

# *Board of Trustees Meeting*

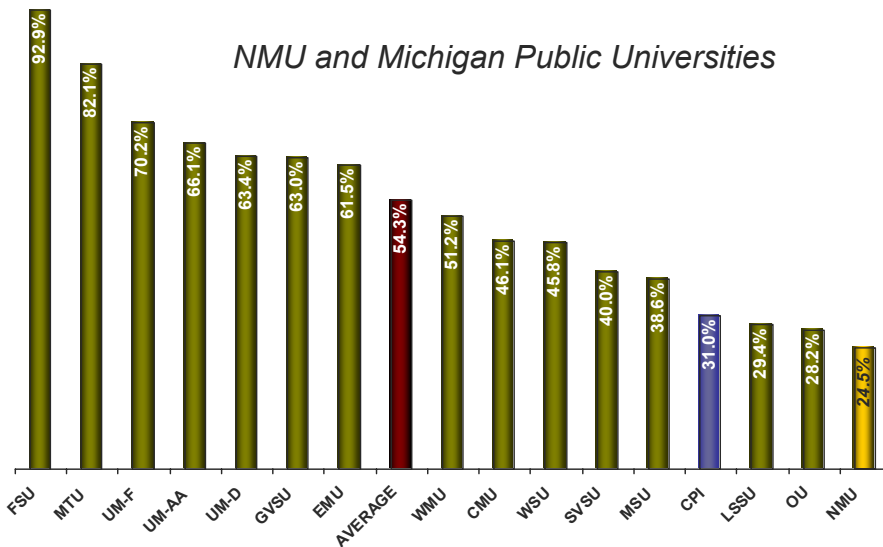
*Focus Discussion*  
*April 30, 2004*

## *Where are we in the Budget Process?*

- *April 17, 2003*      *BAC Report finalized includes reductions scheduled for FY2004 and FY2005 implementation*
- *December 8, 2003*      *President's Council Report for FY2004 and FY2005 reductions completed*
- *December 12, 2003*      *Board of Trustees approves President's Council FY2004 and FY2005 reductions including a 2.1% mid-year tuition increase*
- *December 29, 2003*      *House Bill passed reducing NMU's appropriation by an additional 5% (\$2.3 million) along with language regarding tuition restraint and restoration of appropriation*
- *March 12, 2004*      *Testified at Senate Subcommittee on Higher Education Appropriations*
- *April 21, 2004*      *Budget Forum*

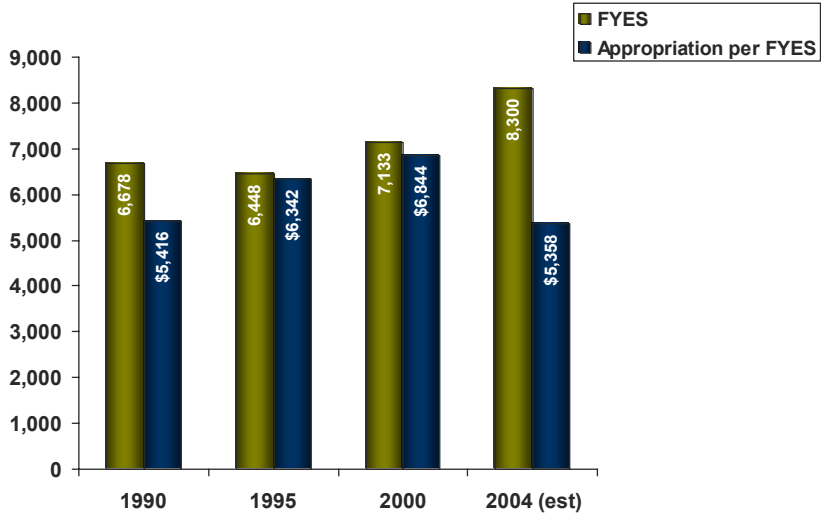
## Cost, Appropriation, and Tuition and Fees Overview

### Cost per FYES Change vs. CPI Fiscal Years 1992 through 2003

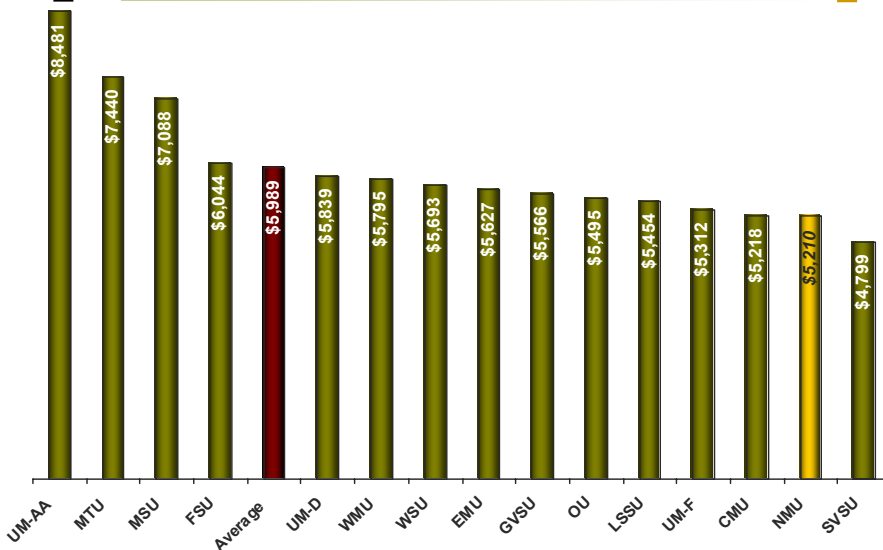


Note: Includes implementation of TLC program

## Appropriation and Fiscal Year Equated Student (FYES) History



## Annual Resident Undergraduate Tuition and Fees Fiscal Year 2003-2004 Michigan Public Universities



Note: Includes NMU mid-year tuition and fee increase

## Annual Resident Undergraduate Tuition and Fees Fiscal Years 2002-03 and 2003-04 Michigan Public Universities

	2002-03		2003-04			
	Total	Rank	Total	Rank	Chg	% Chg
University of Michigan--Ann Arbor	\$7,960	1	\$8,481	1	\$521	6.5%
Michigan Technological University	\$6,591	2	\$7,440	2	\$849	12.9%
Michigan State University	\$6,454	3	\$7,088	3	\$634	9.8%
Ferris State University	\$5,334	4	\$6,044	4	\$710	13.3%
University of Michigan--Dearborn	\$5,332	5	\$5,839	5	\$507	9.5%
Western Michigan University	\$5,156	6	\$5,795	6	\$640	12.4%
Wayne State University	\$5,104	8	\$5,693	7	\$589	11.5%
Eastern Michigan University	\$5,027	10	\$5,627	8	\$600	11.9%
Grand Valley State University	\$5,148	7	\$5,566	9	\$418	8.1%
Oakland University	\$5,032	9	\$5,495	10	\$463	9.2%
Lake Superior State University	\$4,758	13	\$5,454	11	\$696	14.6%
University of Michigan--Flint	\$4,786	11	\$5,312	12	\$526	11.0%
Central Michigan University	\$4,747	14	\$5,218	13	\$471	9.9%
<b>Northern Michigan University *</b>	<b>\$4,780</b>	<b>12</b>	<b>\$5,210</b>	<b>14</b>	<b>\$430</b>	<b>9.0%</b>
Saginaw Valley State University	\$4,382	15	\$4,799	15	\$417	9.5%
<b>State Average</b>	<b>\$5,373</b>		<b>\$5,937</b>		<b>\$565</b>	<b>10.5%</b>
<b>State Average (excluding NMU)</b>	<b>\$5,415</b>		<b>\$5,989</b>		<b>\$575</b>	<b>10.6%</b>

\* Includes 2003-04 mid-year tuition and fee adjustment.

Source: Presidents Council, State Universities of Michigan, Report on Tuition and Fees 2003-04 dated November 14, 2003, and Report on Tuition and Fees 2002-03, dated December 3, 2002.

## Cost, Appropriation, Tuition Summary

- **Cost per student**
  - Lower than CPI over last 11 years
  - Includes implementation of TLC program
- **Appropriation per FYES**
  - \$1,486 lower than FY2000
  - 21.7% decrease
- **FY2003-2004 annual tuition and fees**
  - Dropped from 4<sup>th</sup> lowest to 2<sup>nd</sup> lowest (including mid-year increase)
  - 3<sup>rd</sup> lowest percentage increase at 9.0%
    - University of Michigan – 6.5%
    - Grand Valley State University – 8.1%
  - 3<sup>rd</sup> lowest dollar increase at \$430
    - Grand Valley State University -- \$418
    - Saginaw Valley State University -- \$417

## *Projected Budget Adjustments*

*Fiscal Year 2004-2005*

## *Base Budget Adjustments*

- **Compensation and staffing cost increases**

- Compensation adjustments \$2,814,000
- Staffing 715,000
- MPSERS 380,000

**Subtotal—Compensation and staffing \$3,909,000**

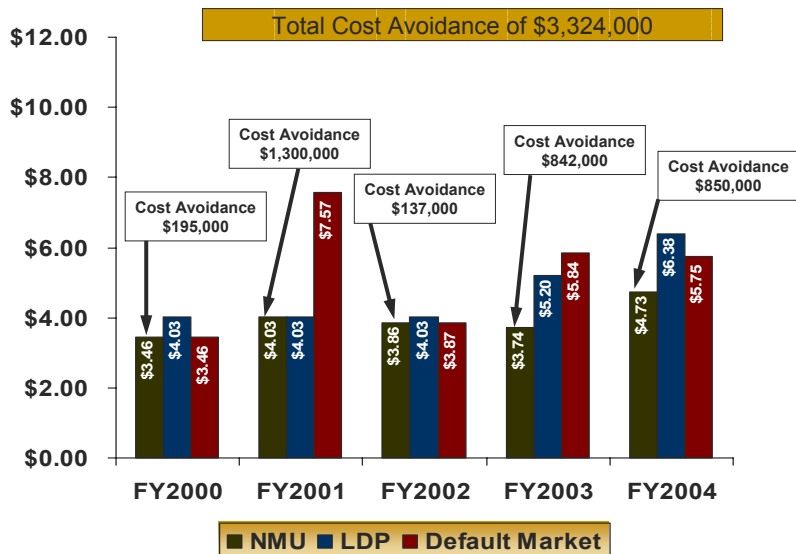
## Base Budget Adjustments

### Support cost increases

○ Utilities	\$750,000
○ Debt service	540,000
○ TLC allocation (enrollment increase)	167,000
○ Professional services, fees, property/liability insurance	160,000
○ Building opening funds	150,000
○ Operating reserves	140,000
○ Bad debt reserves	50,000
○ Maintenance agreements and server support	40,000
○ Internationalization program	25,000
○ Accreditation support	20,000
○ Admissions, recruiting, campus visit support	10,000

**Subtotal—Support cost increases      \$2,052,000**

## Natural Gas Cost \$ per MCF Comparison



## *Base Budget Adjustments*

### ■ **Public Radio and Television and USOEC**

- *Public Radio and Television* \$250,000
- *United States Olympic Education Center* 80,000

**Subtotal—Public Radio and TV/USOEC** \$330,000

### *Recommendations to the Board of Trustees*

## *Northern Michigan University Public Broadcasting*



*Dr. Fred Joyal  
Provost and Vice President for  
Academic Affairs*

*Eric Smith  
Director of Production & AV Services*

## ***Goals***

- ***To maintain broadcasting services***
- ***To continue offering education-enhancing opportunities for students***
- ***To continue the development of state-of-the-art learning technology***

## ***Historical Perspective***

- ***BAC report recommends base budget reduction – \$1.1 million over 2 years***
- ***Community committee sees additional fundraising potential. This year's revenue up:***
  - *Radio up 52%*
  - *TV up 12%*
- ***Faculty report - identifies additional instructional opportunities and and recommends continued University support.***
- ***Consultant report finds well run operations and reviews three options...***



## *Three Possibilities...*

- ...to solicit a **non-commercial buyer** for the broadcasting licenses and some portion of the operating assets.
- ...to identify a partner that would operate the two stations on behalf of the University in a **Joint Operating Agreement** or Joint Management Agreement.
- ...to continue **directly operating** the two stations with an annual allocation from the University of no more than \$250,000 total for both stations.

*Transformations Consulting Group, Inc.*

## *Option 2...*

- ...to identify a partner that would operate the two stations on behalf of the University in a **Joint Operating Agreement** or Joint Management Agreement.

*Transformations Consulting Group, Inc.*

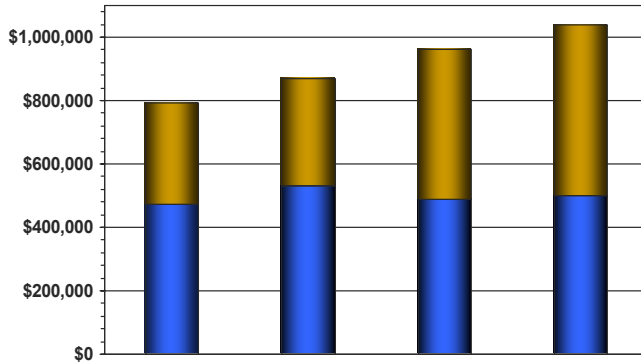
## *Joint Operating Agreement...*

- *Opportunities*
- *Pros & Cons*
- *Has the potential to lower costs while continuing Public Radio and TV in our region*
- *Potential to extend NMU marketing into southern Michigan*
- *Negotiations required*

## *Option 3...*

- *...to continue **directly operating** the two stations with an annual allocation from the University of no more than \$250,000 total for both stations.*

## TV & Radio Fundraising



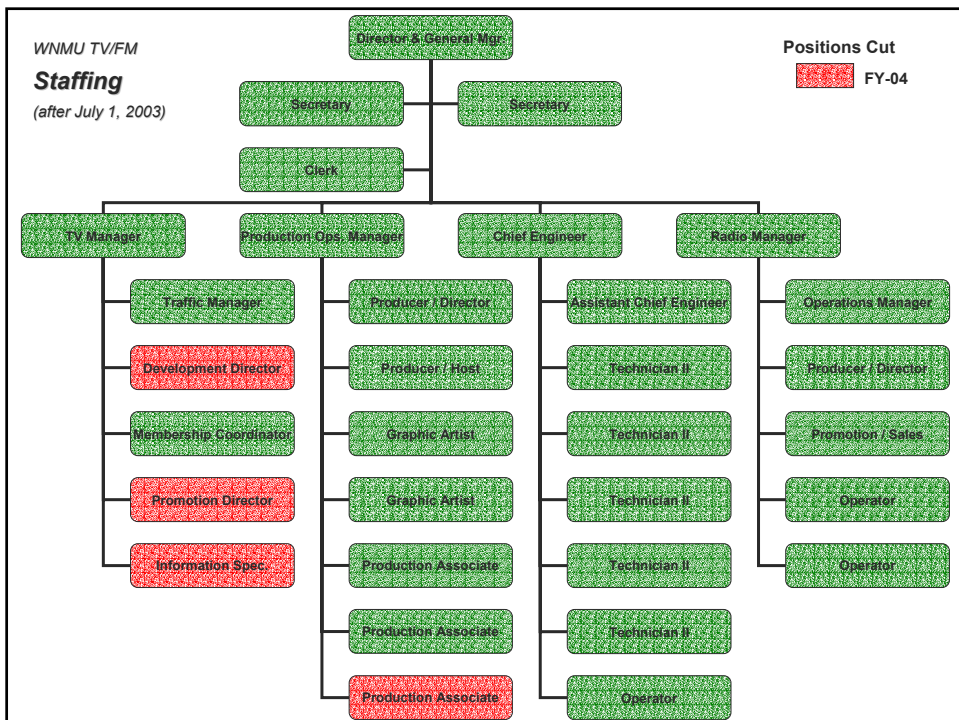
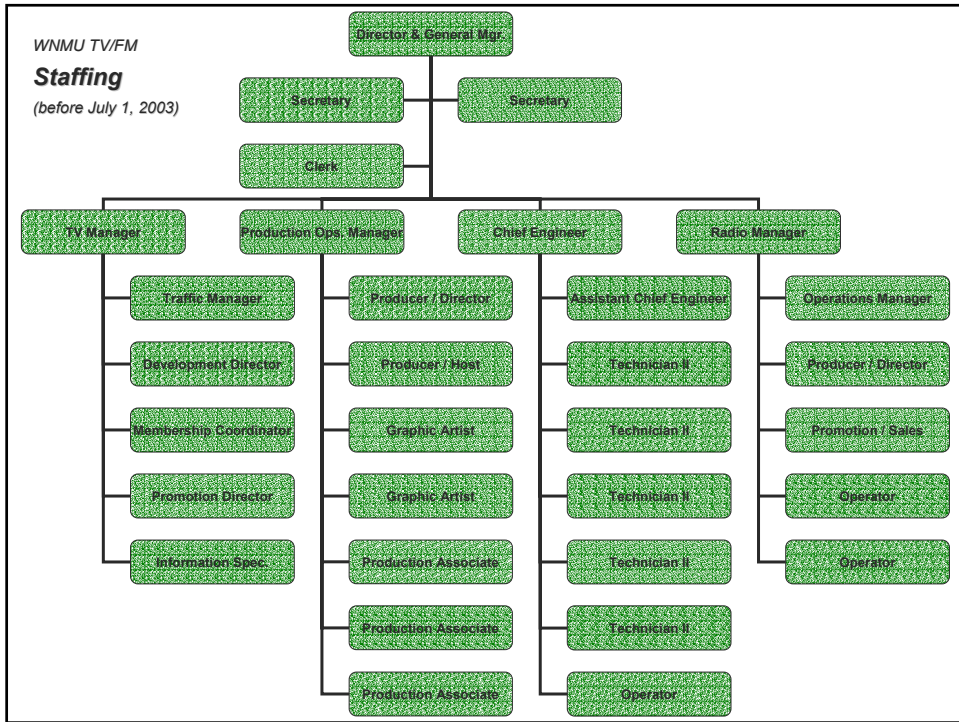
\* Actual through 4/8/04 with last quarter of FY-03 total added

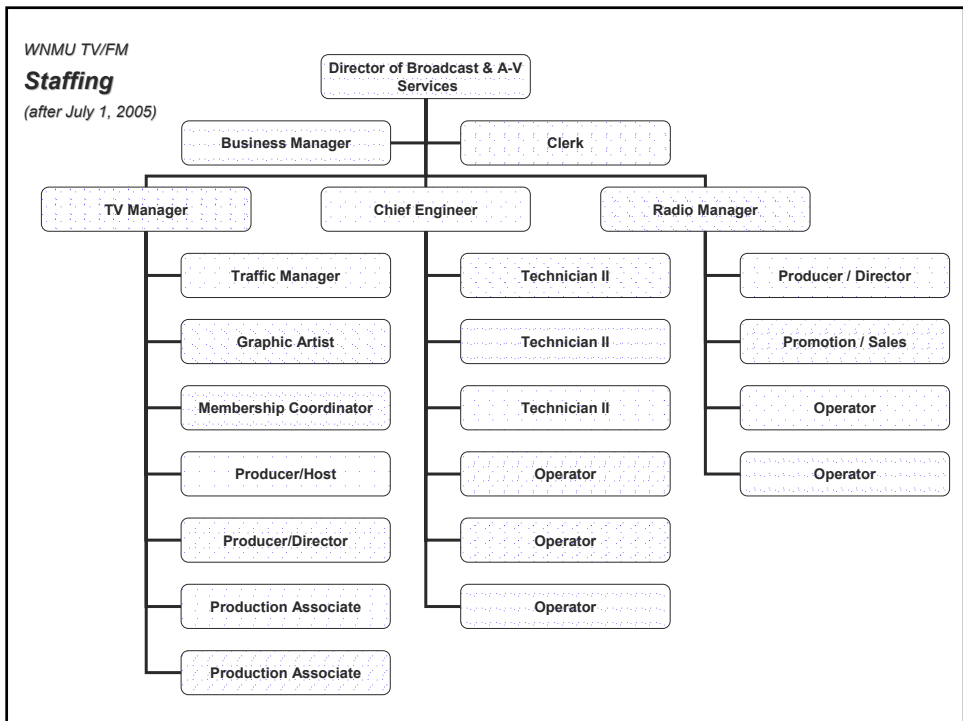
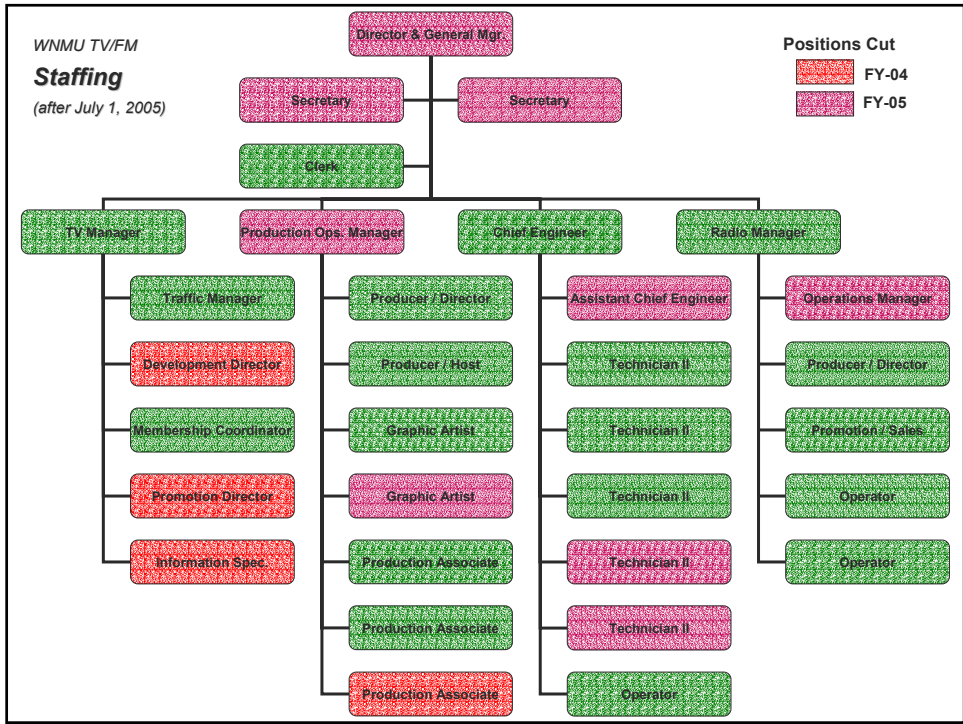
\*\* FY-05 equals 50% of FY-04 increase added to that year's total

## Revenue/Expense by Category

### TV/FM

	FY-03	FY-05	Increase (Decrease)
<b><u>Operating Revenues:</u></b>			
Corp. for Public Broadcasting	\$ 773,423	\$ 808,000	\$ 34,577
NMU	1,410,348	250,000	(1,160,348)
Contributions	873,194	1,039,000	165,806
Other	46,512	20,000	(26,512)
<b>Total</b>	<b>\$3,103,477</b>	<b>\$2,117,000</b>	<b>\$(986,477)</b>
<b><u>Operating Expenses:</u></b>			
Personnel	\$1,907,384	\$1,031,311	\$(876,073)
Support Services	214,283	200,000	(14,283)
Programming	827,014	800,000	(27,014)
<b>Total</b>	<b>\$2,948,681</b>	<b>\$2,031,311</b>	<b>\$(917,370)</b>
<b>Net operations</b>	<b>\$ 154,796</b>	<b>\$ 85,689</b>	





## *ACE Automation*

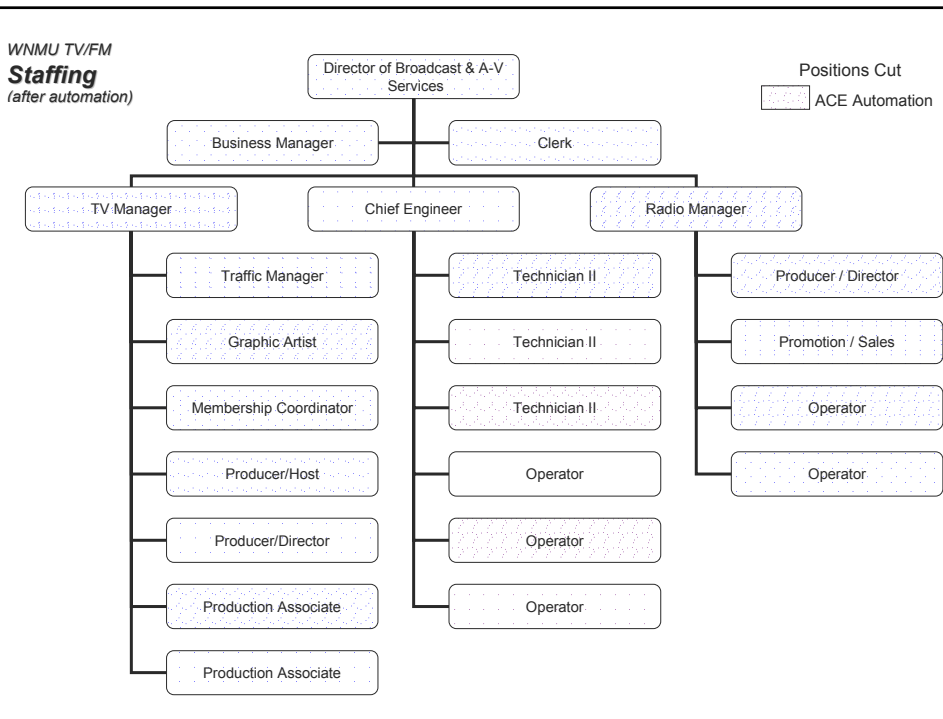
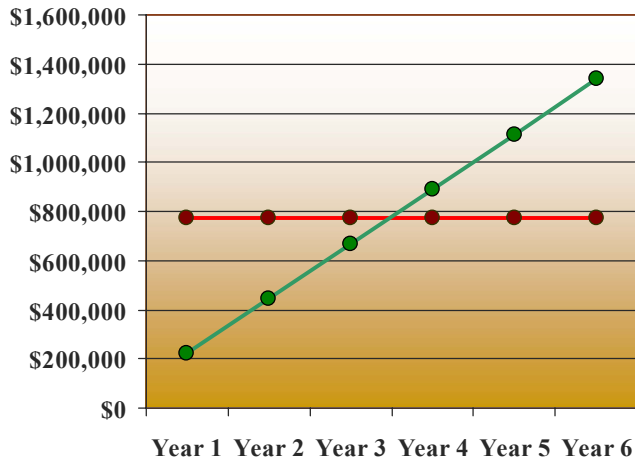
- ***Allows WNMU-TV (WNMU-FM already has an automation system) to run the PBS-related portion of their broadcast facilities at significantly lower cost, while maintaining the local control and autonomy.***
  - *Current acquisition cost of \$1,276,000*
  - *Funding up to \$500,000 available for qualifying stations*
  - *Annual personnel savings estimated at \$223,219*
  - *PBS wait list puts WNMU-TV at least 18 - 24 months away from acquisition and installation.*
    - *1<sup>st</sup> system to go on-line summer 2004*

## *Revenue/Expense with ACE Automation*

		<u>TV/FM</u>		
<u>Operating Revenues:</u>	<u>FY-03</u>	<u>FY-05</u>	<u>w/ACE</u>	<u>Increase (Decrease)</u>
CPB	\$ 773,423	\$ 808,000	\$ 808,000	\$ 34,577
NMU	1,410,348	250,000	250,000	(1,160,348)
Contributions	873,194	1,039,000	1,039,000	165,806
Other	46,512	20,000	20,000	(26,512)
<b>Total Revenue</b>	<b>\$3,103,477</b>	<b>\$2,117,000</b>	<b>\$2,117,000</b>	<b>\$(986,477)</b>
<u>Operating Expenses:</u>				
Personnel	\$1,907,384	\$1,031,311	\$ 808,092	\$(1,099,292)
Support Services	214,283	200,000	200,000	(14,283)
Programming	827,014	800,000	800,000	(27,014)
<b>Total Expense</b>	<b>\$2,948,681</b>	<b>\$2,031,311</b>	<b>\$1,808,092</b>	<b>\$(1,140,589)</b>
<b>Net Operations</b>	<b>\$154,796</b>	<b>\$ 85,689</b>	<b>\$308,908</b>	

# ACE Payback

● ACE Cost (NMU Share) ● Staff Salary Savings (\$223,000 annually)

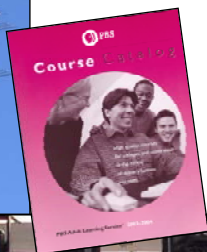


## ***In-Kind Value of NMU Radio and Television***

<i><b>Academic Support</b></i>	<b>\$133,645</b>
<i><b>Student Experience and Training</b></i>	<b>297,786</b>
<i><b>University Marketing</b></i>	<b>247,541</b>
<i><b>Total</b></i>	<b>\$678,972</b>

## ***In-Kind Value – Academic***

<i><b>PBS courses for credit</b></i> <i>(Gogebic – 85 students / 4 courses)</i>	<b>\$ 58,480</b>
<i><b>Microwave classes to Escanaba &amp; I.M.</b></i> <i>(12 classes 03-04 Academic year)</i>	<b>65,000</b>
<i><b>Faculty teaching support</b></i>	<b>4,465</b>
<i><b>FM faculty/student recordings</b></i>	<b>5,700</b>
<i><b>Total</b></i>	<b>\$133,645</b>





## ***In-Kind Value – Academic (continued)***

The screenshot shows a calendar interface for the period from March 7, 2004, to April 10, 2004. The calendar is organized by days of the week (Sunday through Saturday). Each day contains a list of events with their respective times and locations. The events listed include various social weeks (e.g., Social Wk 311, 372, 331), education sessions (e.g., Education 533), English classes (e.g., English 111), political science (e.g., Political Sci 101), theatre performances (e.g., Theatre 360), and marketing sessions (e.g., Marketing 411). The interface also shows standard calendar controls like 'New', 'Print', 'View', 'Refresh', and 'Help'.

**Social Wk 311**  
**Social Wk 372**  
**Social Wk 331**  
**Education 533**  
**English 111**  
**English 200**  
**Political Sci 101**  
**SO 282**  
**SO 308**  
**Theatre 360**  
**Marketing 411**  
**TDV 510**

## ***In-Kind Value – Student Support***

<b>"Public Eye" student news</b>	<b>\$ 47,536</b>
<b>Local production student training</b>	<b>140,250</b>
<b>Student labor</b>	<b>110,000</b>
<b>Total</b>	<b>\$297,786</b>

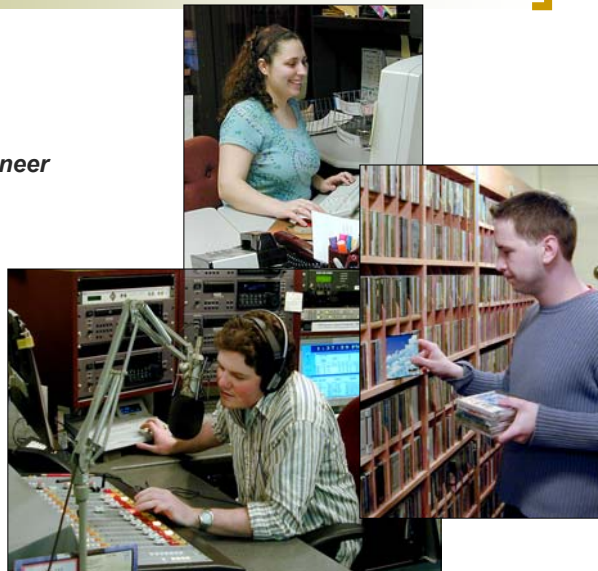
## *Student Opportunities in TV*



- *Camera Operator*
- *Graphics Operator*
- *Floor Director*
- *Audio Technician*
- *Technical Director*
- *Producer*
- *Director*
- *Field Videographer*
- *Teleprompter Technician*
- *Business Affairs Asst.*
- *Membership Asst.*
- *On-Camera Talent*
- *Lighting Technician*
- *Set Construction*
- *Non-Linear Editor*

## *Student Opportunities in Radio*

- *On-Air Announcer*
- *Traffic Coordinator*
- *News Copy Writer*
- *Field Recording Engineer*
- *CD Library Manager*
- *Membership Asst.*
- *Fundraising Asst.*
- *Tour Host*
- *Sales Asst.*



## ***In-Kind Value - Marketing***

<i>TV promotional spots</i>	<i>\$147,420</i>
<i>FM promotional spots</i>	<i>73,834</i>
<i>Televised commencements</i>	<i>7,352</i>
<i>Campus tours</i>	<i>875</i>
<i>FM faculty programming</i>	<i>3,640</i>
<i>“Northern Notebook” productions</i>	<i>14,420</i>
<i>Total</i>	<i>\$247,541</i>

## ***Opportunities Suggested by Faculty***

- *Music production and field recordings*
- *Music recording/periodic band show (currently in production)*
- *Media review show (reviews of motion pictures)*
- *Outdoor recreation show - focus on activities popular with college-age persons*
- *Sports play-by-play and coaches show (both college and high school)*
- *Guest lecture series*
- *Special panel discussions (coordinated with NMU conferences and events)*
- *Distance Education (credit and non-credit) via digital channels*

## ***Goals***

- ***To maintain broadcasting services***
  - ***To continue offering education-enhancing opportunities for students***
  - ***To continue to the development of state-of-the-art learning technology***
- ...at significantly less cost.***

## ***Recommendations to the Board***

- ***Enter negotiations Michigan Media Network with respect to a Joint Operating Agreement***
- ***Continue operating the WNMU-TV/FM with an annual base budget allocation of \$250,000***
- ***And:***
  - *Pursue automation savings afforded by ACE.*
  - *Continue with implementation of revenue and cost savings options (Consultant and Citizens group).*
  - *With faculty participation, expand instructional value & student opportunities as appropriate.*

***Northern Michigan University United  
States Olympic Education Center***

***Dr. Michael J. Roy  
Interim President***

***Fiscal Year 2003 vs. Fiscal Year 2005  
United States Olympic Education Center***

<b>Revenue</b>	<b>FY 03</b>	<b>FY 05</b>	<b>Increase (Decrease)</b>
1. General Fund Support	\$ 590,594	\$ 80,000	\$ (510,594)
2. BJ Stupak Olympic Scholarships	274,620	500,000	225,380
3. United States Olympic Committee			
Cash	125,000	200,000	75,000
Value in kind (VIK)	129,500	129,500	-
4. Olympic License Plates	130,000	140,000	10,000
5. National Governing Bodies (VIK)	168,000	168,000	-
6. Miscellaneous	57,576	65,000	7,424
<b>Total revenue</b>	<b>1,454,739</b>	<b>1,282,500</b>	<b>(192,790)</b>
<b>Expenses</b>			
1. Personnel Services	457,907	442,173	(15,734)
2. Room and Board	286,080	385,000	98,920
3. Operations	118,521	141,150	22,629
4. Professional Services	115,472	87,729	(27,743)
5. USOC VIK Expenses	129,500	129,500	-
6. NGB VIK Expenses	168,000	168,000	-
<b>Total expense</b>	<b>\$ 1,275,480</b>	<b>\$ 1,353,552</b>	<b>\$ 78,072</b>
<b>Net operations</b>	<b>\$ 179,259</b>	<b>\$ (71,052)</b>	<b>\$ (270,862)</b>

## ***Base Budget Adjustments***

### ■ **Projected Expenditure Increases**

- *Compensation and staffing* \$3,909,000
- *Support* \$2,052,000
- *Public Radio and Television and USOEC* \$330,000

**Total projected expenditure increases** \$6,291,000

## ***Base Budget Adjustments***

■ **Projected Expenditure Increases** \$6,291,000

### ■ **Scheduled Budget Reductions:**

- *FY2005 BAC Adjustments* (\$1,738,000)
- *FY2005 PC Adjustments* (\$1,551,000)

**Subtotal scheduled reductions** (\$3,289,000)

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■ **Net projected expenditure increases** \$3,002,000

*Percentage total cost increase:* +3.8%

*Percentage total cost increase per FYES:* +0.8%

## House Bill Tuition Restraint Language

- **Reduced NMU's appropriation by 5.0% or \$2.3 million**
- **Included language to restore \$1.4 million (3.0%) of the reduction if the following conditions are met:**
  - The University does not adopt an increase in tuition and fees for resident undergraduate students after December 1, 2003 **and**
  - The University does not adopt annual tuition and fee increase for academic year 2004-2005 that exceeds the projected fiscal year 2005 increase in the Detroit Consumer Price Index (CPI)
- **Included language to reduce appropriation an additional \$1.4 million (3.0%) if do not meet tuition restraint conditions**

## Base Budget Adjustments

	Tuition Amendment	Tuition Rebate *	No Amendment No Rebate
<b>Appropriation reduction/rebate</b>	<b>+3.0%</b> <b>\$1,404,000</b>	<b>+3.0%</b> <b>\$1,404,000</b>	<b>(3.0%)</b> <b>(\$1,404,000)</b>
<b>FY05 Tuition and fee increase</b>	<b>+2.4%</b> <b>\$953,000</b>	<b>+2.4%</b> <b>\$953,000</b>	<b>+9.6%</b> <b>\$3,761,000</b>
<b>Rebate Winter 2004 increase</b>		<b>(2.1%)</b> <b>(\$733,000)</b>	
<b>Net enrollment increase (3.0%)</b>	<b>\$1,105,000</b>	<b>\$1,105,000</b>	<b>\$1,105,000</b>
<b>Financial aid/scholarships</b>	<b>(\$460,000)</b>	<b>(\$460,000)</b>	<b>(\$460,000)</b>
<b>Net revenue increase</b>	<b>\$3,002,000</b>	<b>\$2,269,000</b>	<b>\$3,002,000</b>

\* Need one-time cash of \$733,000 to rebate winter 2004 tuition and fee increase dollars spent in fiscal year 2003-2004 that were used to help offset a portion of the (\$2,340,000) FY2004 executive order appropriation reduction.

## Budget Summary

	<i>Tuition Amendment</i>	<i>Tuition Rebate *</i>	<i>No Amendment No Rebate</i>
<b>Projected expenditure increases</b>	<b>\$6,291,000</b>	<b>\$6,291,000</b>	<b>\$6,291,000</b>
<b>Less scheduled budget reductions:</b>			
<b>BAC FY2005</b>	(\$1,738,000)	(\$1,738,000)	(\$1,738,000)
<b>President's Council FY2005</b>	(\$1,551,000)	(\$1,551,000)	(\$1,551,000)
<b>Net expenditure increase</b>	<b>\$3,002,000</b>	<b>\$3,002,000</b>	<b>\$3,002,000</b>
<b>Net revenue increase</b>	<b>\$3,002,000</b>	<b>\$2,269,000</b>	<b>\$3,002,000</b>
<b>Base budget shortfall</b>	<b>\$0</b>	<b>(\$733,000)</b>	<b>\$0</b>
<b>Additional one-time cash shortfall (Rebate of Winter 2004 increase)</b>	<b>--</b>	<b>(\$733,000)</b>	<b>--</b>

## Tuition and Fees Fiscal Year 2004-2005

	<i>Tuition Amendment</i>	<i>Tuition Rebate *</i>	<i>No Amendment No Rebate</i>
<b>FY2004 beginning rate</b>	<b>\$5,110</b>	<b>\$5,110</b>	<b>\$5,110</b>
<b>FY2004 mid-year increase</b>	2.1% \$100	2.1% \$100	2.1% \$100
<b>FY2004 annual tuition and fees</b>	<b>\$5,210</b>	<b>\$5,210</b>	<b>\$5,210</b>
<b>Rebate of Winter 2004 increase</b>	<b>\$0</b>	<b>(\$100)</b>	<b>\$0</b>
<b>FY2005 increase</b>	<b>\$125</b>	<b>\$123</b>	<b>\$498</b>
<b>Net FY2005 Increase</b>	<b>\$125</b>	<b>\$23</b>	<b>\$498</b>
<b>FY2005 Annual Tuition and Fees</b>	<b>\$5,335</b>	<b>\$5,233</b>	<b>\$5,708</b>
<b>Percent change</b>	<b>2.4%</b>	<b>0.4%</b>	<b>9.6%</b>



## *Budget Summary*

- **Cost per student lower than inflation over past 11 years**
- **Tuition and fees 2<sup>nd</sup> lowest in State**
- **FY2004 tuition increase 3<sup>rd</sup> lowest in State**
- **FY2005 projected net cost increase per student of 0.8%**
- **Tuition amendment**
  - Net tuition increase of \$62.50 per semester (2.4%)
  - Budget reductions of \$3,289,000
  - Appropriation restoration of \$1,404,000 (3.0%)
- **Tuition rebate**
  - Net tuition increase of \$11.50 per semester (0.4%)
  - Budget reductions of \$3,289,000;
  - Lose \$733,000 base tuition and fee revenue with rebate
  - One-time budget deficit of \$733,000
  - Appropriation restoration of \$1,404,000 (3.0%)
- **No amendment, No rebate**
  - Net tuition increase of \$249 per semester (9.6%)
  - Budget reductions of \$3,289,000
  - Lose \$2,808,000 in appropriation

## *Where do we go from here?*

- **April 29-30, 2004**      **Board of Trustees Meeting**
- **May 12, 2004**      **Testify at House Subcommittee on Higher Education Appropriations**
- **On or before June 30, 2004**      **Decision on FY2005 tuition and fees**
- **July 1, 2004**      **Implement recommended FY 05 budget reductions from BAC Report and President's Council Report**
- **June through September 2004**      **State approval of higher education budget**