

# Board of Trustees Meeting

*Friday, June 17, 2016*

# *Tuition and Fees*

*Mr. R. Gavin Leach*

*Vice President for Finance and Administration*



# ***NMU Mission and Vision***

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## **Mission**

*Northern Michigan University challenges its students and employees to think independently and critically, develop lifelong learning habits, acquire career skills, embrace diversity, and become productive citizens in the regional and global community.*

## **Vision**

*Northern Michigan University will become the university of choice in the Midwest for students seeking a quality academic program with individualized attention in a high-tech learning environment*

*Key elements:*

- *Quality academic programs*
- *High-touch*
- *High-tech*



# *NMU Core Values*

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## **Distinctly Northern**

- Community
- Opportunity
- Rigor
- Environment
- Inclusion
- Connection
- Innovation



# *NMU Strategic Plan*

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## **Strategic Focus Areas**

- Academic Excellence
- Student Success
- Domestic and Global Outreach and Engagement
- Investment and Innovation

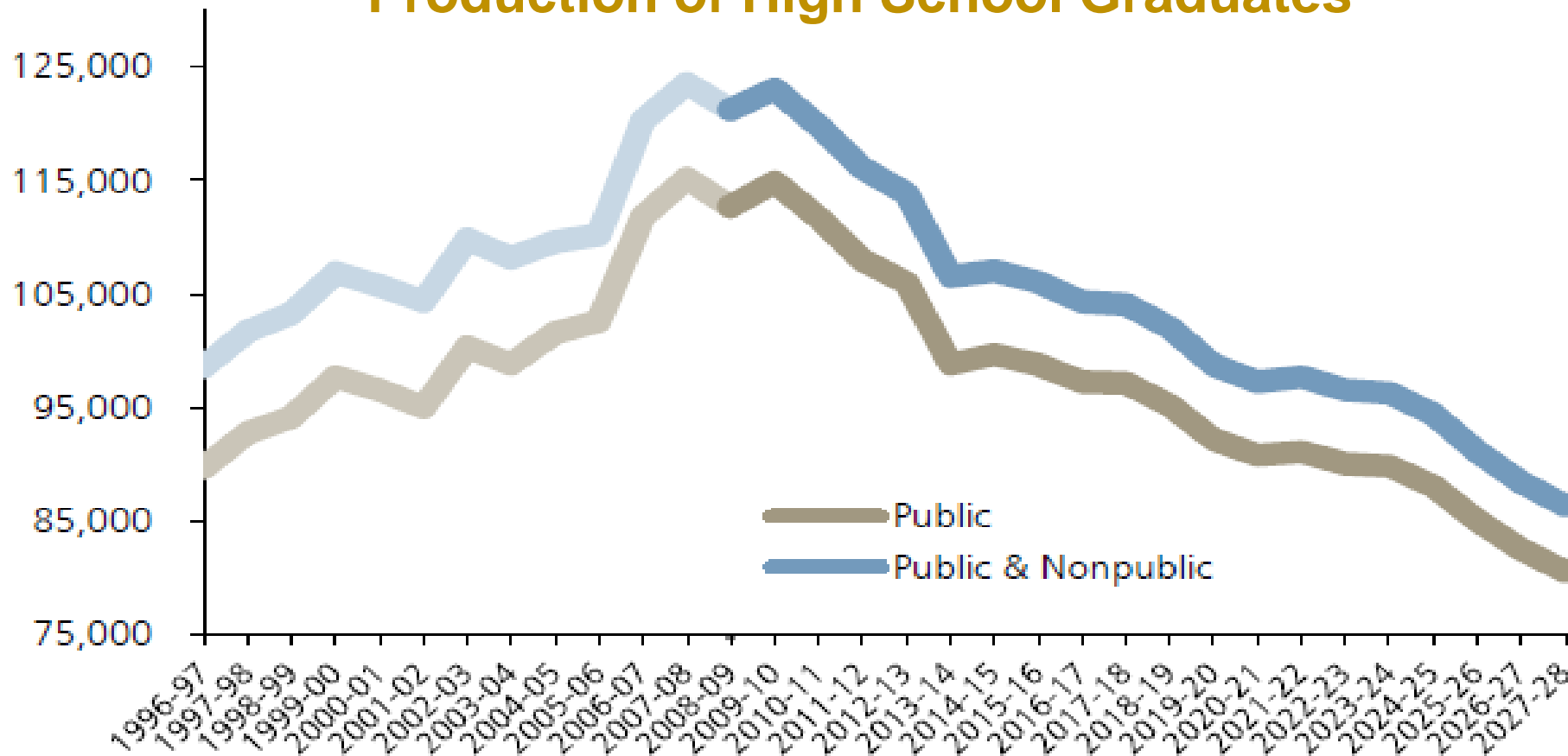
## **Strategic Outcomes**

- Enhancing prestige and distinction
- Establishing new and responsive approaches
- Expanded partnerships
- Growing enrollment



# Michigan Production of High School Graduates

## Production of High School Graduates

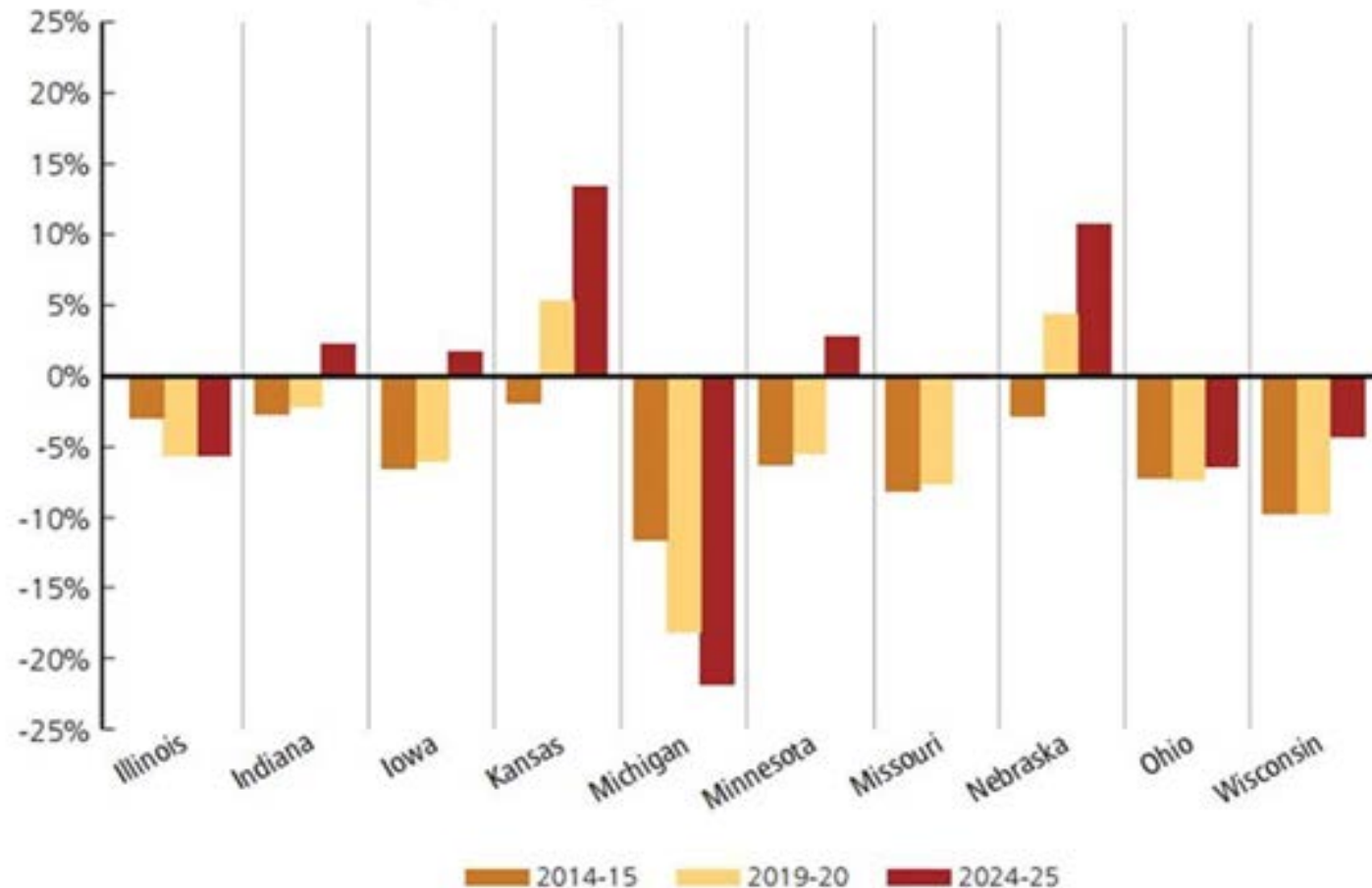


Michigan's high schools are projected to produce about 30% fewer graduates in 2019-20 compared to 2008-09. This demographic change has impacted NMU's current and projected future enrollment.

Source: Western Interstate Commission for Higher Education.

# Midwest Production of High School Graduates

Figure 2.13. Percentage Change (Relative to 2008-09) in the Total Number of Projected High School Graduates in Midwestern States

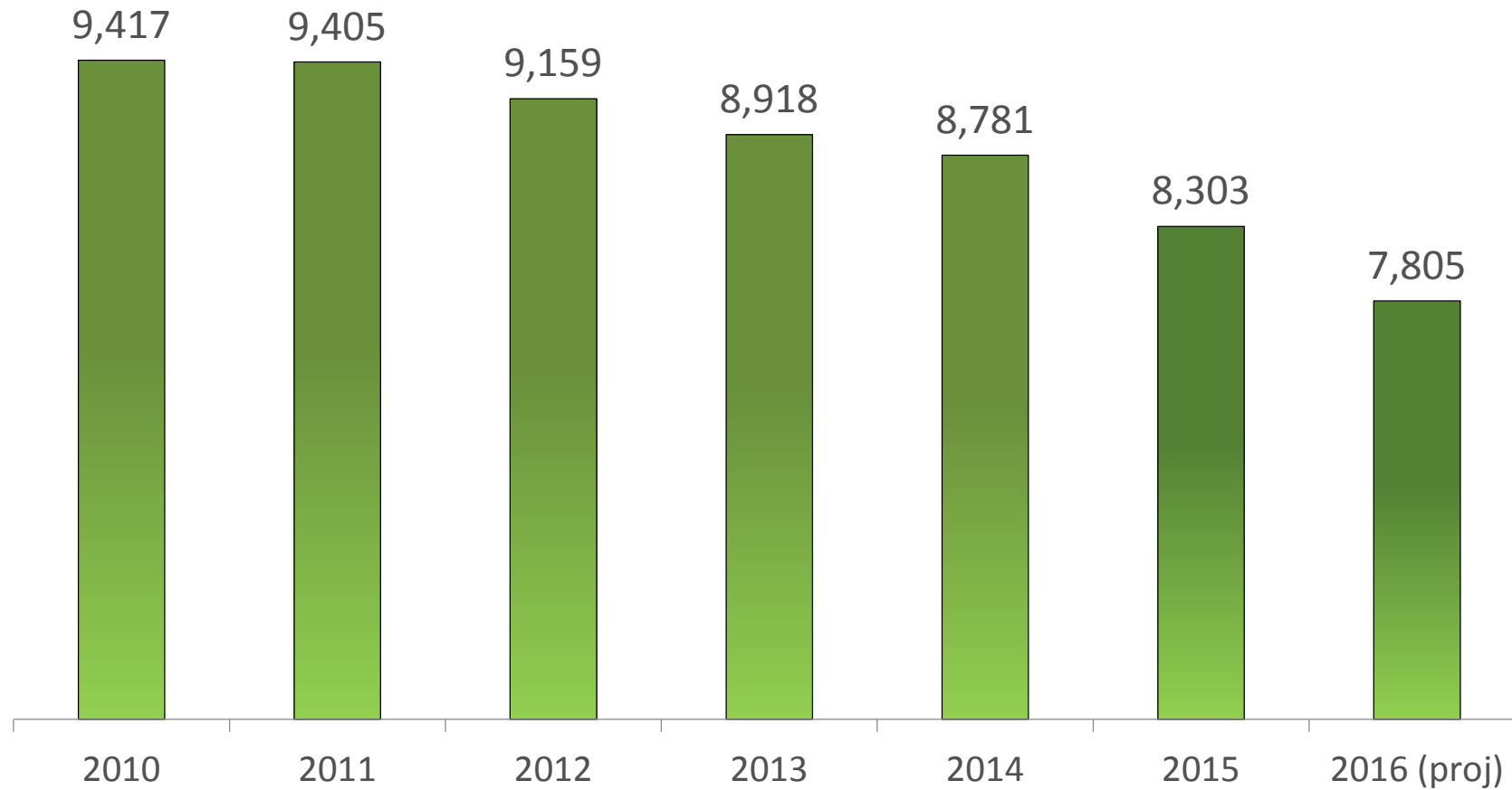


A majority of the Midwest region's high schools are also projected to produce fewer graduates through 2025. This demographic change will continue to challenge NMU's enrollment.

Source: Western Interstate Commission for Higher Education.

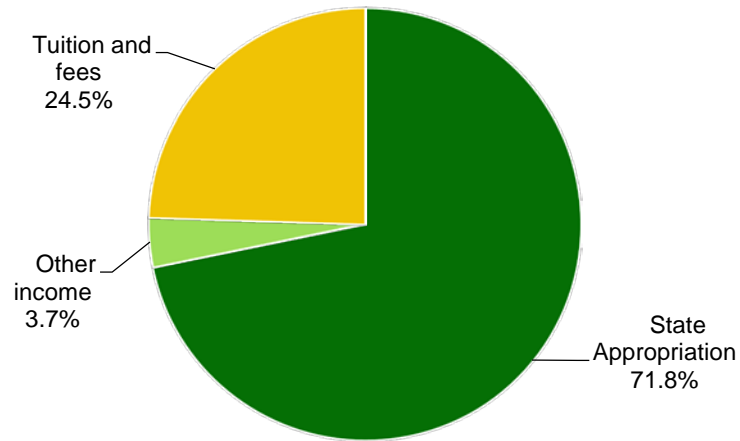
# ***Total Enrollment (Final Fall Headcount)***

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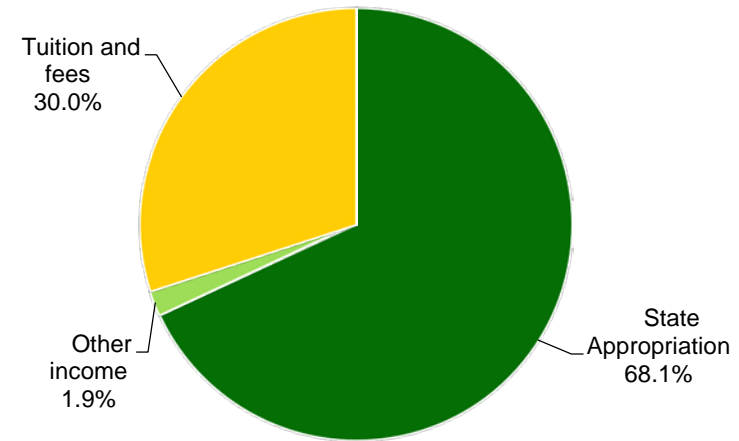




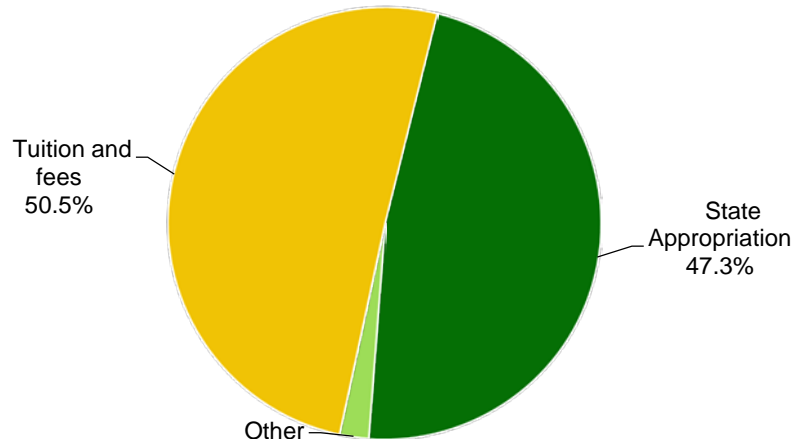
# Total General Fund Revenue History



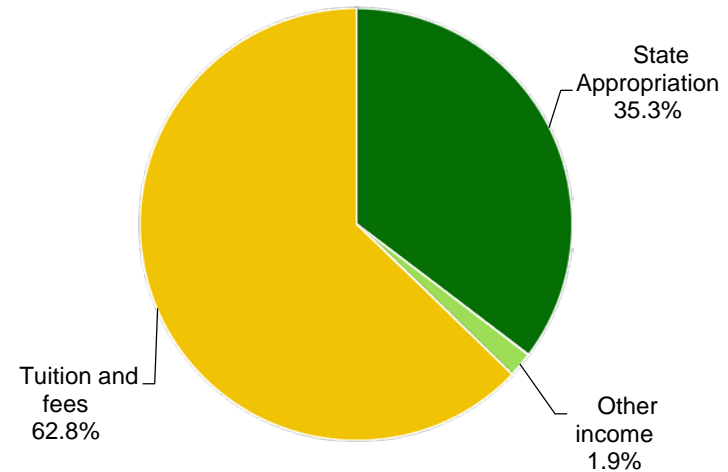
1985



1995



2005



2015

(Source: Actual General Fund Revenues - State of Michigan Database)

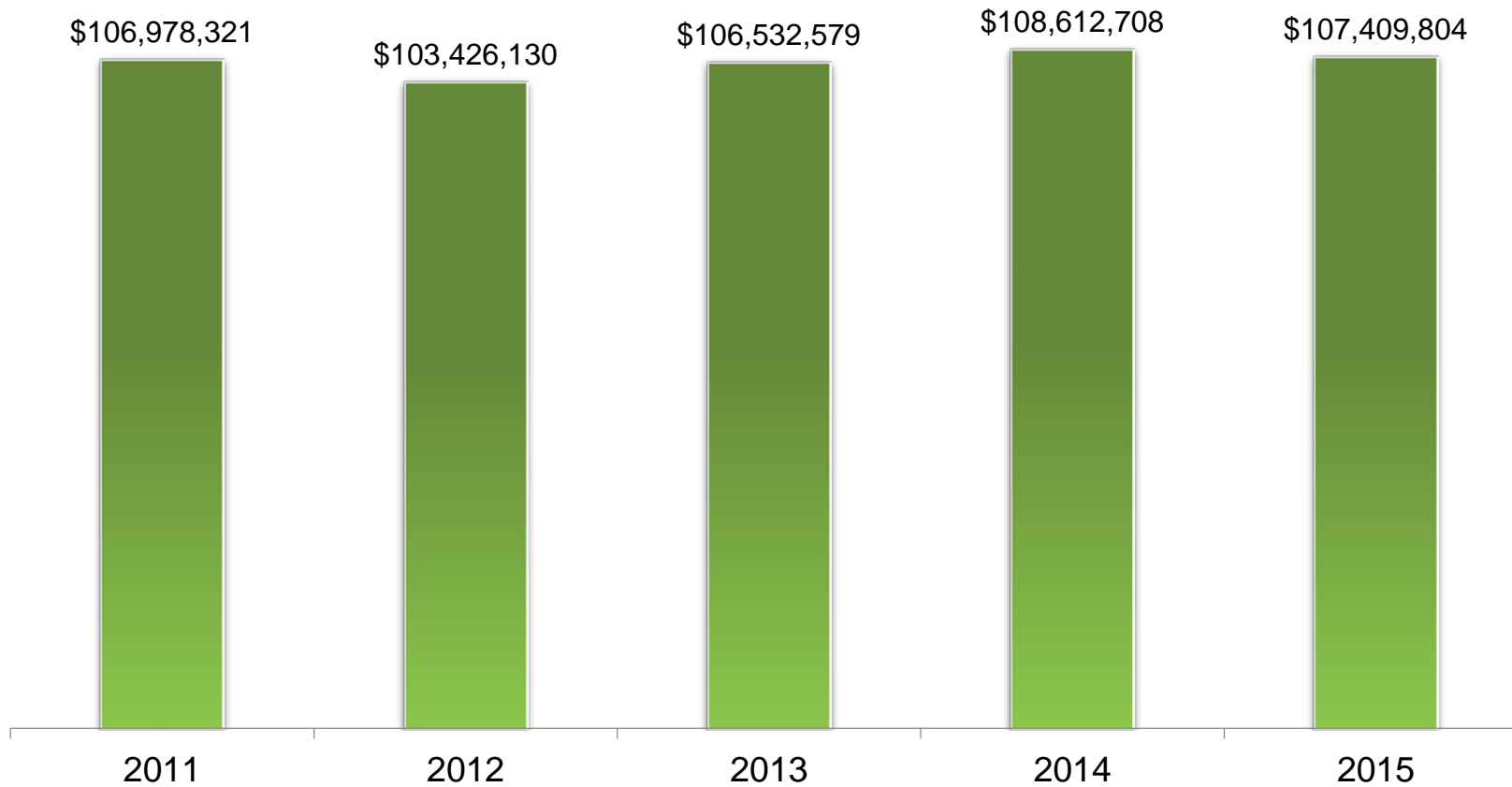
To maintain financial reporting consistency with fiscal years '85, '95, and '05 data, financial aid was not deducted from '15 tuition and fee revenue.



# General Fund Expenditures

*Fiscal Years 2011 to 2015*

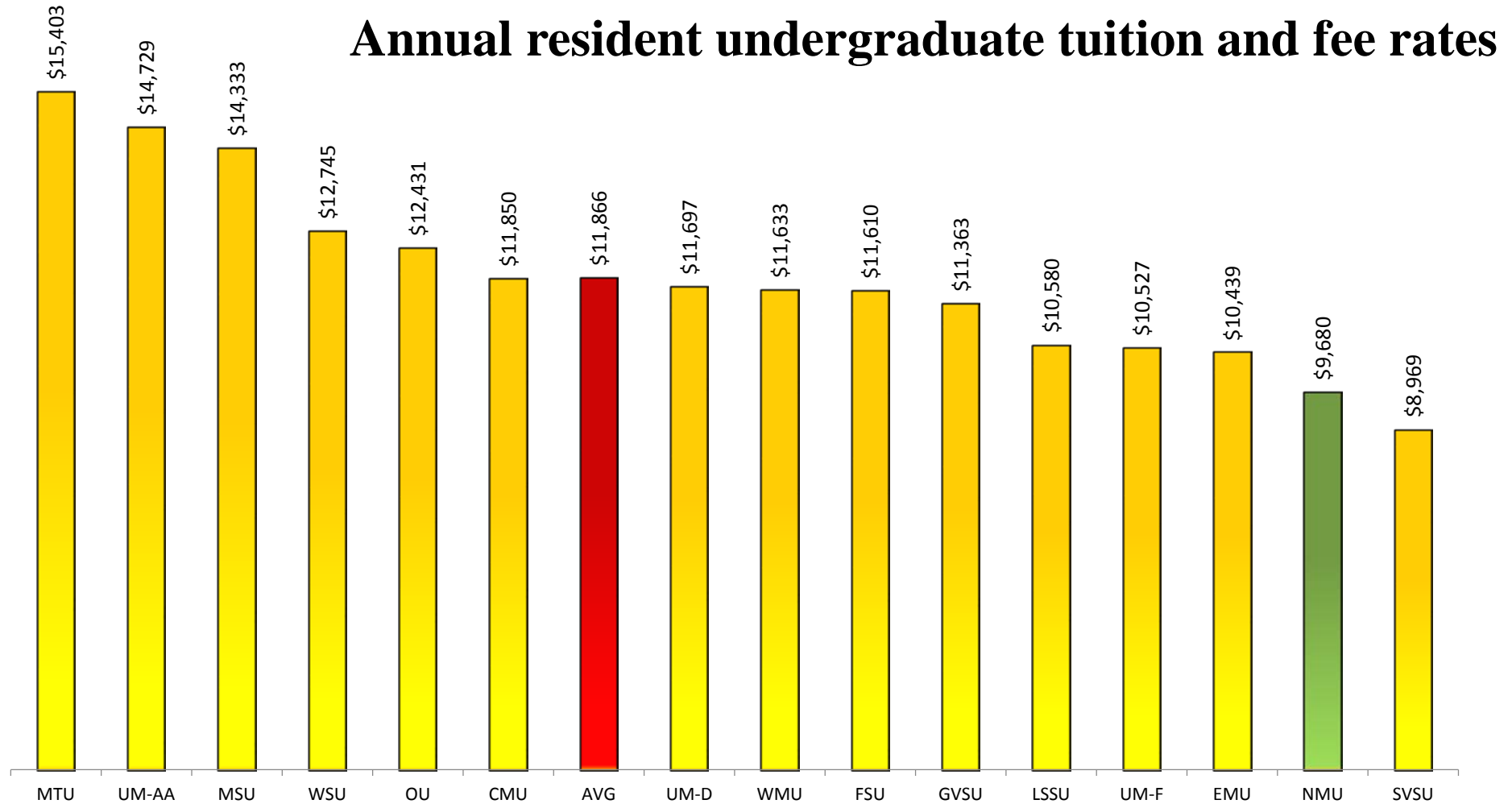
**Total percentage expenditure change:**  
FY11 to FY15: 0.41% (average annual % change = 0.10%)



*Note: Total expenditures exclude financial aid*

# Tuition and Fee Rates

Fiscal Year 2015-2016



Source: State of Michigan database

# Tuition and Fee Comparison

## Fiscal Year 2014-15 and 2015-16

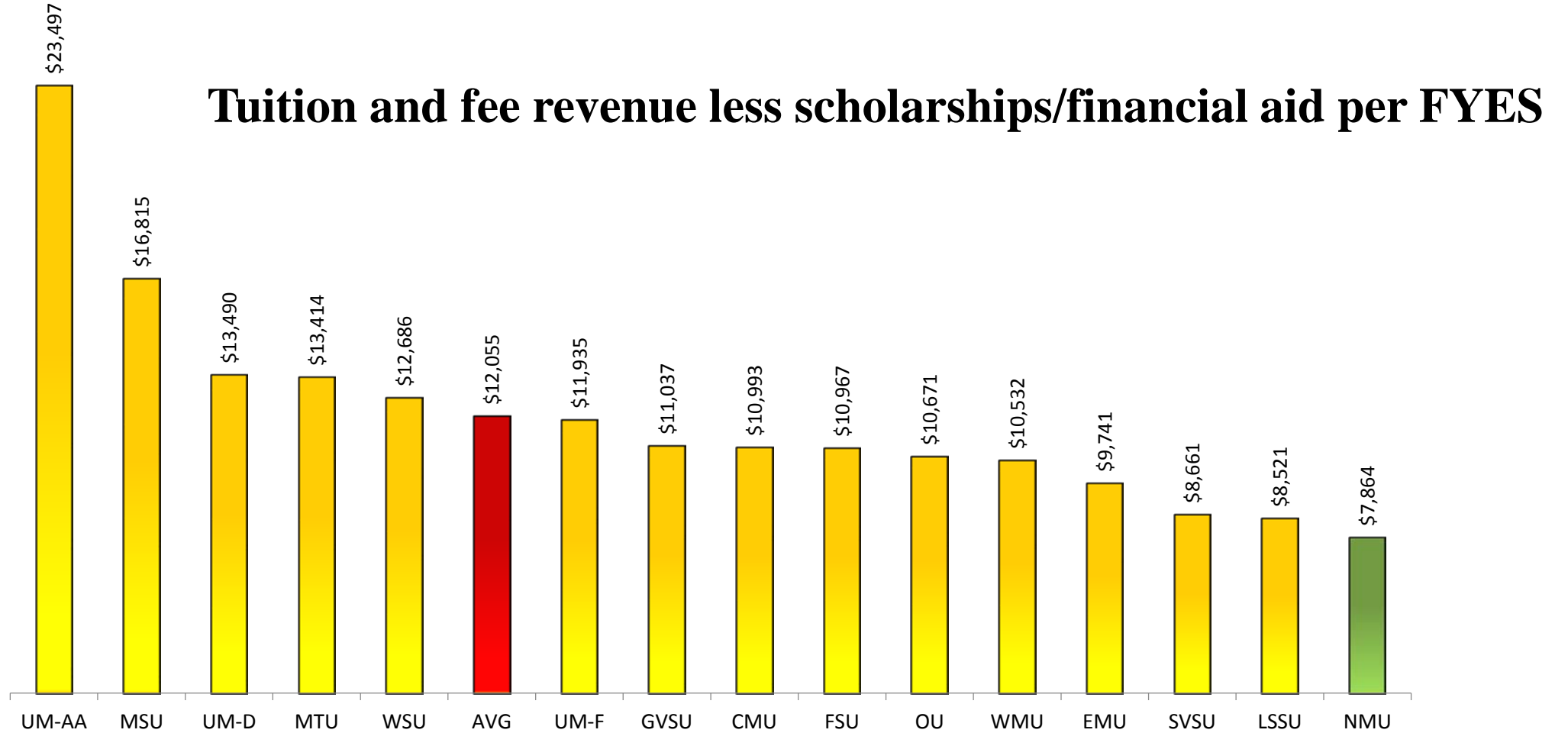
Univ	FY2014-15	Rank	vs. NMU	% Above or Below NMU	Univ	FY2015-16	Rank	vs. NMU	% Above or Below NMU
MTU	\$14,940	1	\$5,557	59.2%	MTU	\$15,403	1	\$5,723	59.1%
UM-AA	\$14,336	2	\$4,953	52.8%	UM-AA	\$14,729	2	\$5,049	52.2%
MSU	\$13,954	3	\$4,571	48.7%	MSU	\$14,333	3	\$4,653	48.1%
WSU	\$12,350	4	\$2,967	31.6%	WSU	\$12,745	4	\$3,065	31.7%
OU	\$11,460	6	\$2,077	22.1%	OU	\$12,431	5	\$2,751	28.4%
CMU	\$11,550	5	\$2,167	23.1%	CMU	\$11,850	6	\$2,170	22.4%
UM-D	\$11,335	7	\$1,952	20.8%	UM-D	\$11,697	7	\$2,017	20.8%
WMU	\$11,273	9	\$1,890	20.1%	WMU	\$11,633	8	\$1,953	20.2%
FSU	\$11,310	8	\$1,927	20.5%	FSU	\$11,610	9	\$1,930	19.9%
GVSU	\$11,028	10	\$1,645	17.5%	GVSU	\$11,363	10	\$1,683	17.4%
LSSU	\$10,311	11	\$928	9.9%	LSSU	\$10,580	11	\$900	9.3%
UM-F	\$10,204	12	\$821	8.7%	UM-F	\$10,527	12	\$847	8.8%
EMU	\$9,685	13	\$302	3.2%	EMU	\$10,439	13	\$759	7.8%
<b>NMU</b>	<b>\$9,383</b>	<b>14</b>			<b>NMU</b>	<b>\$9,680</b>	<b>14</b>		
SVSU	\$8,691	15	-\$692	-7.4%	SVSU	\$8,969	15	-\$711	-7.3%
<b>AVG</b>	<b>\$11,454</b>		<b>\$2,071</b>		<b>AVG</b>	<b>\$11,866</b>		<b>\$2,186</b>	

Source: State of Michigan database



# Net Tuition and Fee Revenue per FYES

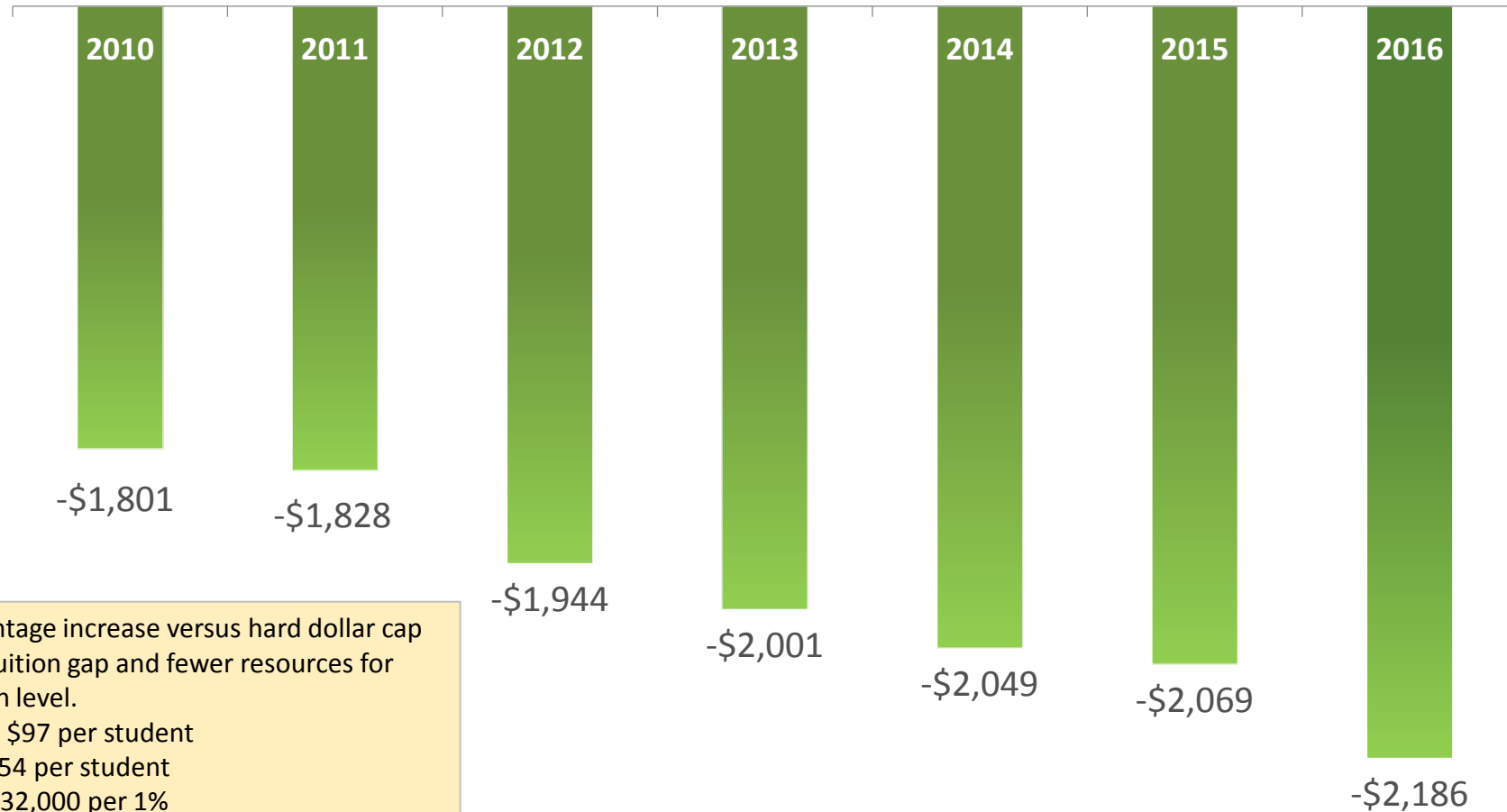
Fiscal Year 2014-2015



Source: State of Michigan database

# Annual Resident Undergraduate Tuition and Fee Differential

## NMU vs. State Average



Note: State policy of percentage increase versus hard dollar cap results in widening of the tuition gap and fewer resources for NMU because of low tuition level.

- 1% at NMU (2<sup>nd</sup> lowest) = \$97 per student
- 1% at MTU (highest) = \$154 per student
- Difference amounts to \$332,000 per 1%

Source: State of Michigan database



NORTHERN MICHIGAN UNIVERSITY

# *Tuition and Fee Comparison*

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*Fiscal Year 2015-16*

## **Michigan 15 public universities**

- Average tuition and fees = \$11,866
- NMU tuition and fees = \$9,680
- NMU minus Average = -\$2,186
- Additional Revenue if NMU at average tuition and fee rate: \$12.7 million



# *State Budget Factors*

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## **State Appropriation**

- Executive: 4.4% (NMU: 3.90% or \$1.8 million)
- Senate: 4.4% (NMU 3.90% or \$1.8 million)
- House: 3.4% (NMU 3.25% or \$1.5 million)
- Conference: 2.9% (NMU 2.6% or \$1.1 million)

## **Tuition Restraint**

- Executive Budget: 4.8%
- Senate: 4.8%
- House: 4.8% or \$500 (5.2%)
- Conference: 4.2% (no flat amount)

## **Penalties (if exceed tuition cap)**

- Executive Budget: Lose appropriation increase
- Senate: Lose appropriation increase + MPERS funding + not eligible for capital outlay for 2 years
- House: Lose appropriation increase
- Conference: Lose appropriation increase + not eligible for capital outlay for 2 years + can penalize/adjust university appropriations at any time

## **NMU General Fund Budget \$105.7 million (net of financial aid)**

- State appropriation: 37% (FY2017: \$46.3 million)
- Tuition and fees: 63%





# ***NMU Budget Factors***

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## **Limited resources**

- State funding
- Tuition restraint language and level of NMU tuition
- Enrollment

## **Mandated and inflationary expenditures**

- Fair Labor Standards Act (FLSA) overtime rule changes
- Minimum wage increase
- Board of Light and Power 30% rate increase

## **Strategic Plan Investments**

- Investing in innovation

# ***FY2016-2017 Budget Summary***

## ***Higher Education Conference Report***

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### **Projected Expenditure Increases**

#### **Inflation**

- Compensation and support inflationary costs [3.0%] \$2,634,000
  - Compensation – salary, benefits, and promotions [\$2.2 million]
  - Support – property and liability insurance, software maintenance, facility maintenance supplies, athletic compliance, database defense software, and library acquisitions less expense offsets [\$434,000]

#### **Mandates**

- Increased state mandates [minimum wage increase - \$0.40/hr.; January 1] \$69,000
- Increase federal mandate [New FLSA compliance requirements; December 1] \$200,000
- Utilities [Board of Light and Power 30% rate increase; October 1] \$541,000

#### **Investments**

- Athletic initiatives [2 new sports: W-golf; M-swim/diving] \$438,000

<b>Total Projected Expenditure Adjustments</b>	<b>\$3,883,000</b>
	<b>3.67%</b>

# *NMU Tuition Models*

## **15.0% Model (Funds for Investment)**

- NMU would remain in the bottom quartile for tuition and fee rates in the state
- Addresses rising costs
- Partially addresses state policy that negatively impacts universities at low tuition rates
- Addresses Board of Light and Power 30% rate increase and costs for new federal mandates and adjustments to minimum wage
- Eliminates shortfall and provides greater investment opportunities for Strategic Plan

## **12.3% Model (Balance Budget)**

- Keeps NMU second lowest tuition and fee rate in the state
- Addresses rising costs
- Partially addresses state policy that negatively impacts universities at low tuition rates
- Addresses Board of Light and Power 30% rate increase and costs for new federal mandates and adjustments to minimum wage
- Limited shortfall which allows potential for some investment opportunities for Strategic Plan

## **4.2% Model (Tuition Cap)**

- Restructure flat rate from 12 to 16 credits
- Create lower division and upper division tuition structure
- Implement differential tuition rates for higher cost programs
  - Natural Science fee
  - Art & Design materials fee
  - Technology and Occupational Sciences materials fee
  - Music fee
- Complies with state tuition restraint language
- Does not fully address rising costs (30% utility rate increases and new mandates)
- Leaves \$2.3 million shortfall before addressing how to fund strategic planning initiatives



# *Tuition Differential Fees and Program Fees*

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## **Restructure flat-rate tuition from 18 to 16 credits**

- Maintains advantage of flat-rate structure
- Maintains ability for students to take a full load of 16 credits and maintain ability to graduate in four years (majority of NMU courses are 4 credits)
- Structural change where NMU would not lose revenue because of declining enrollment but maintains advantage always offered to students

## **Lower division/Upper division tuition differential**

- Creates differential rate to account for differences in cost for lower division versus upper division courses
- Aligns with Michigan peers (10 of 15 Michigan public universities currently use this method)
- Upper division courses typically have smaller class sizes, require more specialized equipment, and have more full-professors teaching
- Lower division (less than 56 credits)
- Upper division (56 credits or more)

# ***Tuition Differential Fees and Program Fees***

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## **Tuition differential fees for higher cost programs**

- Natural Science fee (\$20/credit)
  - Biology, Chemistry, Physics/Astronomy, Geography/Environmental Science
  - Eliminate Biology and Chemistry lab fees
- Art & Design Materials Fee (\$5/credit)
- Technology and Occupational Sciences materials fee (\$20/credit)
- Music fee (\$35/credit)
  - Excludes general education course – Music in Society

## **Implementation of student recreation fee**

- Student driven initiative past several years – previously passed by student vote
- Refundable Student Recreation Pass fee (\$79/semester)

## **Full implementation of distance education fee**

- Incorporates graduate programs in fiscal year 2017 (undergraduates implemented in fiscal year 2016)

# FY2016-2017 General Fund Budget Alternatives

	FY2016-17 Initial General Fund Budget Estimates					
<b>Category</b>	<b>0.00%</b>	<b>Approp Inc</b>	<b>0.00%</b>	<b>Approp Inc</b>	<b>2.60%</b>	<b>Approp Inc</b>
	<b>-6.00%</b>	<b>Enroll Change</b>	<b>-6.00%</b>	<b>Enroll Change</b>	<b>-6.00%</b>	<b>Enroll Change</b>
	<b>15.00%</b>	<b>Tuition Inc</b>	<b>12.30%</b>	<b>Tuition Inc</b>	<b>4.20%</b>	<b>Tuition Inc</b>

## REVENUES

State appropriation	\$0	\$0	\$1,171,500
Tuition and fees [includes structural chg, differential rates]	\$6,462,100	\$4,602,900	\$1,004,300
Less: Scholarships/Financial Aid (tuition and need based)	-\$1,878,000	-\$1,569,600	-\$644,300
<i>Net Tuition and fees</i>	<b>\$4,584,100</b>	<b>\$3,033,300</b>	<b>\$360,000</b>
Investment and departmental income	\$50,000	\$50,000	\$50,000
<b>PROJECTED REVENUE CHANGE</b>	<b>\$4,634,100</b>	<b>\$3,083,300</b>	<b>\$1,581,500</b>
<b>Percentage change</b>	<b>4.38%</b>	<b>2.92%</b>	<b>1.50%</b>

## EXPENDITURES

Expenditure change	\$3,883,000	\$3,883,000	\$3,883,000
<b>PROJECTED EXPENDITURE CHANGE</b>	<b>\$3,883,000</b>	<b>\$3,883,000</b>	<b>\$3,883,000</b>
<b>Percentage change</b>	<b>3.93%</b>	<b>3.87%</b>	<b>3.67%</b>

<b>NET REVENUE SURPLUS (SHORTFALL)</b>	<b>\$751,100</b>	<b>-\$799,700</b>	<b>-\$2,301,500</b>
<b>Percentage change</b>	<b>0.71%</b>	<b>-0.76%</b>	<b>-2.18%</b>



# Tuition and Fee Rate Adjustment Alternatives

## Fiscal Year 2016-17

### 4.2% Rate Increase Model

Category	FY2016 Rate	FY2017 Rate	\$ Rate Change	% Rate Change
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#### Combined average resident undergraduates (Lower Division/Upper Division):

Per semester rate	\$4,840	\$5,043	\$203	4.20%
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(Note: Lower division per semester rate will increase by \$74 and upper division by \$332 per semester)

### 12.30% Rate Increase Model

Category	FY2016 Rate	FY2017 Rate	\$ Rate Change	% Rate Change
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#### All resident undergraduates

Per semester rate	\$4,840	\$5,435	\$595	12.30%
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### 15.00% Rate Increase Model

Category	FY2016 Rate	FY2017 Rate	\$ Rate Change	% Rate Change
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#### All resident undergraduates

Per semester rate	\$4,840	\$5,566	\$726	15.00%
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Note: Tuition restraint at 4.2% for Fiscal Year 2016-2017



# Tuition Alternatives

WHAT-IF ANALYSIS													
				Rate 1			Rate 2				Rate 3		
				NMU Incr				NMU Incr				NMU Incr	
RATES (FY2015-16)	Total	Rank	Diff vs NMU	15.00%	Rank	Diff	12.30%	Rank	Diff	4.20%	Rank	Diff	
MTU *	\$15,403	1	\$5,723	\$16,050	1	\$4,918	\$16,050	1	\$5,116	\$16,050	1	\$5,963	
UM-AA	\$14,729	2	\$5,049	\$15,348	2	\$4,216	\$15,348	2	\$4,414	\$15,348	2	\$5,261	
MSU	\$14,333	3	\$4,653	\$14,935	3	\$3,803	\$14,935	3	\$4,001	\$14,935	3	\$4,848	
WSU	\$12,745	4	\$3,065	\$13,280	4	\$2,148	\$13,280	4	\$2,346	\$13,280	4	\$3,193	
OU *	\$12,431	5	\$2,751	\$12,922	5	\$1,790	\$12,922	5	\$1,988	\$12,922	5	\$2,835	
<b>AVERAGE</b>	<b>\$11,866</b>	avg	<b>\$2,186</b>	<b>\$12,407</b>	avg	<b>\$1,275</b>	<b>\$12,389</b>	avg	<b>\$1,460</b>	<b>\$12,337</b>	avg	<b>\$2,250</b>	
CMU *	\$11,850	7	\$2,170	\$12,146	7	\$1,014	\$12,146	7	\$1,212	\$12,146	7	\$2,059	
UM-D	\$11,697	6	\$2,017	\$12,188	6	\$1,056	\$12,188	6	\$1,254	\$12,188	6	\$2,101	
WMU	\$11,633	8	\$1,953	\$12,122	8	\$990	\$12,122	8	\$1,188	\$12,122	8	\$2,035	
FSU *	\$11,610	9	\$1,930	\$11,923	9	\$791	\$11,923	9	\$989	\$11,923	9	\$1,836	
GVSU	\$11,363	10	\$1,683	\$11,840	10	\$708	\$11,840	10	\$906	\$11,840	10	\$1,753	
LSSU	\$10,580	11	\$900	\$11,024	12	(\$108)	\$11,024	11	\$90	\$11,024	11	\$937	
UM-F	\$10,527	12	\$847	\$10,969	13	(\$163)	\$10,969	12	\$35	\$10,969	12	\$882	
EMU	\$10,439	13	\$759	\$10,877	14	(\$255)	\$10,877	13	\$6	\$10,877	13	\$790	
<b>NMU</b>	<b>\$9,680</b>	<b>14</b>	<b>\$0</b>	<b>\$11,132</b>	<b>11</b>	<b>\$0</b>	<b>\$10,871</b>	<b>14</b>	<b>\$0</b>	<b>\$10,087</b>	<b>14</b>	<b>\$0</b>	
SVSU *	\$8,969	15	(\$711)	\$9,346	15	(\$1,786)	\$9,346	15	(\$1,588)	\$9,346	15	(\$741)	
<b>NMU - AVERAGE</b>	<b>-\$2,186</b>			<b>-\$1,275</b>			<b>-\$1,518</b>			<b>-\$2,250</b>			
<b>(% below avg)</b>	<b>-22.6%</b>			<b>-11.5%</b>			<b>-14.0%</b>			<b>-22.3%</b>			
<b>NMU Tuition Increase</b>				<b>\$1,452</b>			<b>\$1,191</b>			<b>\$407</b>			
<b>NMU Per semester</b>				<b>\$726</b>			<b>\$596</b>			<b>\$203</b>			

\* Shown at 2016-17 board approved rates included – others calculated at tuition rate cap of 4.2%





*Questions?*