



Northern Michigan University

Board of Trustees Meeting

February 11, 2005

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MEMORANDUM

To: Board of Trustees
From: Karl A. Weber, Chair
Board of Trustees

IT IS RECOMMENDED THAT:

That the following Board of Trustees Standing Committees be approved for the Period January 28, 2005 through December 31, 2005:

Academic Affairs

Mary C. Lukens, Chair
Brian D. Cloyd
Larry C. Inman
Jon G. LaSalle
Karl A. Weber, ex officio
Leslie E. Wong, ex officio

Finance

Douglas B. Roberts, Chair
Alan T. Ackerman
Samuel S. Benedict
Larry C. Inman
Karl A. Weber, ex officio
Leslie E. Wong, ex officio

Executive

Samuel S. Benedict, Chair
Larry C. Inman
Mary C. Lukens
Karl A. Weber, ex officio
Leslie E. Wong, ex officio
Douglas B. Roberts, alternate

IT IS RECOMMENDED THAT

The resolution of the Board of Trustees of Northern Michigan University authorizing the Vice President for Finance and Administration to approve Northern Michigan University's membership in the Michigan Universities Coalition on Health, Inc. (MUCH) be approved. A copy of the resolution is on file in the Office of the Secretary of the Board of Trustees.

RESOLUTION OF THE BOARD OF TRUSTEES
OF NORTHERN MICHIGAN UNIVERSITY
APPROVE UNIVERSITY MEMBERSHIP
IN MICHIGAN UNIVERSITIES COALITION ON HEALTH, INC. (MUCH)

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF NORTHERN MICHIGAN UNIVERSITY AUTHORIZES:

The Vice President for Finance and Administration to approve Northern Michigan University's membership in the Michigan Universities Coalition on Health, Inc. (MUCH), a Michigan nonprofit membership corporation, organized to support the purposes and activities of Michigan public institutions of higher learning.

This authorization includes:

Authority to sign any amendment to MUCH articles of incorporation and bylaws on behalf of the University, approve contractual and purchasing agreements, appoint, reappoint, and revoke the respective appointments of the University's primary and alternate representatives on the MUCH board of directors, and the University's representative at meetings of the members of MUCH.



Banner Update

Mr. R. Gavin Leach

*Associate Vice President for
Finance and Planning*

Banner Update

■ **Goals**

- ❑ 24 x 7 access to system
- ❑ Elimination of social security number as primary student identification
- ❑ Ability to implement disaster recovery
- ❑ Greater flexibility in development of reports
- ❑ System software maintenance savings
- ❑ Ability to create self-service applications

Banner Update (continued)

- **Implementation**

- 20 months

- \$2.6 million

- Funded through subsequent software savings

Banner Update (continued)

■ **Magnitude of conversion**

- ❑ From 181 files to 2,758 tables
- ❑ 54 million records
- ❑ Flat files versus relational data
 - Duplicate records
- ❑ Required third-party software upgrades and installations
- ❑ Required the completion of 18+ 3rd party software interfaces
- ❑ Replaced mainframe with server hardware
- ❑ Retrained programming and user staff – completed 78 training weeks

Banner Update (continued)

- **What were the difficulties:**
 - Academic history
 - Reporting tools
 - Mainframe tools no longer available
 - Learning curve

Banner Update (continued)

■ Outstanding Issues

- ❑ Reporting
- ❑ Access to data for staff
- ❑ Learning capabilities and codes under new system
- ❑ Additional time required for processing transactions because of unfamiliarity with systems and more information to be input

Banner Update (continued)

- **How we're addressing outstanding issues**
 - ❑ Created a new Reporting Group in AdIT
 - ❑ Moving to a new reporting tool
 - ❑ Investigating how we can create a web interface for Administrators and Clerical
 - ❑ Activated advising self-service options
 - ❑ More training will be offered
 - ❑ Banner 7 – to be implemented late spring

Banner Update (continued)

■ **Banner Positives**

- ❑ Data extraction
- ❑ Time to convert – 2 years versus 5 years
- ❑ 300K annual savings
- ❑ Web based (no client server)
- ❑ More self-service options for students

Banner Update (continued)

- **Long-term goals**
 - Reporting infrastructure
 - Workflow
 - Self-service applications
 - Streamlining processes



***General Fund Base
Budget Overview***

Fiscal Year 2005 - 2006

Mr. R. Gavin Leach

***Associate Vice President for
Finance and Planning***

Agenda

- Current budget
- Projected expenditure increases
- How NMU compares
- Legislative update

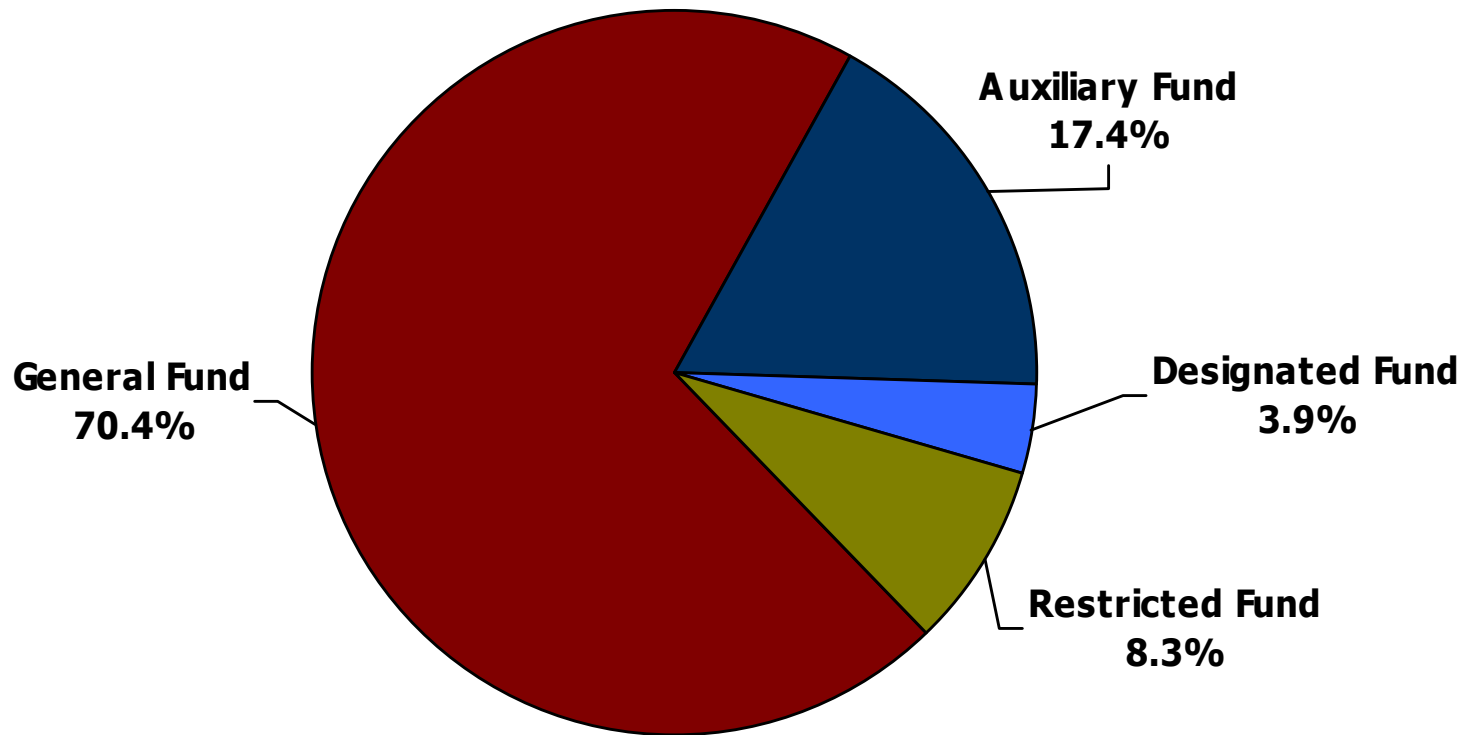


Current Budget

NMU Total Operating Budget

Fiscal Year 2005

Total: \$145.3 million

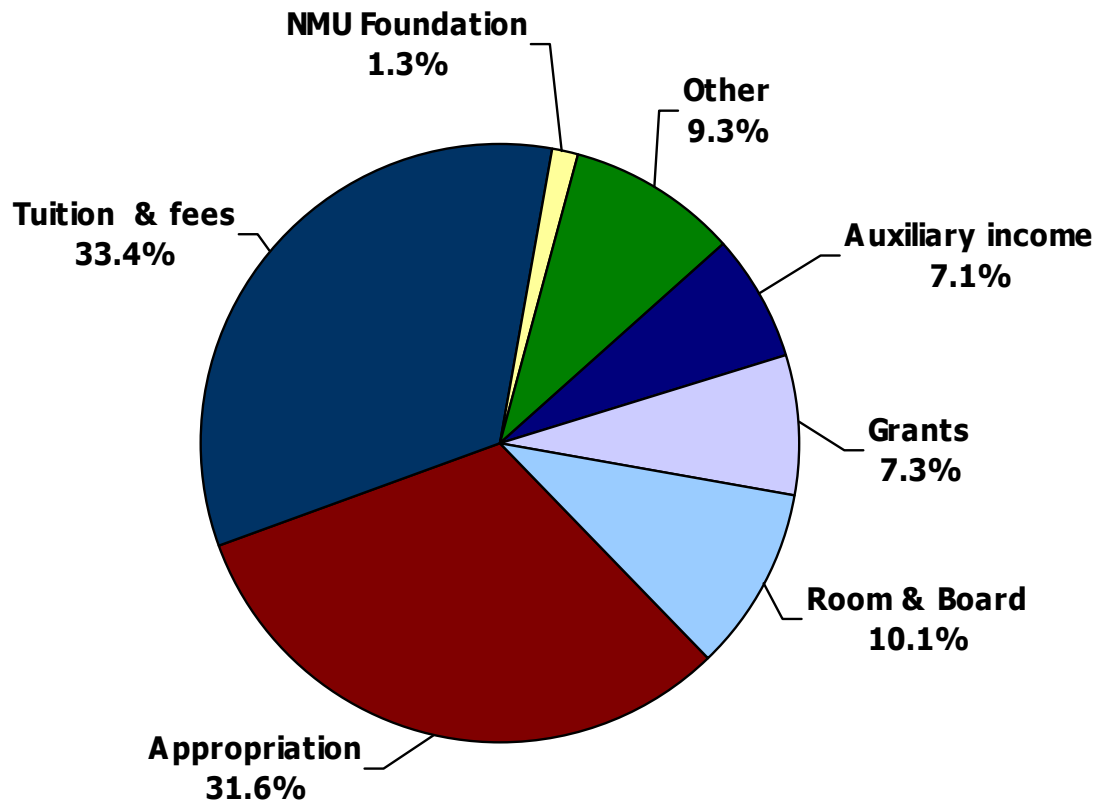


* Scholarships (\$17.3 million) are not shown as a revenue offset

NMU Total Operating Budget

Fiscal Year 2005
Revenues by Source

Total: \$145.3 million

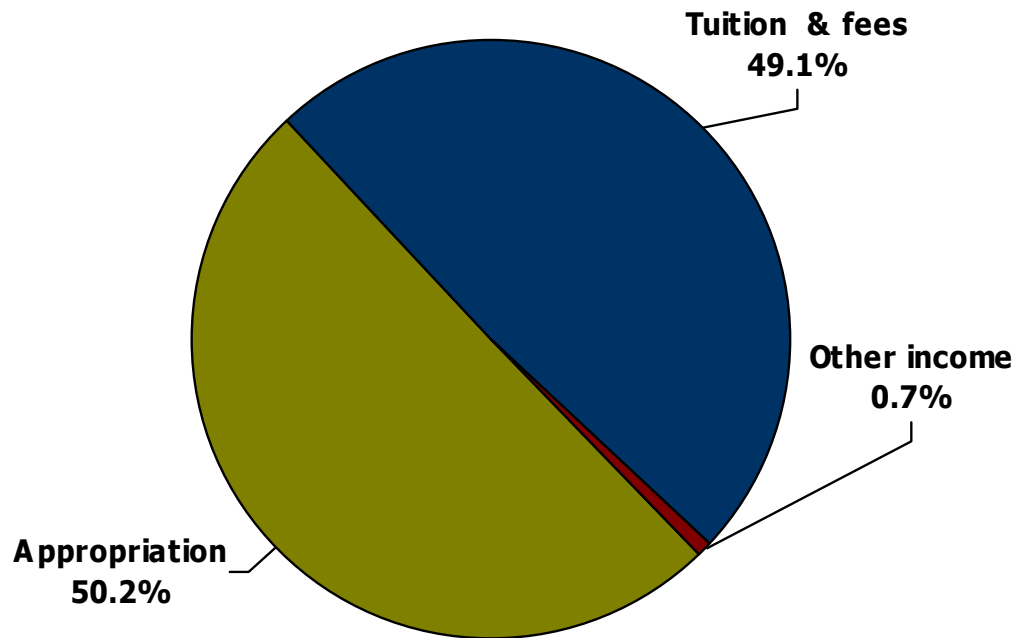


* Scholarships (\$17.3 million) are not shown as a revenue offset

NMU General Fund Base Budget Operations

*Fiscal Year 2005
Revenues by Source*

Total: \$89.1 million *

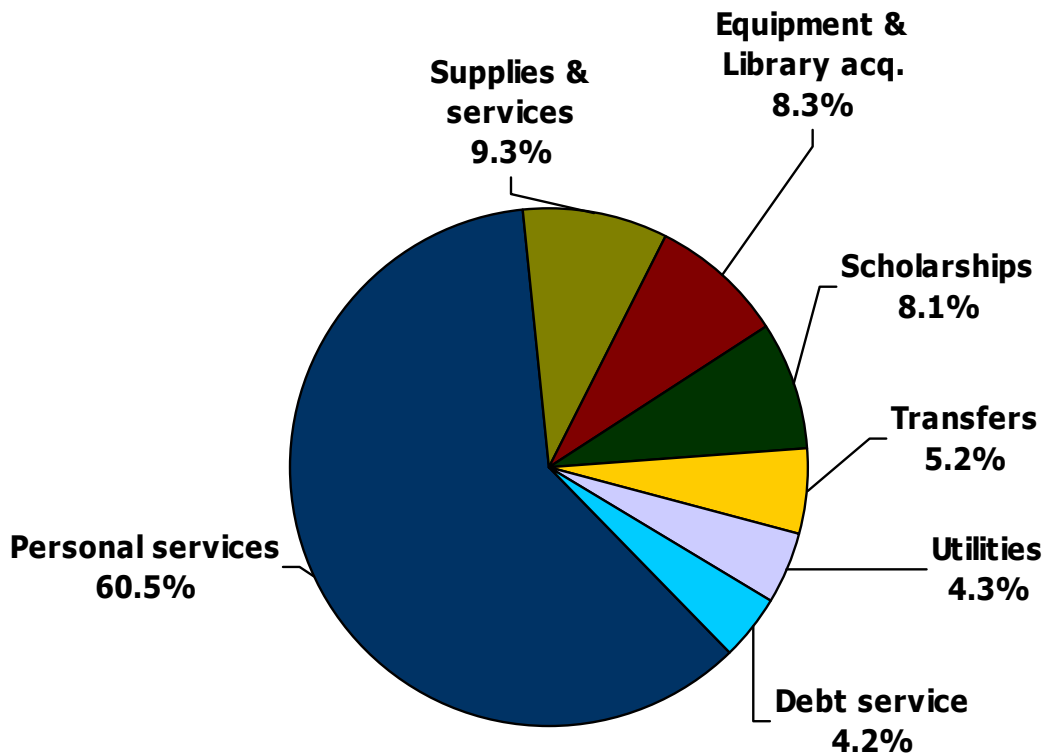


** Scholarships (\$7.2 million) are shown as an expenditure rather than as a revenue offset*

NMU General Fund Base Budget Operations

Fiscal Year 2005 Expenditures by Type

Total: \$89.1 million *



** Scholarships (\$7.2 million) are shown as an expenditure rather than as a revenue offset*



*Projected Expenditure
Increases*

Projected Expenditure Increases

Fiscal Year 2006

■ **Current operations**

□ **Compensation and staffing:**

- Compensation \$2.5 to \$2.7 million
- MPSERS \$300,000 to \$700,000

□ **Support:**

- Utilities \$500,000 to \$600,000
- Scholarships \$125,000 to \$175,000
- Property/liability insurance
credit card fees/
other fees and services \$100,000 to \$150,000

□ **Subtotal – Current operations** **\$3.5 to \$4.3 million**

Projected Expenditure Increases

Fiscal Year 2006

■ Initiatives

- | | |
|--|-----------|
| ■ Internationalization programming | \$200,000 |
| ■ Admissions staffing and support | \$75,000 |
| ■ Student labor | \$50,000 |
| ■ Washington interns/Student Leader Programs | \$40,000 |

□ Subtotal – Initiatives **\$365,000**

■ Total projected cost increases **\$3.9 to \$4.7 million**

Process for Developing FY2006 Budget

- **Focus on vision and mission to establish University priorities**
 - Quality programs
 - High-tech, high touch learning environment
 - Internationalization

- **Based on priorities:**
 - Determine level of base budget investment in priority areas
 - Identify areas that need be to be adjusted or eliminated

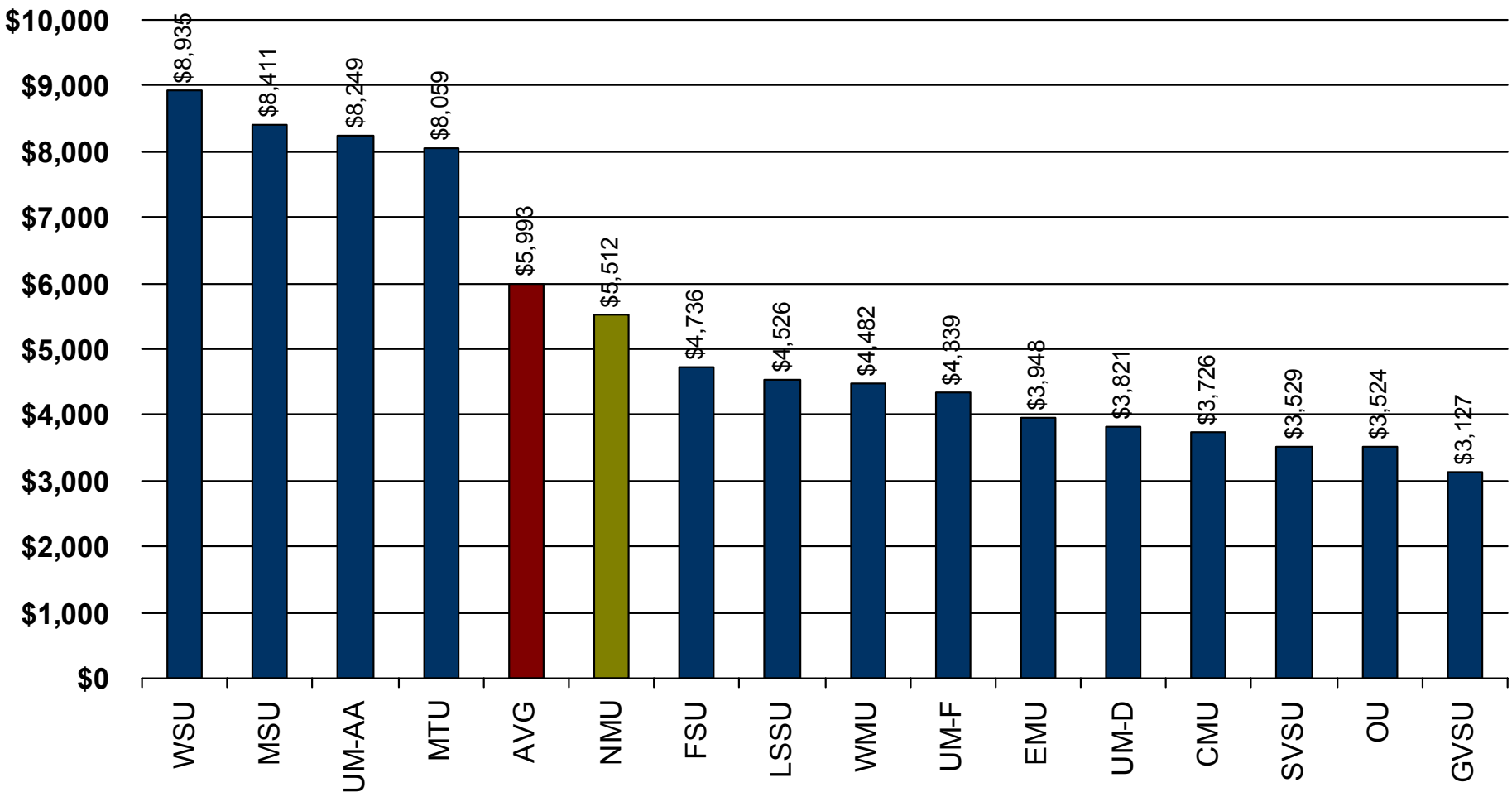
- **Utilize President's Council in development of plan**



How NMU Compares

Appropriation per FYES

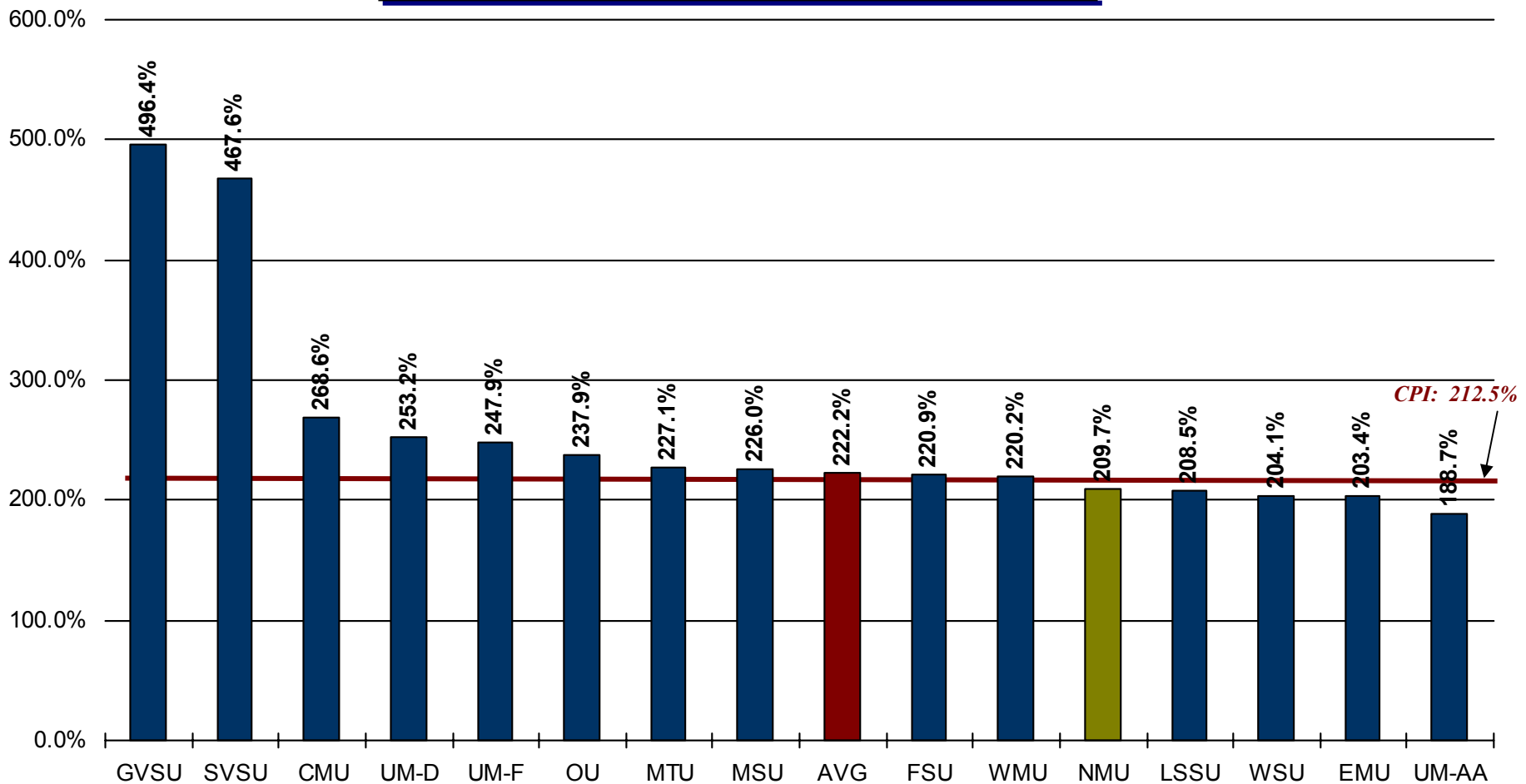
Fiscal Year 2005



Source: State of Michigan, HEIDI Database and Higher Education Appropriation Acts. FY1977 is the first year for which information is currently available online in the HEIDI Database. MSU's includes the Agriculture Experiment Station and Cooperative Extension Service programs. FYES calculation was changed for undergraduates from a division factor of 31 credit hours to a factor of 30 hours. The change is reflected in the above graph.

Percentage Increase in Total Appropriation

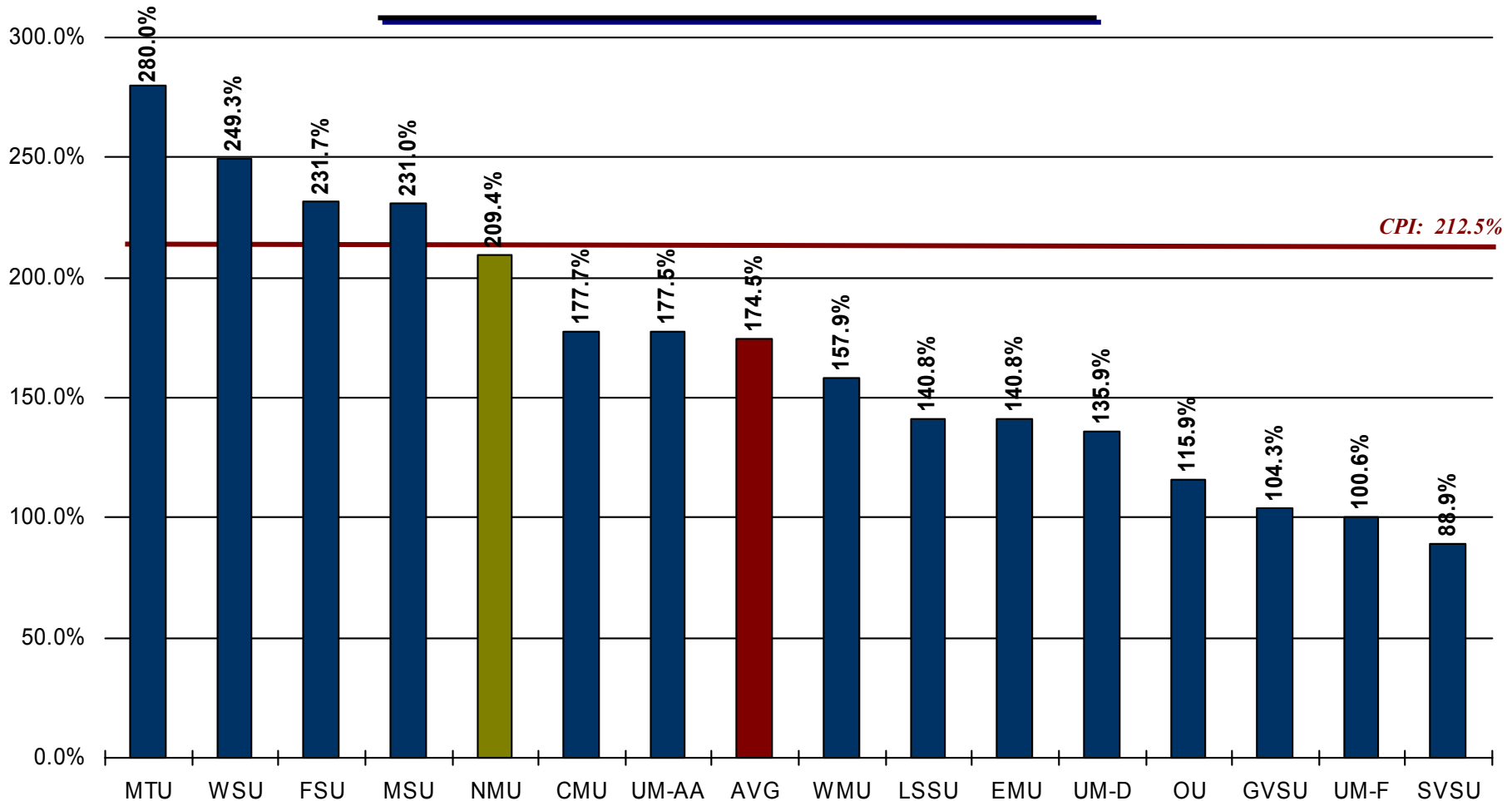
Fiscal Years 1977 to 2005



Source: State of Michigan, HEIDI Database and Higher Education Appropriation Acts. FY1977 is the first year for which information is currently available online in the HEIDI Database. MSU's percentage includes the Agriculture Experiment Station and Cooperative Extension Service programs.

Percentage Change in Appropriation per FYES

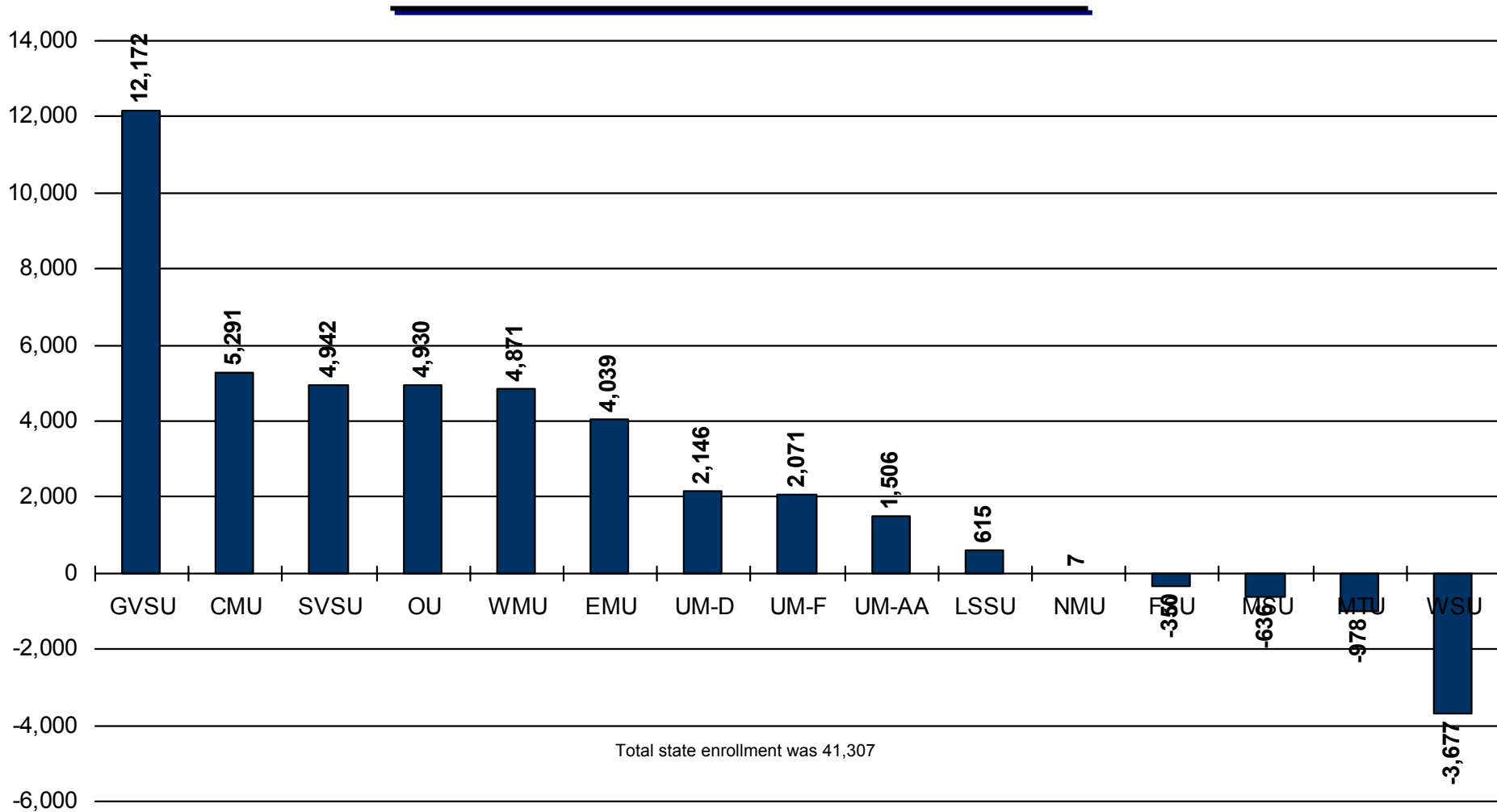
Fiscal Years 1977 to 2005



Source: State of Michigan, HEIDI Database and Higher Education Appropriation Acts. FY1977 is the first year for which information is currently available online in the HEIDI Database. MSU's includes the Agriculture Experiment Station and Cooperative Extension Service programs. FYES calculation was changed for undergraduates from a division factor of 31 credit hours to a factor of 30 hours. The change is reflected in the above graph.

FYES Increase/Decrease Fiscal Years 1977 to 2004

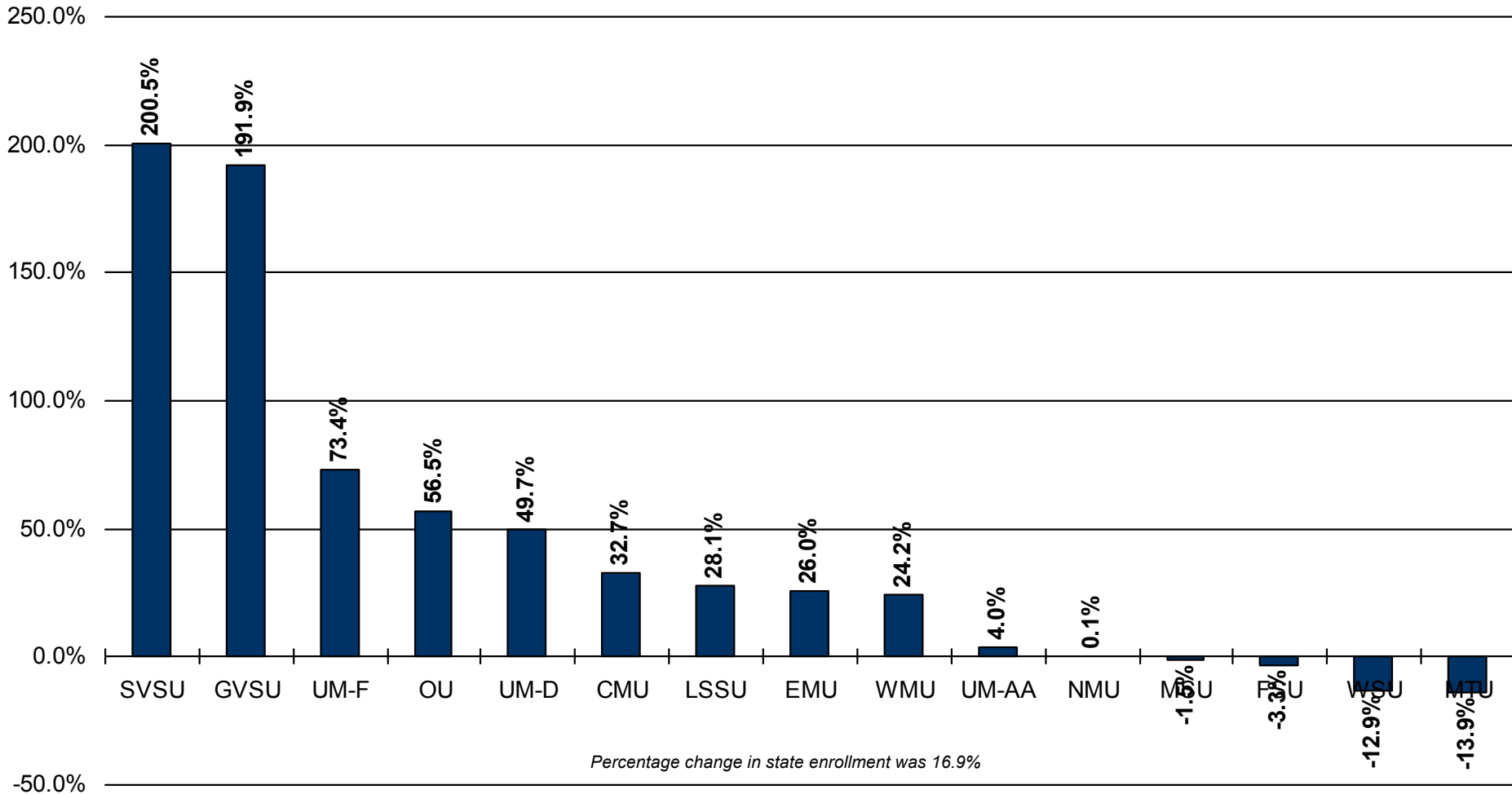
(FYES = Fiscal Year Equated Student)



Source: State of Michigan, HEIDI Database and Higher Education Appropriation Acts. FY1977 is the first year for which information is currently available online in the HEIDI Database. MSU's includes the Agriculture Experiment Station and Cooperative Extension Service programs. FYES calculation was changed for undergraduates from a division factor of 31 credit hours to a factor of 30 hours. The change is reflected in the above graph.

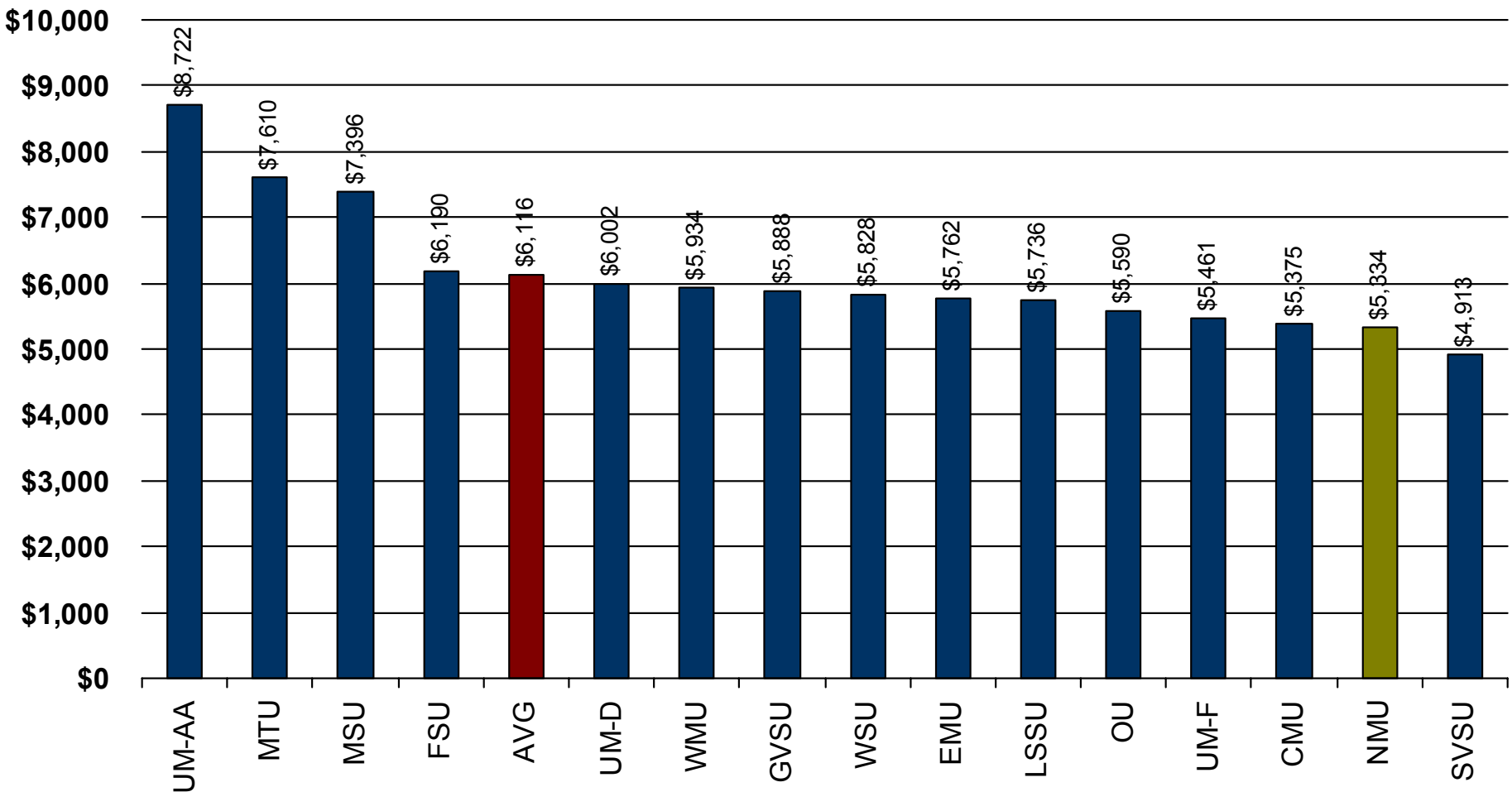
Percentage FYES Increase/Decrease Fiscal Years 1977 to 2004

(FYES = Fiscal Year Equated Student)



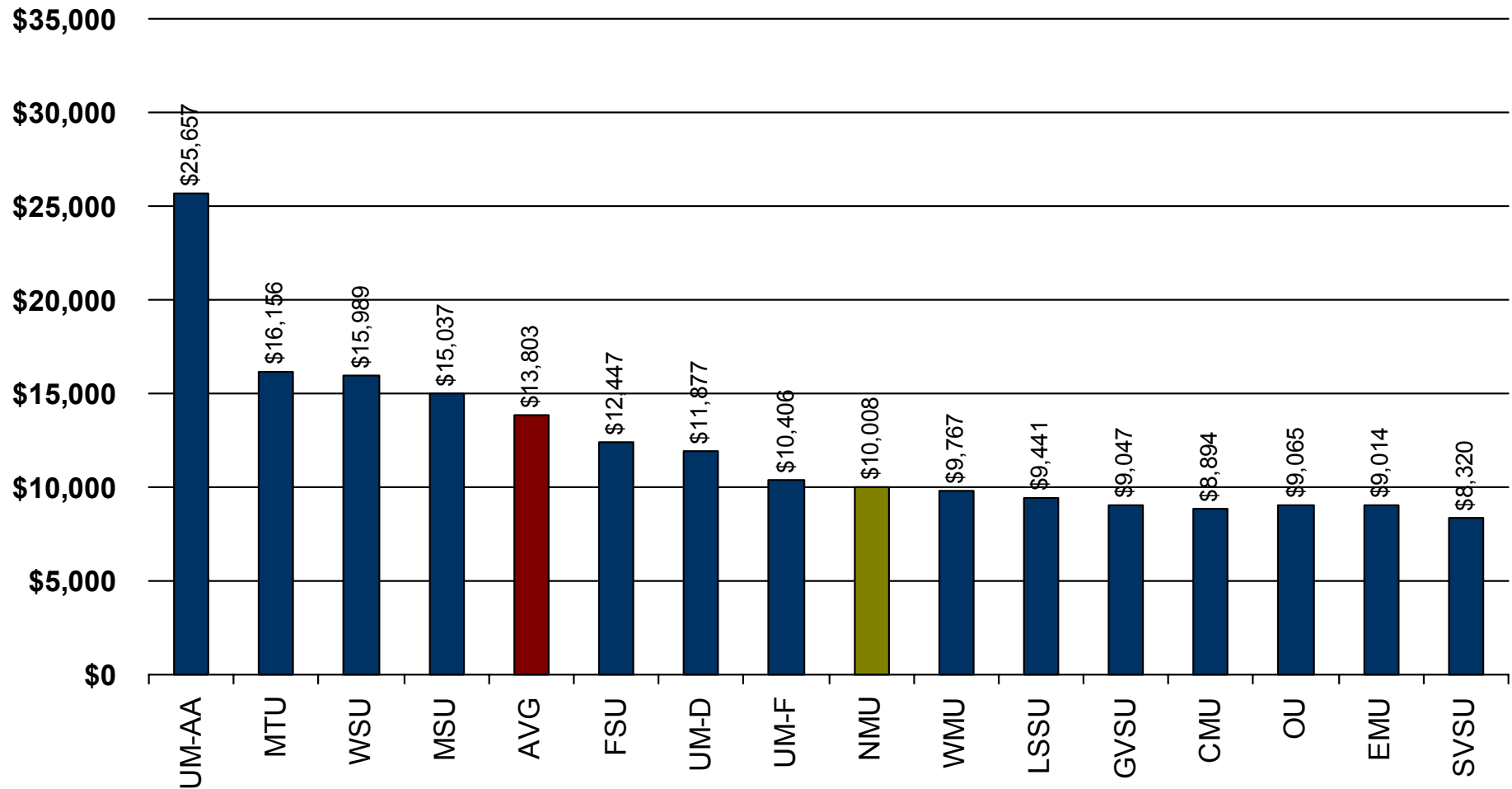
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Annual Resident Undergraduate Tuition and Fee Rates Fiscal Year 2005



Source: Presidents Council, State Universities of Michigan, 2004-2005 Annual Tuition and Fees Report

Expenditure per FYES Fiscal Year 2004 (net of scholarships)

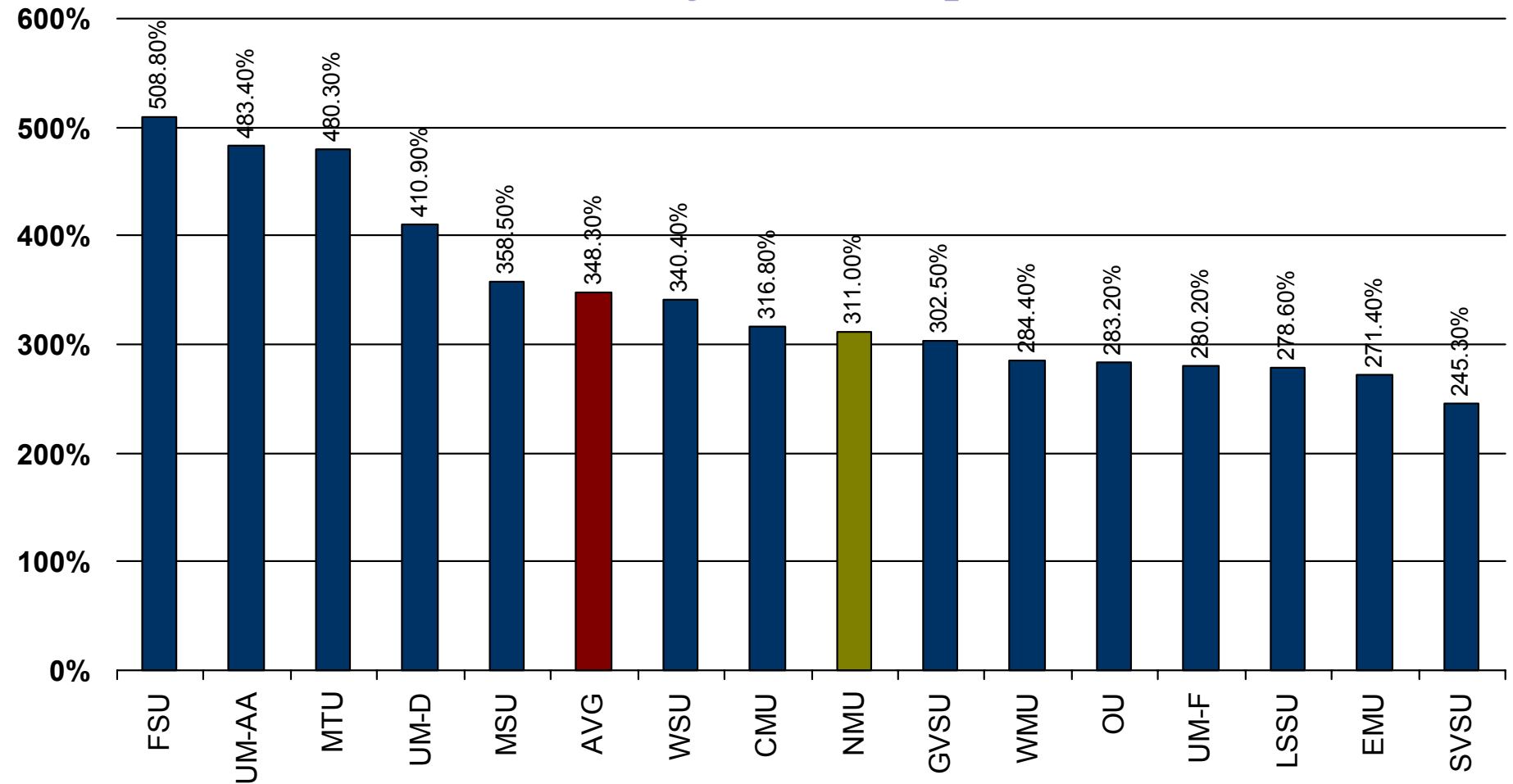


Source: State of Michigan, HEIDI Database and Higher Education Appropriation Acts. FY1977 is the first year for which information is currently available online in the HEIDI Database. MSU's includes the Agriculture Experiment Station and Cooperative Extension Service programs.

Percentage Change in Expenditures per FYES

Fiscal Years 1977 to 2004

(net of scholarships)



* NMU percentage change in expenditures per FYES (without TLC program costs) 282.1%.

Source: State of Michigan, HEIDI Database and Higher Education Appropriation Acts. FY1977 is the first year for which information is currently available online in the HEIDI Database. MSU's includes the Agriculture Experiment Station and Cooperative Extension Service programs. FYES calculation was changed for undergraduates from a division factor of 31 credit hours to a factor of 30 hours. The change is reflected in the above graph.

Revenues and Expenditure per FYES (State Peers)

Functional Expenditure	Rank	FY2004		
		NMU	Average (excl NMU)	Difference
Revenues				
Appropriation	1	\$5,355	\$3,660	+\$1,695
Tuition and fees	8	\$5,621	\$6,125	-\$504
Other	8	\$227	\$357	-\$130
Total Revenues	3	\$11,203	\$10,142	+\$1,061
Expenditures				
Instruction	9	\$3,993	\$4,501	-\$508
Research	3	\$100	\$55	+\$45
Academic support	3	\$1,703	\$1,217	+\$486
Student services	3	\$758	\$638	+\$120
Public service	2	\$304	\$147	+\$157
Institutional support	9	\$1,088	\$1,260	-\$172
Plant operations and maintenance	3	\$1,276	\$949	+\$327
Transfers	7	\$559	\$594	-\$35
Auxiliary activities	3	\$228	\$155	+\$73
Total Expenditures	4	\$10,008	\$9,516	+\$492
Scholarships/Financial aid	1	\$1,005	\$603	+\$402
Total Expenditures & Scholarships	3	\$11,013	\$10,119	+\$894

Summary

- **Jacobetti Myth: NMU received significantly more appropriation.**
 - Reality – Over the past three (3) decades:
 - NMU has received 12.5% less appropriation increase than the state average
 - NMU has received 2.8% less appropriation than the CPI increase (209.7% vs. 212.5%) and 3.1% less on a per student basis.
- **State funding**
 - Total state funding was slightly above inflation over the past three (3) decades (222.2% vs. 212.5%)
 - However, state funding on a per student basis was 38.0% below the rate of inflation (174.5% vs. 212.5%) as state funding did not keep up with enrollment increase
 - Enrollment increase is the primary cause for differences in level of state funding per student, not actual funding increases to particular schools.
 - (Example: Grand Valley received the highest funding increases over the past three decades, more than 274.2% above the state average, but has the lowest per student funding in the State)
 - Long-term state policy of not harming institutions for declines in enrollment has allowed the institutions facing changing economic conditions to recover and grow
 - NMU lost 1,300 students when K.I. Sawyer closed and has since been able to grow back to pre-closure levels

Appropriation Levels

- **State appropriation per student funding shortfall versus CPI over the past three decades was:**
 - 38.0% below CPI
 - Under funding higher education by \$251 million
- **NMU's appropriation per FYES is \$1,512 above the current funding floor of \$4,000 per FYES**
 - If the difference were spread over the six (6) universities below the floor, it would only increase their per student by \$144
 - Five of the six universities would still remain below the floor
 - Four of the six universities have annual tuition and fee rates that are more than \$144 higher than Northern's
 - Bottom line: has minimal impact on six universities while significantly harming the financial health of one institution (NMU)



Legislative Update

Mr. David Haynes

Budget Timeline

- Governor's Budget: February 10th
- House hearings: March – April
- Senate hearings: April – June
- Budget investment plan: April – June
- Tuition deadline for notifying students: August
- Conference committee: May – September

Current Information – Governor’s FY2005 EO and FY2006 Executive Budget

- *Executive order – FY2005 (current fiscal year)*
 - 1.87% across-the-board cut
 - University operations (\$803,700) university operations
 - *KCP funds (\$84,100) are moved out of operations fund (can then be applied for through a state grant process)*
 - Supplemental appropriation (\$2.8 million)
 - One-time funding from State Building Authority Bonding for Maintenance and Repairs is recommended for fiscal year 2005 (*one-time, non-permanent funding*)

- *Executive Budget – FY 2006 (next fiscal year)*
 - EO is made permanent – university operations (*base budget, permanent reduction*)
 - 5.0% or \$307 (*whichever is greater*) tuition restraint language
 - Provision that must increase financial aid for resident undergraduate students by the same percentage that tuition and fees are increased