of the past year required thoughtful collaboration, dedication to mission, and significant sacrifice from people throughout the organization. The strength of the university's position as we present this FY22 budget is a testament to their efforts.