

FY 2014 Budget Update

June 21, 2013

Funding Situation

- WSU funding situation:
 - High cost structure (faculty salaries are on par with peer research universities)
 - Low tuition rates (tuition rates are on par with regional Michigan universities)
 - State support has decreased (FY 2002 \$240 M; FY 2013 \$183 M)
- WSU has relied on enrollment growth and tuition increases to balance the budget over the last decade
 - 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 2010 to FY 2014 (proj): fall credit hours decreased by 22,355 over this time or -2.4% per year on average; in addition, tuition rates increased by 4.9% on avg.

FY 2014 State Higher Education Budget

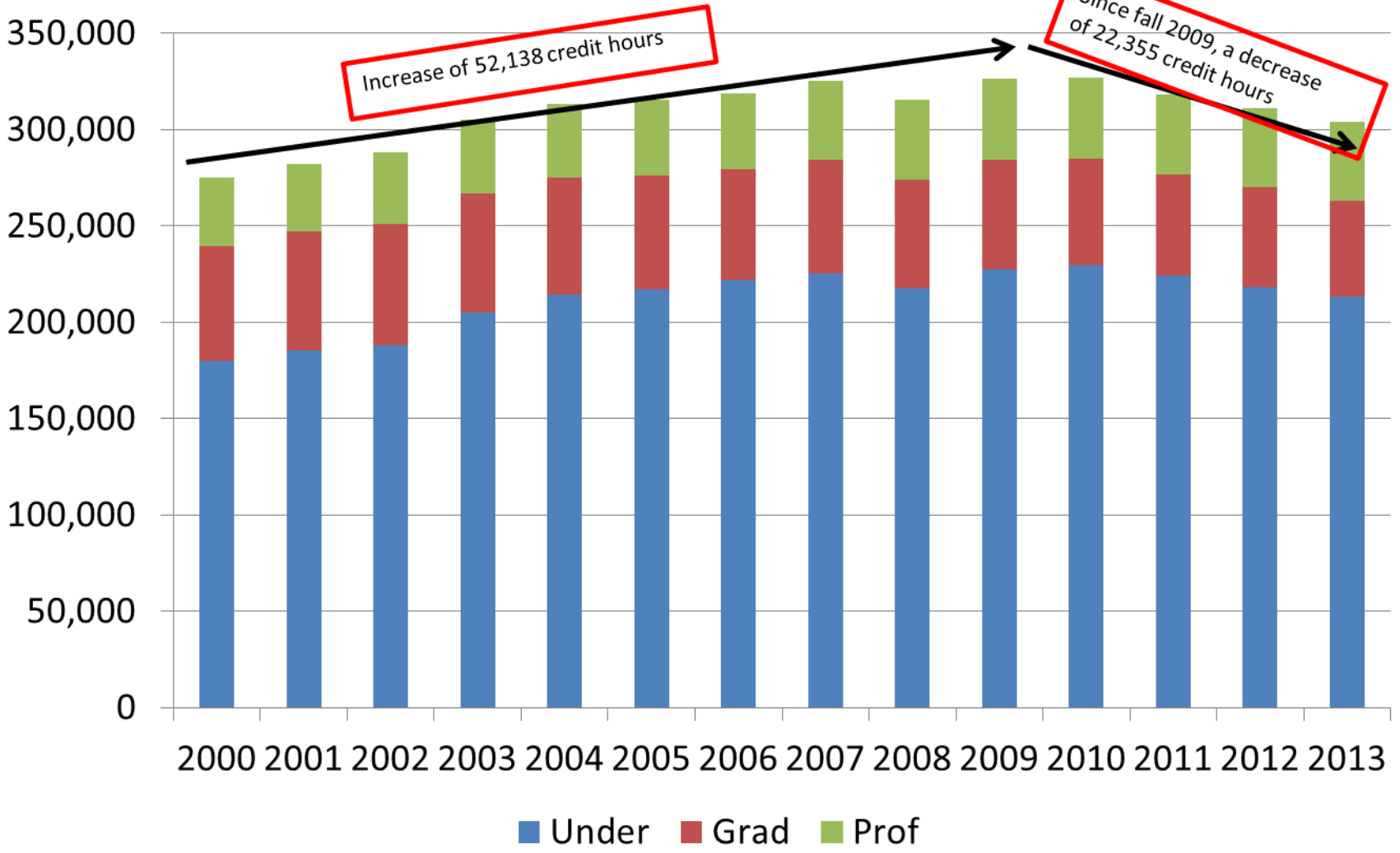
- State Funding
 - Total MPU increase of 1.76% or \$21.9 M
 - WSU Allocation was \$535 k or 0.29%
 - Allocated by Metrics
 - Undergrad Critical Skills Awarded (\$387 / degree) 22% of funding
 - Research Expenditures (\$0.0022 per dollar expended) 11%
 - Metrics Compared to Carnegie Peers—67% of funding
 - Six Year Graduation Rate
 - Total Degree Completion (includes graduate degrees)
 - Inst. Support as % of Core Expenditures
- Note: Awarded points for each category if institution did well compared to peers or improved over three years.
- Allocation formula = Metrics points x Undergrad FYES x \$12.15
 - WSU received 0 metric points and therefore a \$0 allocation
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- New Requirements to receive performance funding:
 - Resident undergraduate tuition increase below 3.75%
 - Participate in three reverse transfer agreements with Community Colleges
 - Maintain a dual enrollment credit policy
 - Participate in Michigan Transfer Network
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- WSU’s State Appropriation of \$183 M is at same level that was received almost 25 years ago

MPU Percent Increase

Institution	% Increase
GVSU	4.20%
FSU	3.06%
CMU	2.99%
NMU	2.11%
UM-F	2.06%
MTU	2.05%
WMU	1.83%
MSU	1.82%
UM-AA	1.81%
LSSU	1.50%
OU	1.49%
SVSU	1.27%
UM-D	1.20%
EMU	1.19%
WSU	0.29%

Enrollment Trends

Credit Hours: fall 2000 to fall 2013



FY 2013 & FY 2014 Budget Outlook –Base Budget-**UPDATED**

• Base Budget Table

- State Appropriation assumes tuition restraint is met
- Tuition for undergraduates capped at 3.75% and overall projected enrollment shortfall of 2.5%
- Anticipate ICR reduction of \$5.5 M
- Academic Salaries set at contract levels of 2.75% plus additional changes from FY 2013
- Facilities assumes 2.0% inflationary increase plus \$900k increase from PLD
- Financial aid 1.5%--increase taking into consideration decreasing enrollment
- *No initiatives included*
- Shortfall of \$20.7 M

	FY 2013	FY 2014	
		%	
<i>(amounts in thousands)</i>	Current Budget	Change	\$ Change
Revenues			
State	\$182,955	0.2%	\$535
Tuition	\$334,405	3.8%	\$10,643
Enrollment Shortfall			(\$12,660)
ICR	\$38,500	0.0%	(\$5,500)
Investment Income	\$6,000	17.0%	\$1,000
Other	\$4,946	0.0%	\$0
Total Revenues	\$566,806		(\$5,982)
Expenditures			
Academic Salary	\$180,982	3.1%	\$5,665
Non-Academic Salary	\$108,787	2.0%	\$2,176
Fringe	\$80,188	4.5%	\$3,608
Total Comp	\$369,957		\$11,449
Operational Expenses	\$101,638	1.0%	\$1,016
Facilities	\$38,803	3.6%	\$1,400
Financial Aid	\$56,409	1.5%	\$846
Proposed Initiatives			NA
Total Expenditures	\$566,806		\$14,711
Favorable / (Unfavorable)			(\$20,693)

- **Enrollment Points:**

- FTIAC class expected to decrease by 8%
- With high number of Pell students, WSU still vulnerable to recent changes in Pell requirements
- WSU losing market share in Wayne County
- Wayne Direct will be implemented by winter 2014 and should enhance undergraduate enrollment
- Graduate and international recruitment strategies working
- With MSU and UM reducing FTIAC class size, WSU could benefit

Category	Fall Enrollment Projections			
	Fall 2011 Actuals	Fall 2012 Actuals	Fall 2013 Projections	Change
Undergraduates				
FTIAC	2,416	2,338	2,150	-8.0%
Transfers & Other	2,398	2,530	2,525	-0.2%
Con't Undergrad	15,063	14,474	14,229	-1.7%
TOTAL	19,877	19,342	18,904	-2.3%
Graduate				
New Grads	1,559	1,650	1,660	0.6%
Con't Grads	6,213	5,838	5,575	-4.5%
TOTAL	7,772	7,488	7,235	-3.4%
Professional				
Law	575	542	506	-6.6%
PharmD	338	348	352	1.1%
Medicine	1,242	1,218	1,220	0.2%
TOTAL	2,155	2,108	2,078	-1.4%
GRAND TOTAL	29,804	28,938	28,217	-2.5%

FY 2013 & FY 2014 Budget Outlook – **Initiatives Added**

• Budget w/ Initiatives Added

- State budget assumes tuition restraint is met
- Tuition for undergraduates capped at 3.75% and overall projected enrollment shortfall of 2.5%
- Anticipate ICR reduction of \$5.5 M
- Academic Salaries set at contract levels of 2.75% plus additional changes from FY 2013
- Facilities assumes 2.0% inflationary increase plus \$900k increase from PLD
- Financial aid 1.5%--increase taking into consideration decreasing enrollment
- **Initiatives added of \$14.6 M**
- **Shortfall of \$35.3 M**

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Facilities	\$38,803	3.6%	\$1,400
Financial Aid	\$56,409	1.5%	\$846
Proposed Initiatives--Updated			\$14,570
Total Expenditures	\$566,806		\$29,281
Favorable / (Unfavorable)			(\$35,263)

- Amount of Reduction Target achieved = \$19M (\$1.0 M below target)
- Including the tentative FY 2014 reductions, the Schools / Colleges / Divisions will have taken \$50 M in budget reductions over the last three years:
 - Schools / Colleges: FY 2012 \$16M; FY 2013 \$4 M; FY 2014 \$12 M
 - Divisions: FY 2012 \$9M; FY 2013 \$3.2 M; FY 2014 \$7.3 M
 - Note: as a % of total budgets, the divisions will have taken larger percent cut than the S/C in each of the years
- If cuts implemented as planned, Schools and Colleges will have difficulty meeting the currently scheduled sections as proposed in fall 2014.
- With these reductions, it is expected there will be layoffs
- Most schools' and colleges' budgets are 90%+ personnel costs
- Reduction impacts:
 - Eliminating virtually all vacant faculty lines. These lines have funded part-time faculty positions and general operating expenses
 - Reduction of part-time faculty budgets, which will result in less section offerings
 - Significant reductions in operating expenses

Schools & Colleges Metrics

- Budget reductions for Schools/ Colleges were not allocated ATB
- Deans wanted some metrics to utilized to help inform the reduction process.
- School and Colleges, in total, had a 5.5% target to reach
- Metrics used to inform decisions were (with weight):
 - Changes in general fund budget (1X)
 - Changes in enrollment--credit hours (4X)
 - Changes in student to faculty ratio (1X)
 - Changes in research--both awards & proposals (2X)
 - Changes in philanthropy (2X)
 - Changes in degrees granted (1X)

Recommended Reductions

Divisions	Recommended Reduction	%
President	\$75,000	5.1%
Marketing	\$470,000	5.2%
Provost	\$2,590,000	5.5%
Research	\$740,000	5.5%
Finance & Bus Ops	\$1,621,000	5.5%
Development	\$350,000	5.4%
General Counsel	\$140,000	5.5%
Government Relations	\$50,000	5.5%
Athletics	\$100,000	5.1%
Central Account	\$1,500,000	8.1%
Total	\$7,636,000	5.5%
Recommended Reductions		
Grand Total	\$18,861,000	

School/College	Recommended Reduction	%
Business	\$765,000	7.9%
Education	\$850,000	7.8%
Engineering	\$1,050,000	5.5%
Fine Arts	\$475,000	3.9%
Graduate School	\$90,000	5.5%
Honors	\$65,000	5.6%
Law	\$550,000	6.5%
Liberal Arts	\$2,500,000	4.5%
Library Sciences	\$115,000	5.5%
Medicine	\$3,550,000	6.0%
Nursing	\$650,000	6.1%
Pharmacy	\$425,000	3.5%
Social Work	\$140,000	3.7%
Total	\$11,225,000	5.3%
Medicine amount includes \$1.3 M to help offset 0% tuition increase		

FY 2013 & FY 2014 Budget Outlook –w/ Initiatives & Reductions

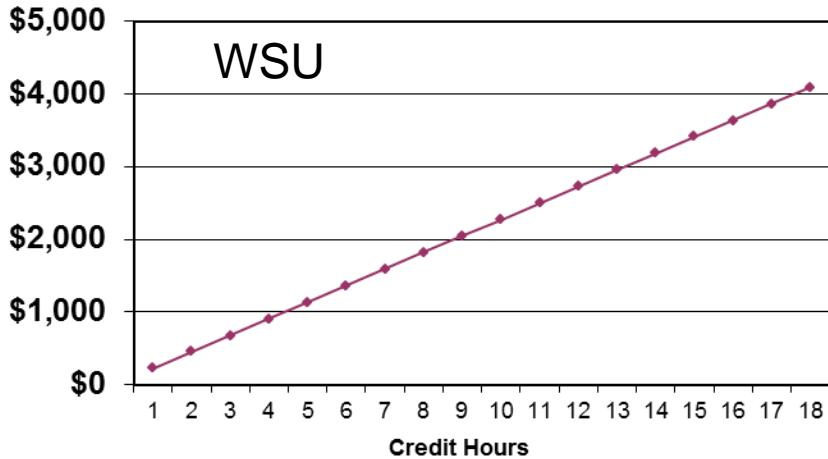
Budget Table w Initiatives & Reductions

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- Initiatives added of \$14.6 M
- Reductions added of \$18.9 M
- Shortfall of \$16.3 M

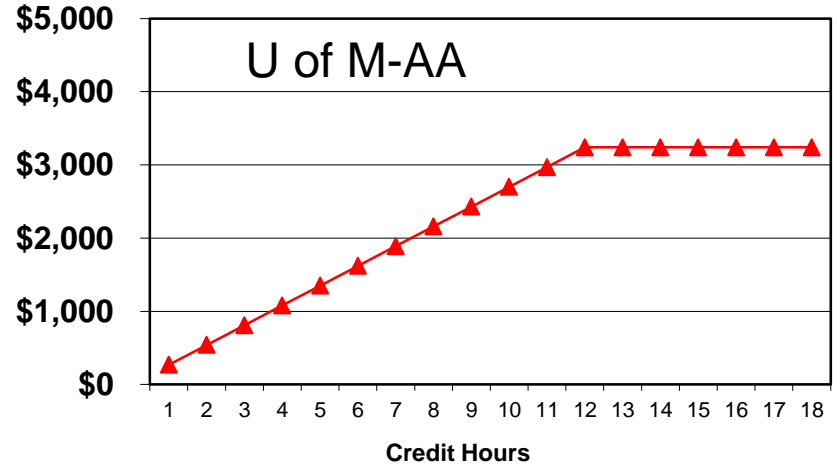
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Financial Aid	\$56,409	1.5%	\$846
Proposed Initiatives			\$14,570
Budget Reductions--Updated			(\$18,940)
Total Expenditures	\$566,806		\$10,341
Favorable / (Unfavorable)			(\$16,323)

Illustrations of Various Tuition Structures

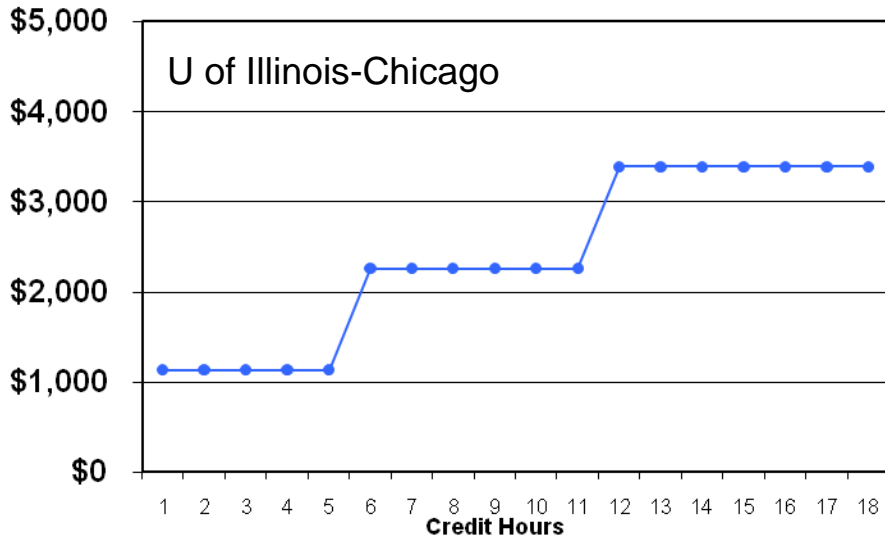
Linear Tuition



Linear with a Plateau



Tiered Tuition



Flat Rate Tuition

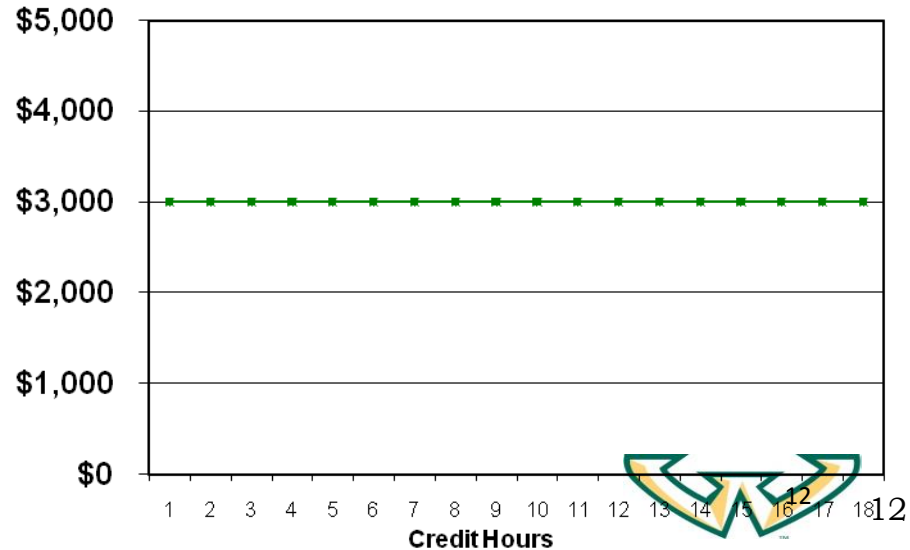
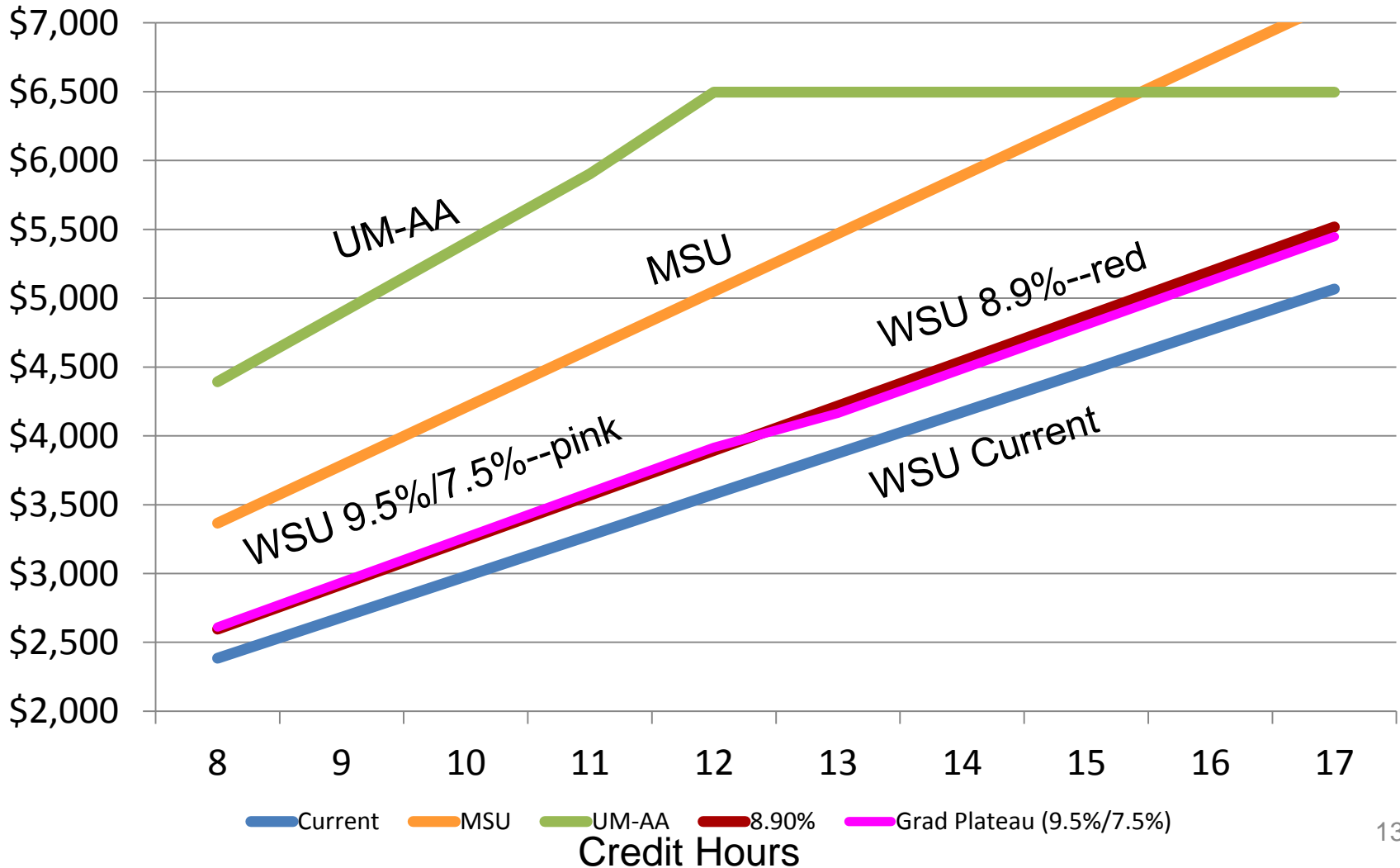


Illustration of Tuition Rates



FY 2014 Initiatives

<u>Item</u>	<u>Original Request</u>	<u>Second Proposal</u>	<u>Comments</u>
Retention			
Retention Initiative	\$2,855	\$550	Reduce financial aid and only hire 8 advisors
Graduate Student Retention	\$710	\$650	Implement Grad retention program
Office of Multicultural Affairs	\$1,792	\$1,500	Establish diversity office
Establish Transfer Center	\$280	\$220	Establish transfer student coordination center
Total	\$5,637	\$2,920	
Research			
Core Facilities	\$2,500	\$1,500	
Bridge Funding	\$1,300	\$800	
Tech Commercialization	\$1,000	\$500	
Research Initiative	\$615	\$50	Requires \$300k in one time funds from OVPR
SOM Faculty Lines	\$1,200	\$600	Only provide funds for filled lines
Start-Up Packages (PRB & Misc)	\$7,500	\$2,250	Incorporate PRB into set-up budget
Total	\$14,115	\$5,700	
Strategic Campuswide Investments			
New Debt Service	\$5,100	\$3,400	No principal payment in FY 2014
Library Acquisition Budget	\$1,000	\$1,000	Fund as requested
Public Health Program	\$1,400	\$0	Delay until FY 2015
Housing	\$500	\$0	Eliminate FY 2014 increment
Provost Academic Enhancements	\$1,600	\$1,000	Fund two-thirds of requested items
Human Resources	\$500	\$150	HR transformation
Marketing Enhancements	\$550	\$400	Enhance marketing outreach
Total	\$10,650	\$5,950	
Initiatives Total	\$30,402	\$14,570	

Tuition Scenarios

Tuition Rate Increase (no fees)	Initiatives (\$000)			TOTAL TUITION & FEES		TOTAL GENERAL FUND BUDGET REVENUE INCREASE	BUDGET BALANCE
	Amount of Debt Service Funded	Other Initiatives Funded	Total Initiatives Funded	\$ Increase @ 15 Credit Hours	Published Total % Increase**		
11.50%	\$3,400	\$10,240	\$13,640	\$546	10.70%	2.3%	\$0
10.90%	\$3,400	\$9,270	\$12,670	\$520	10.20%	2.1%	\$0
9.40%	\$3,400	\$6,880	\$10,280	\$452	8.90%	1.7%	\$0
8.50%	\$3,400	\$5,440	\$8,840	\$410	8.10%	1.4%	\$0
9.5%/7.5%	\$3,400	\$5,440	\$8,840	\$365	7.20%	1.4%	\$0
7.90%	\$3,400	\$4,480	\$7,880	\$385	7.60%	1.3%	\$0
6.90%	\$3,400	\$2,890	\$6,290	\$340	6.70%	1.0%	\$0
6.00%	\$3,400	\$1,450	\$4,850	\$300	5.90%	0.7%	\$0
3.75%	\$3,400	\$0	\$3,400	\$200	3.92%	0.1%	(\$2,140)

****NOTE:** Total increase will be different than rate increase because not all fees are increasing at the tuition rate

Green Highlighted row represents a \$900 annual increase

Orange highlighted row is faculty motion for discussion at Faculty Budget Committee on June 24th

A Tuition increase of 7.9% provides total research initiative funding of \$0.9 M; Tuition increases of 6.9% or less provides no initiative funding for research

Impact of Proposed Tuition & Fees Rates

24 Credit Hours

Institution	FY 2013 Tuition & Fees	FY 2014 Tuition & Fees	% Change	FY 2014 Variance from WSU
UM-AA	\$12,994	\$13,137	1.10%	\$4,169
MTU	\$10,734	\$11,045	2.90%	\$2,077
WMU	\$10,282	\$10,652	3.60%	\$1,684
GVSU	\$10,078	\$10,431	3.50%	\$1,463
MSU	\$10,150	\$10,343	1.90%	\$1,375
LSSU	\$9,890	\$10,236	3.50%	\$1,268
UM-D	\$9,758	\$10,100	3.50%	\$1,132
UM-F	\$9,028	\$9,344	3.50%	\$376
NMU	\$8,709	\$9,014	3.50%	\$46
CMU	\$8,760	\$8,979	2.50%	\$11
WSU (8.9%)	\$8,235	\$8,968	8.90%	\$0
FSU	\$8,568	\$8,756	2.20%	(\$211)
OU	\$8,184	\$8,470	3.50%	(\$497)
EMU	\$7,240	\$7,515	3.80%	(\$1,453)
SVSU	\$6,496	\$6,743	3.80%	(\$2,225)

Average \$9,582

Indicates Institution has not set rate

30 Credit Hours

Institution	FY 2013 Tuition & Fees	FY 2014 Tuition & Fees	% Change	FY 2014 Variance from WSU
MTU	\$13,353	\$13,740	2.90%	\$2,643
UM-AA	\$12,994	\$13,137	1.10%	\$2,040
MSU	\$12,675	\$12,916	1.90%	\$1,819
CMU	\$10,950	\$11,224	2.50%	\$127
WSU (8.9%)	\$10,190	\$11,097	8.90%	\$0
FSU	\$10,710	\$10,946	2.20%	(\$151)
WMU	\$10,282	\$10,652	3.60%	(\$445)
OU	\$10,230	\$10,588	3.50%	(\$509)
GVSU	\$10,078	\$10,431	3.50%	(\$666)
UM-D	\$10,250	\$10,609	3.50%	(\$488)
LSSU	\$9,890	\$10,236	3.50%	(\$861)
UM-F	\$9,514	\$9,847	3.50%	(\$1,250)
EMU	\$9,026	\$9,369	3.80%	(\$1,728)
NMU	\$8,709	\$9,014	3.50%	(\$2,083)
SVSU	\$8,120	\$8,429	3.80%	(\$2,668)

Average \$10,816

Indicates Institution has not set rate

Current Graduate (Masters) Tuition Rates

Resident

Institution	FY 2013 Tuition	Variance from WSU
UM-AA	\$19,434	\$5,279
MTU	\$18,094	\$3,939
MSU	\$14,386	\$231
OU	\$14,286	\$131
WSU	\$14,155	\$0
GVSU	\$12,528	(\$1,627)
WMU	\$12,354	(\$1,801)
UM-D	\$12,198	(\$1,957)
UM-F	\$12,034	(\$2,121)
EMU	\$11,855	(\$2,300)
FSU	\$11,640	(\$2,515)
SVSU	\$11,482	(\$2,673)
CMU	\$11,424	(\$2,731)
LSSU	\$11,080	(\$3,075)
NMU	\$10,497	(\$3,658)

Average \$13,163

Non-Resident

Institution	FY 2013 Tuition	Variance from WSU
UM-AA	\$39,076	\$9,466
WSU	\$29,610	\$0
MSU	\$28,210	(\$1,400)
WMU	\$25,222	(\$4,388)
OU	\$24,648	(\$4,962)
UM-D	\$23,542	(\$6,068)
EMU	\$22,322	(\$7,288)
SVSU	\$21,599	(\$8,011)
CMU	\$18,384	(\$11,226)
MTU	\$18,094	(\$11,516)
UM-F	\$17,836	(\$11,774)
FSU	\$17,472	(\$12,138)
GVSU	\$16,920	(\$12,690)
NMU	\$14,829	(\$14,781)
LSSU	\$11,080	(\$18,530)

Average \$21,923

Budget Summary

- Part 1: WSU Enrollment Shortfall and ICR Reductions

- Changes

• Enrollment declines	\$12.7 M
• <u>ICR decline</u>	\$ 5.5 M
• TOTAL	\$18.3 M

- Solution

• University-wide Reductions (5.5%)	\$18.9 M
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- **Variance** **\$0.6 M**

- Part 2: WSU Contractual, Inflationary Increases and Initiatives with minimal state support

- Changes

• Expenditures	\$14.7 M
• <u>Initiatives</u>	\$14.5 M
• TOTAL	\$29.2 M

- Solution

• General 3.75% tuition increase	\$10.7 M
• State 0.2% increase	\$ 0.5 M
• <u>Other Adjustments</u>	\$ 1.0 M
• TOTAL	\$12.2 M

- **Variance** **-\$17.0 M**

- TOTAL SHORTFALL (Part 1 + Part 2) -\$16.4 M**

- Need additional tuition increases or additional reductions to balance