University of Michigan Funding: A Snapshot
Where the Money Comes From and Where It Goes

U-M’s operating budget has four major sources of funding.

**General Fund**
Money comes from:
- Student tuition and fees
- State support
- Indirect cost of sponsored research

Pays for:
- Teaching
- Services
- Administrative support

**Auxiliary Funds**
Self-supporting auxiliary units pay their own way and receive no taxpayer or tuition support:
- U-M Health System
- Intercollegiate Athletics
- Student Housing
- Student Publications

**Expendable Restricted Funds**
Providers designate how their money is spent.
Money comes from:
- Research grants and contracts
- Endowment payout
- Gifts

Pays for:
- Scholarships and fellowships
- Salaries, benefits and research support for some faculty
- Research, programs and academic centers

**Designated Funds**
Fees charged for and spent on:
- Conferences
- Executive and continuing education

Sources of U-M Ann Arbor Budgeted Revenue FY17

- General Fund 26%
- Expendable Restricted Funds 16%
- Auxiliary Funds 55%
- Designated Funds 3%

Total Budget: ~$7.4 billion
Where the General Fund Money Comes From U-M Ann Arbor FY17 Budget

Money comes from:
- Student tuition and fees
- State support
- Indirect cost of sponsored research

Pays for:
- Teaching
- Services
- Administrative support

Tuition/General Fund does not pay for:
- Intercollegiate Athletics
- Construction
- Housing
- Health System
Where the General Fund Money Goes
U-M Ann Arbor FY17 Budget

67.7 cents of each dollar goes to academic activities
- Instruction
- Academic advising
- Libraries
- Museums

11.7 cents of each dollar goes to facilities and risk management
- Plant operations
- Utilities
- Insurance
- Public safety

10.9 cents of each dollar goes to centrally awarded financial aid
U-M’s schools and colleges also award financial aid.

9.7 cents of each dollar goes to administrative services
- Admissions
- Budgeting and accounting
- Central human resource services
- Central information technology
- Legal services
Declining State Support Drives Up Tuition

- In 1970, state support accounted for 64 percent of the U-M Ann Arbor General Fund. It has dropped to 16 percent of the General Fund budget in 2016.

- U-M has seen declines in state support over the last 10 years, and remains 4 percent lower than 2007 in state funding.

- The Ann Arbor campus’s state support of $309 million in FY17 is $12 million less than it was 10 years ago.

- If U-M’s 2002 appropriation had increased at the rate of the Detroit Consumer Price Index, U-M would receive approximately $153 million more state support in 2016-17.
Why Are Costs Rising?

- 60 percent of U-M’s total costs are for labor—to hire and retain world-class faculty and staff.

- U-M is facing more than $25 million in mandatory cost increases for FY17 resulting from benefits rate increases, utilities, contractual salary increases for union employees, costs of new space, regulatory compliance and inflation on the goods and services that U-M purchases.

- General Fund health care costs have increased approximately 65 percent over the past 10 years.

- U-M must continue to invest in state-of-the-art laboratories and instructional space, and new technologies that support education and research.

- U-M invests heavily in need-based financial aid, achieving double-digit percentage increases in the centrally-awarded undergraduate financial aid budget in nine of the last 10 years.
How U-M Is Cutting Costs

Since 2004, U-M has achieved $337 million of General Fund savings. An additional $23 million is planned for fiscal year 2017, attaining our goal of an $360 million in recurring revenue enhancements and/or general fund reductions between fiscal years 2004 and 2017 through the implementation of:

- Energy efficiency improvements, which resulted in a 17 percent decrease in general fund utility costs in the past 10 years.

- Changes in health benefits strategies, including encouraging employees to use generic prescription drugs rather than brand names and increased cost sharing.

- Negotiating strategic procurement contracts to save on purchases of computer equipment, audio visual hardware, office supplies, temporary employees, furniture and other supplies.

- Use of cloud-based collaboration tools to enable our work with colleagues around the globe and reduce the cost of purchasing third-party proprietary software.

- Consolidation of desktop, network, server, storage, security and helpdesk support into a single organization.

- Consolidation of transactional work and business processes into a merged service center to achieve additional administrative efficiencies.

- More efficient use of space and facilities.

As a result of steps to control costs, U-M’s increase in General Fund expenditures for health insurance benefits, 5.2% annually since 2004, has been about half the national average.
Keeping U-M Affordable: Financial Aid

- The University has made a strong financial commitment toward financial aid over the past decade, continuing its long-standing policy of meeting the full demonstrated financial need of all undergraduate students from Michigan.

- The budget for centrally awarded, undergraduate financial aid has grown much more quickly in percentage terms than tuition and has well outpaced inflation.
  - The 5-year average annual growth rate for the undergraduate financial aid budget is 11.7% (compared to 3.0% for Resident tuition, 3.7% for Non-Resident tuition and 1.8% for Detroit CPI).
  - The undergraduate financial aid budget grew by another 8.1% this year, as compared to 2.7% for Resident tuition and 3.7% for non-resident tuition.

- The General Fund is just one source of financial aid for our students.
  - In 2014-15, nearly $887 million in aid was paid to U-M students, with more than $341 million of this aid going to undergraduate students. This includes all types of aid (grants, scholarships, loans and work-study) by all known funding sources (Office of Financial Aid, Rackham, Schools/Colleges, Federal and State programs).

- We have achieved double digit percentage increases in the centrally-awarded undergraduate financial aid budget in eight of the last ten years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Budget (in millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>$ 55.5</td>
<td>7.7%</td>
</tr>
<tr>
<td>FY 2008</td>
<td>$ 61.9</td>
<td>11.5%</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$ 68.6</td>
<td>10.8%</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$ 76.6</td>
<td>11.7%</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$ 84.7</td>
<td>10.6%</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$ 93.9</td>
<td>10.9%</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$103.4</td>
<td>10.1%</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$117.6</td>
<td>13.7%</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$133.3</td>
<td>13.4%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$144.1</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

- The majority of this aid is need-based.

- There are several other sources of institutional undergraduate financial aid: non-General Fund aid provided centrally, and School/College aid (both General Fund and non-General Fund).
The U-M Endowment

- U-M’s endowment is a collection of about 9,800 separate funds. Each fund must be spent as specified by the donor.

- One-fifth of the total endowment is earmarked for student scholarships and fellowships.

- Approximately one-fifth of the endowment was given for the U-M Health System and can only be used to support research, patient care or other purposes identified by donors or sponsors.

- In the past five years, U-M’s long-term investment strategy and spending policies generated nearly $1.4B in endowment distributions to support operations.

U-M’s endowment is the tenth largest among all universities in the country, and U-M ranks 84th in endowment per student, much lower than private peer universities, indicating our endowment supports learning for a much larger body of students.*

* The above data and market value data is from FY15, as FY16 is not yet available; this differs from the market value data in the pie chart, which is FY16.
Resources

- Budget and cost cutting website
  publicaffairs.vpcomm.umich.edu/key-issues/cost-cutting-budget-update

- Budget presentation, June 2016
  publicaffairs.vpcomm.umich.edu/wp-content/uploads/sites/19/2015/01/FY16-17-Provost-PPT-for-June-Regents-FINAL.pdf

- Questions and answers on tuition
  publicaffairs.vpcomm.umich.edu/key-issues/tuition

- Questions and answers on the endowment
  publicaffairs.vpcomm.umich.edu/key-issues/university-of-michigan-endowment

- Cost of attendance calculator
  finaid.umich.edu/cost-of-attendance

- U-M financial reports
  finance.umich.edu/finops/reporting/annualreports

- Michigan Almanac
  obp.umich.edu/michigan-almanac