U-M Budget Overview

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Agenda

• University Budget Overview
  – Sources of funds
  – How funds flow to units
  – Budgetary roles and responsibilities

• General Fund Budget Overview
  – Sources of funds
  – How resources are allocated
  – Budget system and incentives for accountability

• Capital Projects

• Questions
FY 2020 Ann Arbor Campus Operating Budget
Budgeted Revenue Sources by Fund

General Fund
Primary source of support for academic enterprise
- Tuition & Fees: $1,705,232,152
- State Appropriations: $325,531,500
- Indirect Cost Recovery: $277,117,179

Designated Fund
Generated by non-credit activities such as executive and continuing education; generally self-supporting
- Departmental Activities: $117,700,000
- Distributions from Endowment: $86,940,000
- Indirect Cost Recovery: $27,388,000

Auxiliary Fund
Generated by self-supporting activities (Michigan Medicine, Intercollegiate Athletics, etc.)
- Michigan Medicine: $184,230,000
- Intercollegiate Athletics: $225,220,000
- Other Auxiliary Units: $225,205,882

Expendable Restricted Fund
Uses are specifically restricted by an external entity (sponsor or donor)
- Sponsored Grants & Contracts: $1,003,894,821
- Distributions from Endowment: $257,220,000
- Expendable Gifts: $137,800,000

Total Revenue: $5,290,346,774

How funds flow to units

General Fund
Revenues flow to Provost for allocation
More details on next few slides

Designated Fund
Revenues flow to revenue generating unit

Auxiliary Fund
Revenues flow to revenue generating unit

Expendable Restricted Fund
Revenues flow based on sponsor or donor intent

“Unit” = a school/college or executive officer area
Budgetary Roles and Responsibilities

- **Board of Regents**: Ultimately responsible for approving the annual operating budget, including tuition rates
- **President**: Has final oversight of the budget recommendation
- **Provost**: Develops and presents the annual General Fund budget recommendation, including tuition rates, to the Board of Regents for their approval
- **Executive Officers, Deans, Directors**: Responsible for budget development, execution and management within the unit they lead

Goal of our budget system is to facilitate the missions of the university

Revenues flow to Provost for allocation
- Ensures alignment of resources with academic mission

Long-standing goals:
- to maintain and advance the excellence of our academic programs,
- to ensure access to the University by students from all economic backgrounds, and
- to be good stewards of university resources and impose fiscal discipline
General Fund Budget Overview

GF revenues flow to Provost for allocation
Resources are allocated one of two ways:

- Discretionary (Determined by Provost)
- Activity-based

State Appropriation
Tuition & Fees
ICR & Other

Rackham, Libraries and Museums
Central Units

Mandatory Items
(Untilities, Health Service, etc.)

Central Financial Aid

General Fund Budget Model for Resource Allocation

Fees for Mandatory Items
Provost
Schools, Colleges, Research Institutes

Central Units

Taxes, Financial Aid Assessments, Facilities Assessments

General Fund Budget Overview

FY 2020 General Fund Budget Allocations

Includes:
- Utilities, Insurance, Space Rental
- Unemployment Pool
- Debt Service
- Health Service

Central Financial Aid 12% *
Mandatory University Items 7%
Central Units 14%

Includes:
- Undergraduate Financial Aid
- Rackham Graduate Financial Aid

*Note: In addition to Central Financial Aid, schools and colleges also provide significant support for graduate students
Total General Fund Financial Aid represents 22% of Total General Fund Budget

Includes:
- Schools, Colleges
- Research Institutes
- Libraries and Museums
- Academic Program Support Fund
- Capital Renewal Fund

Includes:
- Executive Officer units
- Central Support units (Registrar, Admissions, Career Center, Services for Students with Disabilities, etc.)
- Institutional Support (Legal and Fiscal Operations, Procurement Services, HR & Records, etc.)
- Facilities Operations and Maintenance

Academic 67%
Growth in General Fund Budget Allocations

Compound Annual Growth Rates through FY 2020
General Fund Budget Allocations
- One Year
- Five Year
- Ten Year

Budget allocations reflect overarching priorities

State Support has not kept pace with inflation
State disinvestment has led to increased reliance on tuition revenue

Fiscal discipline is required to balance our overarching goals of academic excellence and affordability

- U-M continues to invest in academic excellence despite state disinvestment
- Fiscal discipline makes this possible
- General Fund budget is built on the expectation that all units will:
  - Eliminate lower priority activities and/or find efficiencies
  - Shift General Fund costs to gifts and/or other alternative revenue sources
  - Fund new high-priority needs and initiatives with gifts and/or alternative revenues

Eliminate Lower Priority Activities and/or Find Efficiencies + Shift General Fund Costs to Non-General Fund Sources + New Non-General Fund Sources = 1.25% of Total GF Budget
Revenue constraints present difficult choices

pressures:
- withdrawal of state support
- commitment to affordability
- state caps on tuition

pressures:
- commitment to excellence
- commitment to access
- competition
- inflation
- compliance

the goal is to develop a balanced budget that reflects good stewardship of the university’s current and future excellence

new initiatives
- indirect cost recovery
- state support
- tuition
- mandatory costs
- faculty & staff
- financial aid
- new initiatives

capital projects process & approvals

unit identifies need

if approved, aec manages the study

deliverable = program + concept design + ballpark cost estimate

unit requests eo support to pursue a study

proposed funding plan needed

if eo supports the study request, eo seeks president’s approval

unit and provost (or other evp) identify project funding sources

when project budget and funding align and president agrees on potential timing, project goes to regents for consideration

president approves (or declines) the request

regents approve (or decline) the project

13

14
Questions