FY 2016 BUDGET OUTLOOK

March 2015
Budget Review & Outlook

• WSU funding situation:
  – Fixed cost structure (High percentage of costs are fixed)
  – Low tuition rates (tuition rates are on par with regional Michigan universities)
  – State support has decreased (FY 2002 $240 M; FY 2013 $183 M)
  – Decreases in General Fund fund balances over last several years

• WSU relied on enrollment growth and tuition increases to balance the budget from FY 2001 to FY 2010
  – FY 2001 to FY 2010: fall credit hours increased by 52,138 over this time or 1.8% per year on average; in addition, tuition rates increased by 8.3% on average

• Recently enrollment has declined and tuition restraint has prevented substantial tuition increases
  – FY 2011 to FY 2015: fall credit hours decreased by 26,605 over this time or -2.4% per year on average; in addition, tuition rates increased by 4.3% on avg.
  – FY 2016: fall credit hours are expected to continue to decline, but at a slower rate; tuition rates expected to be approximately 2.8%.

• Hopeful that Research funding will stabilize

• Governors’ FY 2106 Higher Education proposed budget for WSU includes:
  – State Appropriation increase of $1.1 M, which is a 0.6% over total general fund budget
  – Tuition restraint of 2.8% for undergraduate resident students
    • All incremental State Appropriations are conditional upon meeting requirement of tuition restraint
FY 2016 State Higher Education Budget

• Total MPU increase of 2.0% or $26.8 M
• Both appropriation increase and tuition restraint lower than FY 2015
• No funds allocated to base restoration—all funds allocated to Performance funding
• FY 2016 WSU Allocation is $1.1 M or 0.6%
  – Undergrad Critical Skills Awarded $281 k
  – Research Expenditures $350k
  – Metrics Compared to Peers $462k
    • Six Year Graduation Rate
    • Total Degree Completion (includes graduate degrees)
    • Inst. Support as % of Core Expenditures
    • % Student Receiving a Pell Grant

• Impact on Total General Fund Budget
  – Total General Fund Budget = $583M
  – State allocation of $1.1 M equates to 0.18% increase on total budget
• Requirements to receive any incremental funding:
  – Resident undergraduate tuition increase below 2.8%
• WSU Suggested Improvements for Metrics
  – Adding weights for “At-Risk” students
  – Revising Peers List to WSU peers not Carnegie Research peers
  – Larger weight in improvement and not on top 20th percentile

<table>
<thead>
<tr>
<th>Institution</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>3 Year Avg</th>
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<tr>
<td>GVSU</td>
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<td>9.5%</td>
<td>4.0%</td>
<td>5.9%</td>
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<tr>
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<td>3.0%</td>
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<td>3.0%</td>
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<tr>
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<td>7.2%</td>
<td>2.5%</td>
<td>3.9%</td>
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<tr>
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<td>2.1%</td>
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<tr>
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<tr>
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<tr>
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<tr>
<td>UM-AA</td>
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<td>1.9%</td>
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<tr>
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<td>1.8%</td>
<td>3.2%</td>
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<td>1.8%</td>
<td>3.1%</td>
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<tr>
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<tr>
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<td>4.0%</td>
<td>0.6%</td>
<td>1.6%</td>
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## Wayne State University

### Higher Ed Changes

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<td>Central Michigan</td>
<td>$80,132.0</td>
<td>($12,023.1)</td>
<td>$3,243.4</td>
<td>$2,187.8</td>
<td>$5,574.9</td>
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<td>$551.5</td>
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<tr>
<td>Michigan Tech</td>
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<td>Northern Michigan</td>
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<td>$2,535.8</td>
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<td>Oakland</td>
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<td>$1,819.1</td>
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<td>$2,712.5</td>
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<td>Saginaw Valley</td>
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<td>Univ. of Mich. - Ann Arbor</td>
<td>$316,254.5</td>
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<td>Univ. of Mich. - Dearborn</td>
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<td>Univ. of Mich. - Flint</td>
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<td>Wayne State</td>
<td>$214,171.4</td>
<td>($32,134.5)</td>
<td>$1,361.4</td>
<td>$0.0</td>
<td>$7,121.5</td>
<td>$1,093.3</td>
<td>$191,613.1</td>
<td>($22,558.3)</td>
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<td>Western Michigan</td>
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<td>($16,445.8)</td>
<td>$2,319.2</td>
<td>$1,791.5</td>
<td>$5,463.0</td>
<td>$1,872.6</td>
<td>$104,614.5</td>
<td>($5,000.5)</td>
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<tr>
<td>Other University Operations</td>
<td>$64,807.2</td>
<td>($9,289.9)</td>
<td>$2,025.0</td>
<td>$6,084.1</td>
<td>$7,417.5</td>
<td>($3,268.4)</td>
<td>$58,567.7</td>
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<tr>
<td>Total University Operations</td>
<td>$1,485,152.1</td>
<td>($222,400.1)</td>
<td>$38,242.0</td>
<td>$27,953.1</td>
<td>$82,055.0</td>
<td>$23,530.7</td>
<td>$1,435,725.0</td>
<td>($49,427.1)</td>
<td>-3.3%</td>
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</table>
University Total

Fall Headcount Enrollment

Student Enrollment

<table>
<thead>
<tr>
<th>Year</th>
<th>Enrollment</th>
</tr>
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<tbody>
<tr>
<td>Fall 2007</td>
<td>30,170</td>
</tr>
<tr>
<td>Fall 2008</td>
<td>28,799</td>
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<tr>
<td>Fall 2009</td>
<td>29,444</td>
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<tr>
<td>Fall 2010</td>
<td>28,880</td>
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<tr>
<td>Fall 2011</td>
<td>28,199</td>
</tr>
<tr>
<td>Fall 2012</td>
<td>27,327</td>
</tr>
<tr>
<td>Fall 2013</td>
<td>26,289</td>
</tr>
<tr>
<td>Fall 2014</td>
<td>25,974</td>
</tr>
<tr>
<td>Fall 2015 Proj</td>
<td>25,600</td>
</tr>
</tbody>
</table>

Enrollment drop of 15% since fall 20017
FY 2016 Metrics

• For FY 2016, metrics will be used to assist in determining the reductions for the Schools and Colleges
  • Approximately 2/3 of the reductions will be informed by the metrics and 1/3 will be determined by the President & Provost
• Two new metrics have been added this year
  • Professional Test Results
    • Will examine how some of the professional programs test results compare to national and regional results
  • Community Engagement
    • Each school / college will develop a short report for the president and provost on how they are engaged in community engagement
• Metrics, where appropriate, have organized into the themes of the WSU strategic plan.
• **Student Success Metrics**
  - Retention (1x)
    - FTIAC retention where appropriate
      - Fall 2009 base compared to three year average
  - Degrees Awarded (1.5x)
    - Undergraduate, Graduate and Professional Degrees included
  - Professional Tests Results Metric (1x)
    - FY 2014 Passage rates compared to National Average

• **Research Metric**
  - Research Expenditures per FT faculty member will be used to score each school / college (2x)

• **Financial Sustainability Metric**
  - Enrollment Metric (4x)
    - Fall 2011 (actual) to Fall 2015 (projection)
      - Credit Hours (50% weighted on where course was offered and 50% weighted on student major)
  - Philanthropy (2x)
    - FY 2011 base year compared to three year average
      - FY 2012 to FY 2014
  - Profitability (2x)
    - Only direct revenues and expenses considered Only scholarships, utilities attributed to the school will be used in allocation
    - Put all weight on (2X) “Margin Changes”
    - State Appropriations and overhead not included in this analysis
Review of FY 2016 Assumptions

Revenue Assumptions

– State Appropriations
  • FY 2016 = 0.6%

– Tuition & Fees
  • Rate increase of 2.8% for both years (and all programs)
    – Tuition Freeze for future years

– Enrollment Changes
  • FY 2016 = -1.5%

– Indirect Cost Recovery
  • FY 2016---3% increase

– Investment Income
  • FY 2016—stable

Expenditure Assumptions

– Compensation & Fringes:
  • 2.75%
  • Financial Aid 2.8%

– Utilities 3.0%

– Additional initiatives:
  • Rainy Day $2.6 M
  • Campaign $0.5 M
  • Retention $0.5 M
  • Apex Bridge $0.3 M
  • Deans Faculty Lines $0.5 M
  • iBio Lines $0.5 M
  • Start Up $0.0 M
  • Rising Scholars $0.3 M
  • FY 2015 Fin Aid $0.4 M
  • TOTAL $5.6 M
Review of FY 2016 Assumptions

Revenues
- State Appropriations       $1.1 M
- Tuition & Fees             $4.6 M
- ICR                        $0.8 M
- Rainy Day Fund            ($2.6 M)
- Total Revenues             $3.9 M

Expenditures
- Compensation               $10.6 M
- Gen Expense                $3.6 M
- Total Expenditures         $14.2 M
- VARIANCE                   ($10.3 M)
  - Cut amount against base of $340 = 3.0%

- Initiatives (w/o Rainy Day) $3.0 M
  - Additional cuts needed of 1.0% needed to cover initiatives
Summary

• Approximate budget reductions of 4%

• Why reductions?
  – State gave WSU an additional $7 M last year; this year it is $1 M
  – Tuition Cap was 3.2% last year; this year 2.8%
  – Need to (re)fund Rainy Day fund $2.6 M
  – Enrollment decreases of 1.5%
  – Limited changes to expenditure base.

• Budget Hearings with each Dean and Vice President will be held between mid-April and mid-May