WAYNE STATE UNIVERSITY

Department Chairs
Budget Update Meeting

March 5, 2012

Agenda

- Introduction— Ron Brown
- Admissions Update— Rob Kohrman
- Huron Update
  – Overview—Rick Nork
  – Budget Project—Andrew Laws
- FY 2013 Budget Process— Rob Kohrman
  – Calendar
  – Changes to Budget Book
  – Governor's Budget Recommendations and other assumptions
- Questions / Discussions

Summary of Student Success Report

- What Enhancements will be Made:
  - Improvement of Retention activities
  - Holistic evaluation of every applicant
  - The re-development of the APEX program
    - Program will now provide a summer and fall bridge and program for those students requiring extra assistance
  - Improved recruitment and admissions processes
    - Territory Management, Recruitment Activities and Utilization of Tools and Technology
  - The development of programs / initiatives to enhance pipeline programs
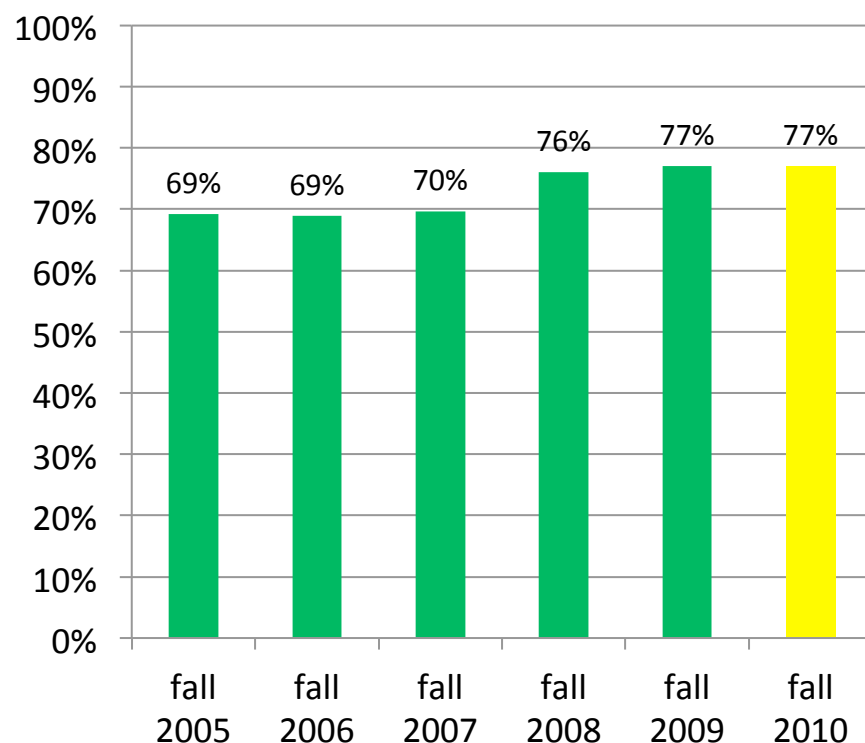
Summary of Student Success Report

- What changes will be made to the Statutes:
  - Eliminates GPA and ACT score floor for admitting students
    - No longer floor of 2.75 GPA and 21 ACT
    - This will put WSU in-line with best practices around the state
  - Allows a transfer to be admitted without consideration of high school work as long as:
    - Completion of at least 24 semester hours of transferable college-level work from a college or university
    - Overall GPA of 2.5

Michigan Public Universities
6-Year Graduation Rates

6-Year Graduation Rates	
Institution Name	**% Grad**
University of Michigan-Ann Arbor	90
Michigan State University	77
Michigan Technological University	66
Grand Valley State University	61
Central Michigan University	54
Western Michigan University	52
University of Michigan-Dearborn	52
Ferris State University	48
Northern Michigan University	45
Saginaw Valley State University	43
Oakland University	40
Lake Superior State University	38
Eastern Michigan University	38
University of Michigan-Flint	39
Wayne State University	**31**

Source: IPEDS Fall 2004 cohort

Initial Progress on Retention

**First-Year FTIAC Retention
Freshman to Sophomore**

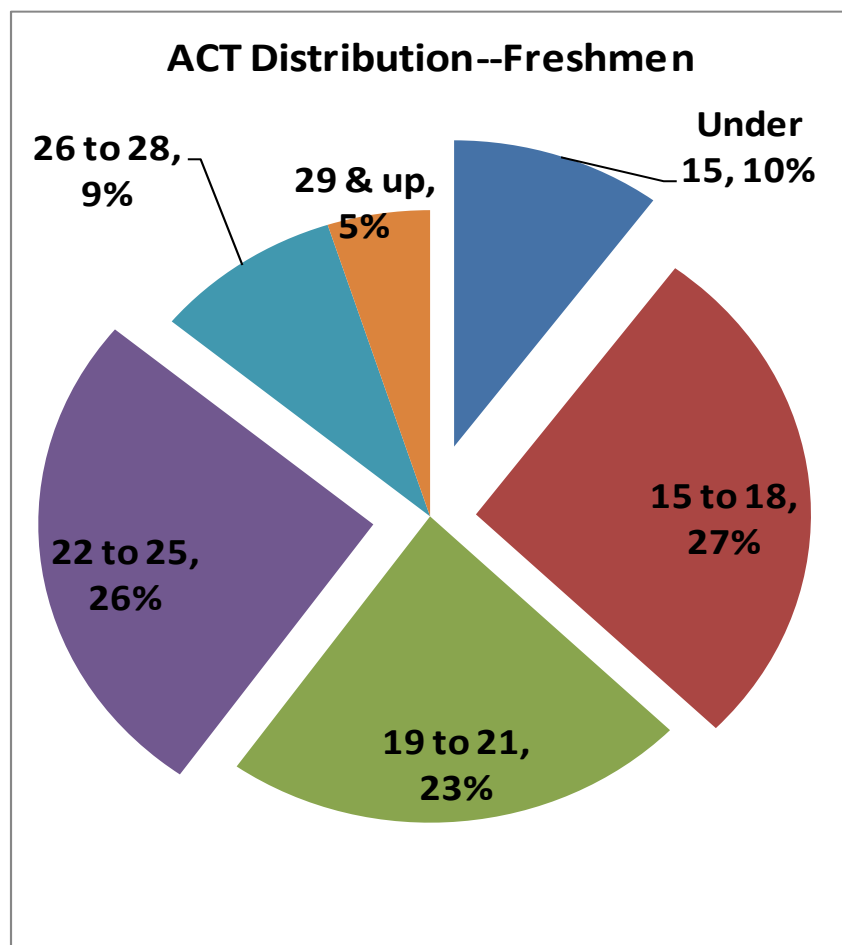| fall 2005	fall 2006	fall 2007	fall 2008	fall 2009	fall 2010
69%	69%	70%	76%	77%	77%

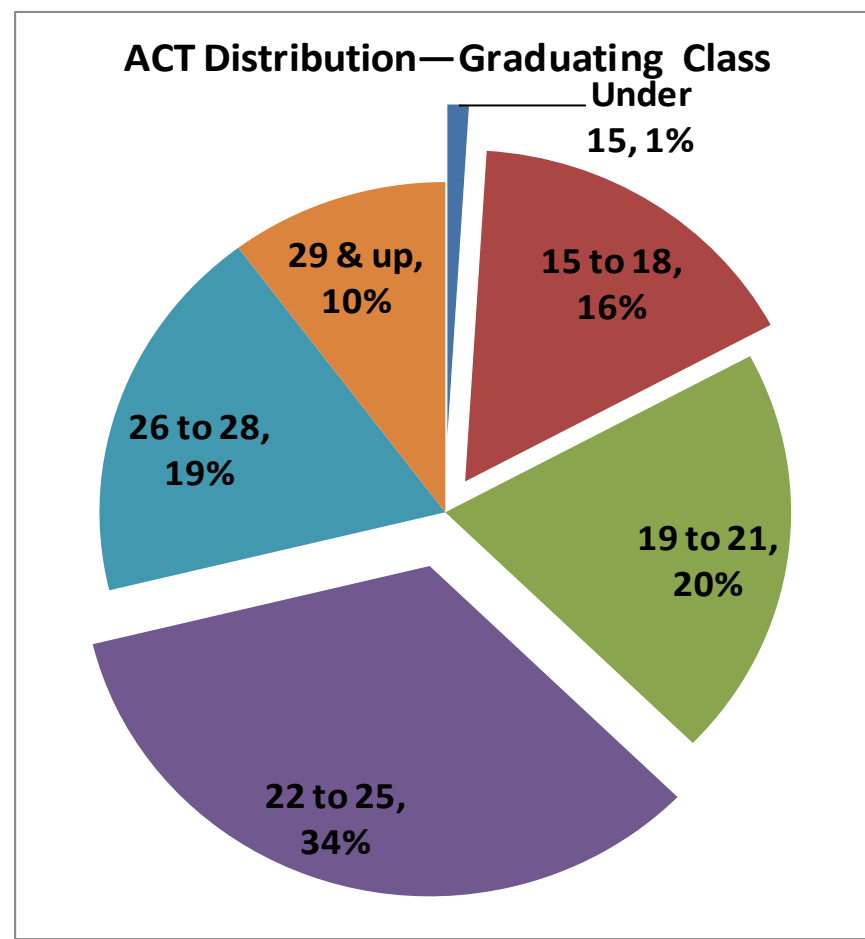| MPU First Year Retention	
University of Michigan - Ann Arbor	96%
Michigan State University	91%
Grand Valley State University	83%
Michigan Technological University	83%
University of Michigan - Dearborn	78%
Wayne State University	77%
Central Michigan University	76%
Oakland University	74%
Northern Michigan University	73%
Western Michigan University	72%
University of Michigan - Flint	72%
Eastern Michigan University	72%
Saginaw Valley State University	71%
Lake Superior State University	69%
Ferris State University	68%

FTIAC Retention: 3-Yr. Avg. = 77%; 5-Yr Goal = 82%

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Academic Preparation:

ACT Comparison of Admitted Class vs. Graduating Class

ACT Distribution--Freshmen

- 26 to 28, 9%
- 29 & up, 5%
- Under 15, 10%
- 15 to 18, 27%
- 19 to 21, 23%
- 22 to 25, 26%

2005 Freshmen Cohort

ACT Distribution—Graduating Class

- Under 15, 1%
- 29 & up, 10%
- 15 to 18, 16%
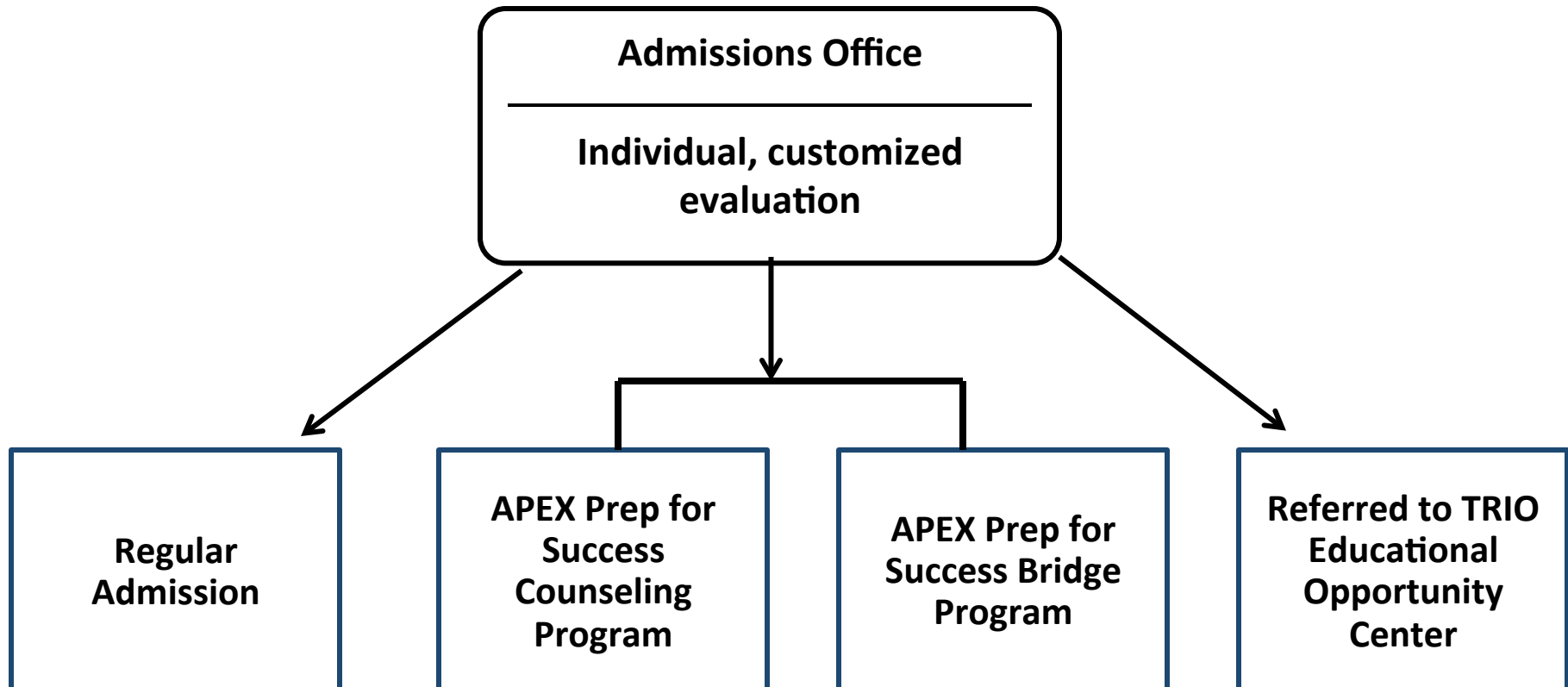- 26 to 28, 19%
- 19 to 21, 20%
- 22 to 25, 34%

2010 Graduating Class

Admission & Recruiting Enhancements

- **Enhance Detroit Specific Recruitment Activities**
  - Improve and develop activities specifically for Detroit. Some examples include: Top-Tier School tours, Detroit focused recruiting team, Kales ACT prep., *hosting DPS college fair, hosting Detroit Counselor retreats.*

- **Improved Territory Management**
  - Enhance Oakland & Macomb activities and explore territories outside of tri-county area

- **Utilization of Tools and Technology**
  - Utilization of Salesforce software and implementation of complete on-line application process for both undergraduate and graduates

- **Diversification of Scholarships**
  - Provide more scholarships at a variety of levels, within the same amount of resources, to achieve improve yield
  - Provide scholarship opportunities for transfer students

- **Enhance Admission Decision Process**
  - Timing, procedures and customer service

How will Admission Decisions be Made?

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                    ┌──────────────────────────┐
                    │     Admissions Office     │
                    ├──────────────────────────┤
                    │   Individual, customized  │
                    │        evaluation         │
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| Regular Admission | APEX Prep for Success Counseling Program | APEX Prep for Success Bridge Program | Referred to TRIO Educational Opportunity Center |

Impacts of New Financial Aid Regulations

- Students must meet Satisfactory Academic Progress (SAP) in order to qualify for Title IV financial aid
  - Title IV Aid consists of Stafford, Perkins, Pell, SEOG, & work study

- The criteria for Satisfactory Academic Progress is:
  - **GPA**: 2.0 for undergraduate and Doctor of Pharmacy programs; 3.0 for graduate programs.
  - **Completion Rate** (Pace): At least 67% of all credit hours attempted must have been completed with passing grades.
  - **Maximum Time Frame:** Students must complete a degree or certificate within no more than 150% of the required course work of their program (ex: within 180 credit hours attempted for undergraduate students in a 120 credit hour degree program).

- What are the major changes to the regulations?
  - The **pace** or completion rate for <u>all</u> attempted courses. In the past, only the three previous terms were reviewed.
  - All components of SAP will be reviewed at the end of each term instead of once a year.
  - Students can file an appeal. As part of the appeal process the student must have an **Academic Action Plan (AAP).** The AAP is the most intensive part of the appeal process. The AAP delineates their exact requirement to maintain the Federal Aid

FY 2013 Budget:

Process, Timeline, Changes & Assumptions

FY 2013 Budget: Process / Timeline

- March BOG Meeting—Approval of Housing rates
- March / April /May—President's Budget committee 1-1 discussions with Deans / Vice Presidents
  - Discussion will be with Dean, Business Officer and faculty member from Dean's budget committee
  - There will be two meetings:
    - Overview of current financial, enrollment and staffing trends. Plus a discussion of initiatives, accomplishments and challenges within the School / College / Division
    - Discussion of FY 2013 Budget goals and targets for each School / College / Division
- May—Approval of SOM tuition rates
- June—Approval of budget and tuition rates—June 25

FY 2013 Budget: Changes

- Budget Book will be revised to include "actuals"
  - Prior budget sections only compared previous year budget to proposed budget

  - New budget book will have three years of financial information
    - FY 2011—Budget and actuals
    - FY 2012—Budget and projected actuals
    - FY 2013—Proposed Budget
  - New budget book will provide more details on general expenses (e.g. travel, supplies, etc.)

FY 2013 Budget: Assumptions

- Proposed Higher Education Budget increase of 3.0% or $36.2 M.
  - WSU increase was 0.9% or $1.7 M
  - $1.7 M represents 6% of the amount currently allocated .
    - WSU State appropriation of $182 M is currently 15% of the total higher education budget.

- Funding appears to be "one-time" funds

FY 2013 Budget: Assumptions

- Metric 1: The growth in the number of undergraduate completions (FY 2008 compared to the three year average of FY 2009, 2010 and 2011): total of $9.05 M
  - Each university will receive $17,192 for each additional degree.
  - Under this metric, WSU receives $0.
  - Grand Valley, UMAA and CMU increased the most.

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  - Metric 2: Three year average number of undergraduate completions in STEM and health fields: total of $9.05 M
    - Universities will receive $685 per average degree in these fields.
    - Under this metric, WSU receives $485k
    - UMAA, MSU and Grand Valley increased the most.

FY 2013 Budget: Assumptions

- Metric 3: Three year average number of undergraduates receiving a Pell Grant: total of $9.05 M
  - Universities will receive $155 for each student.
  - Under this metric, WSU receives $1,197k
  - WSU, MSU and EMU increased the most.

- Metric 4: Compliance with tuition restraint, with cap set at 4.0%: total of $9.05 M
  - Eligible universities that enact smaller increases will receive a larger payment.
  - Allocations will not be known until all universities submit their academic year 2012-2013 tuition and fee rates later in the year.
  - Until all university rates are set, it is unknown how much WSU will receive.

FY 2013 Budget: Assumptions

Institution	FY 2102 Base	Performance	% Increase
CMU	$68,109	$2,572	3.80%
EMU	$64,619	$1,499	2.30%
FSU	$41,324	$2,582	6.20%
GVSU	$52,677	$3,996	7.60%
LSSU	$10,790	$247	2.30%
MSU	$241,121	$3,298	1.40%
MTU	$40,734	$803	2.00%
NMU	$38,367	$1,292	3.40%
OU	$43,145	$1,600	3.70%
SVSU	$23,562	$1,121	4.80%
UMAA	$268,803	$3,892	1.40%
UMD	$21,016	$572	2.70%
UMF	$17,762	$569	3.20%
WSU	$182,037	$1,682	0.90%
WMU	$93,168	$1,438	1.50%
Unallocated for Tuition		$9,054	
Total	$1,207,235	$36,217	3.00%

$ in thousands

Improving Business Process at WSU

March 2012

WAYNE STATE UNIVERSITY
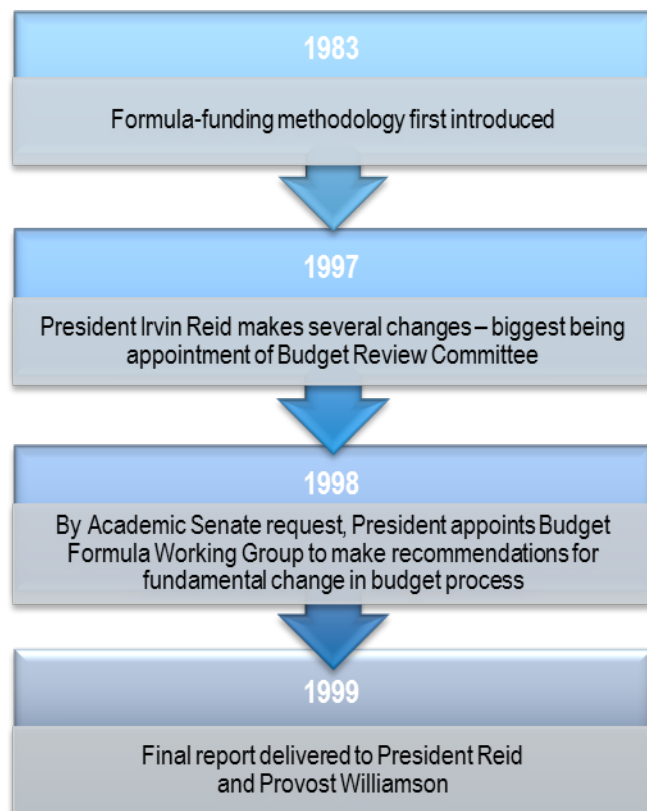
Business Process Improvement at WSU

Huron Consulting Group has collaborated with Wayne State University on a variety of projects, several of which have been based on an initial administrative assessment completed in July of 2011.

Current and past Wayne State Administrative initiatives:

- Budgeting

- Facilities, Planning, and Management

- Human Resources

- Information Technology

- Purchasing, Sourcing and eProcurement

- Auxiliary Services

- Travel/Expense

- Enrollment Services

Review of Previous Budget Initiatives

WSU's current budget model is a derivative of a 1983 funding-formula, which has undergone numerous revisions and received material criticism since it's initial adoption almost thirty years ago.

1983
Formula-funding methodology first introduced

1997
President Irvin Reid makes several changes – biggest being appointment of Budget Review Committee

1998
By Academic Senate request, President appoints Budget Formula Working Group to make recommendations for fundamental change in budget process

1999
Final report delivered to President Reid and Provost Williamson

The 1999 Final Report outlined six concerns:

- Formulas used were not implemented uniformly or consistently

- Student/faculty ratios assignments were inappropriate

- Budget did not provide effective mechanism for prioritization

- Formulas could cause units to suffer substantial drops in funding based on short-term enrollment fluctuations

- Lacked explicit funding for other general operating expenses (e.g. recruiting, student projects, support staff)

- Fostered an inappropriate level of competition

The report concluded:

- "…A reformed budget methodology does not address the problem of systemic under funding. The most it can do is allow the University to make better use of the limited resources it already possesses."

Understanding of Your Needs

WSU is facing considerable fiscal challenges stemming from the recent US recession. As a result to these and other challenges, the leadership team has decided the structure and function of the University's budget model is no longer adequate to support its long-term needs.

Challenges inherent in the current model include:

- **Focus on expenditure control** as opposed to revenue generation

- Preference to **historic funding precedents** as opposed to funding justifications

- **Lack of connectivity** between revenue and expenses

- **Lack of effective incentives** to promote certain behaviors and mitigate unintended consequences

    - e.g. carry over policy creating year-end spending sprees / lack of service level expectations

> **Making the budget process more academically-driven will require evaluation by a Steering Committee made from a mix of Academic Deans, Faculty, Business Affairs Officers, and members of the President's Cabinet.**
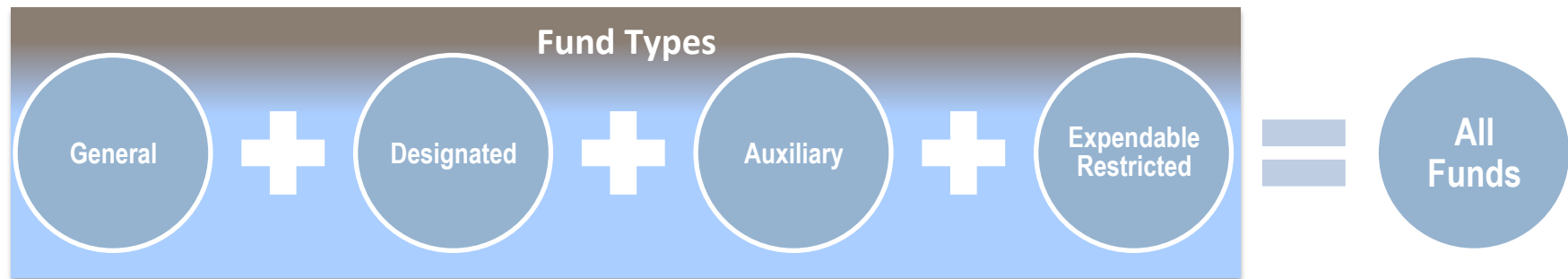
Charge and Guiding Principles

The Steering Committee's charge is to recommend a more academically-driven budgeting model that will better align responsibility and accountability.

As model alternatives are developed and evaluated, a set of guiding principles will be used. At the conclusion of this initiative, the proposed model should:

- Encourage planning that supports and aligns with the University's strategic mission of instruction, research and public service.

- Provide leadership incentives for effective management of both revenues and expenses. Reward creativity and innovation.

- Increase accountability through enhanced visibility, forecasting and planning.

- Allocate resources through a consistent and fair methodology.

- Be transparent, easy to explain and promote responsible decision making.

Budgeting Approach: Reporting All-funds

The modeling efforts will acknowledges the advantages and considerations to an all funds approach to ensure the adopted model recognizes the committees principles.

Fund Types

General + Designated + Auxiliary + Expendable Restricted = All Funds

Advantages

- Shifts focus of budgeting conversations from expenses to revenues

- Enhances transparency by showing all sources of revenue and expense

- Aligns best with guiding principles of incentive-based budgeting

- Eases budget process in down years

Considerations

- Transition to adjust to both new model and new approach to reporting all funds

- Need for additional assumptions for previously non-budgeted fund types

- Additional administrative efforts

Current Funds Flow Review

Currently, general funds flow directly into a central pool that is then allocated out to Academic Responsibility Centers to support operational activities.

Current Model:

- Only select revenues such as course fees and a percent of F&A Recoveries are directly allocated to Colleges and Schools

- Actual dollar amounts received by Colleges and Administrative & Other units are not directly linked to specific performance drivers
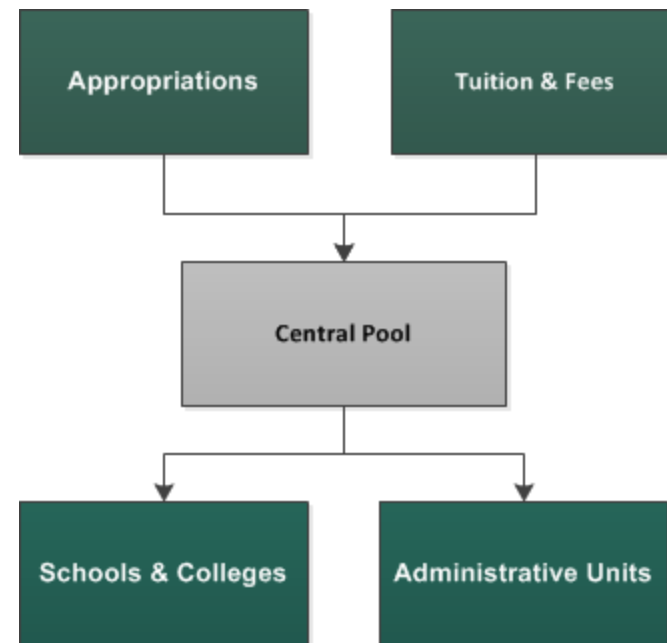
Proposed Future Funds Flow

Funds flow alignment in a future model streamlines the majority of revenues to Academic Responsibility Centers while still considering the needs of the Auxiliary Enterprise and Administrative & Support Units (A&S Units).
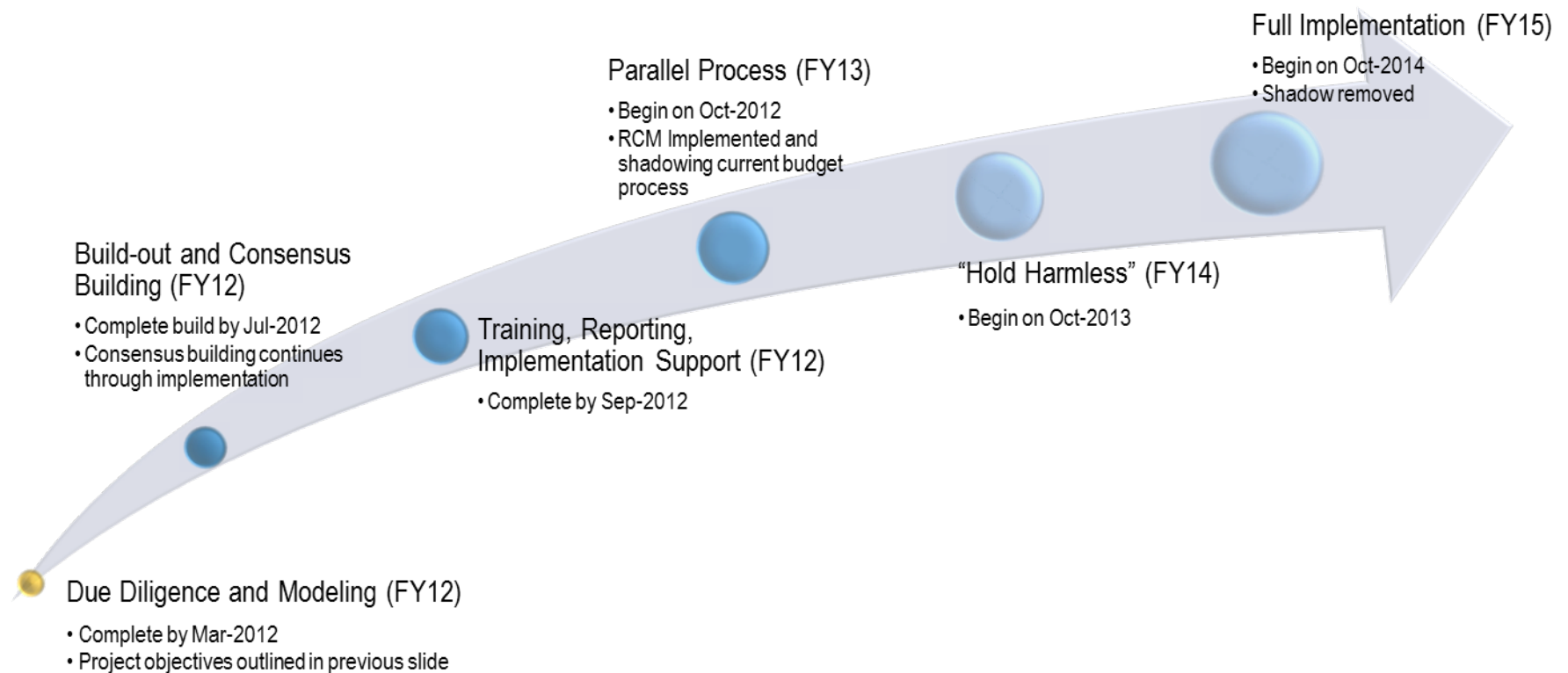
Proposed Model:

- Majority of revenues are allocated to Academic Responsibility Centers

- ICR Recoveries are allocated to ARCs in their entirety

- Focus gets placed on "Other" funding for Auxiliary Enterprise and A&S Units

- ARCs and Auxiliary Enterprise are allocated a share of the A&S Unit's budgetary needs

- Deferred Maintenance and Strategic Initiative Fund pools are created
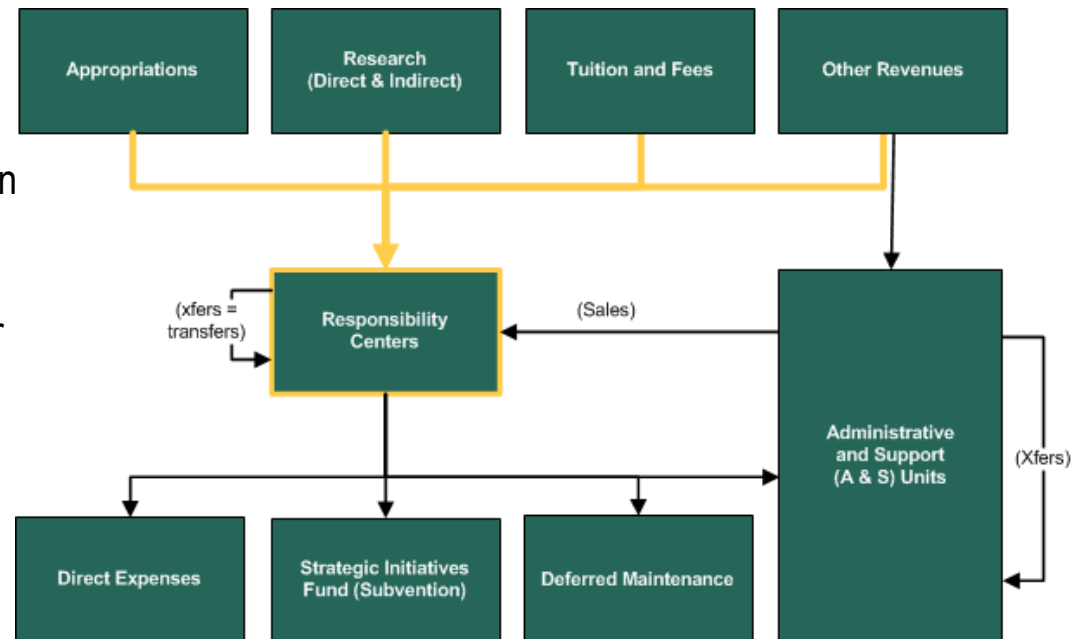
Implementation Timeline Considerations

The current due diligence is focused on creating college-level budget portrayals through the evaluation of funds flows, incentives and reporting needs.

Full Implementation (FY15)
- Begin on Oct-2014
- Shadow removed

Parallel Process (FY13)
- Begin on Oct-2012
- RCM Implemented and shadowing current budget process

Build-out and Consensus Building (FY12)
- Complete build by Jul-2012
- Consensus building continues through implementation

Training, Reporting, Implementation Support (FY12)
- Complete by Sep-2012

"Hold Harmless" (FY14)
- Begin on Oct-2013

Due Diligence and Modeling (FY12)
- Complete by Mar-2012
- Project objectives outlined in previous slide

A decision to transition to an incentive-based model, with a potential initial implementation date of October 1st would require numerous activities be completed over the coming months.

Next Steps

Huron Tasks:

- Gain Steering Committee consensus on budgeting methodology

- Finalize college-level incentive-based budget portrayals

- Document Steering Committee process and recommendations for considerations by WSU leadership

Upcoming Meetings and Topics:

- Deans Council Meeting – March 6th, 9:00am – 10:00am

- Steering Committee Meeting – March 6th, 11:30am – 1:30pm

- Business Affairs Officers Meeting – March 7th, 1:30pm – 3:00pm

Comments / Discussion