

University of Michigan – Flint
Budget Principles and Process

Budget Principles – In Fiscal Year 2006, the University of Michigan – Flint implemented a new budget model moving from a centralized fixed increase system to a decentralized model that allocates budget based on enrollment and revenue growth. A number of other decisions have also shaped our current budgeting practices including:

- Strategic Planning:
 - Creation of a strategic plan to set future goals and drive budget decisions
 - The Chancellors Advisory Committee for Budget and Strategic Planning assumed responsibility for monitoring the linkage between budgets and the strategic plan
 - Creation of the campus master plan
 - Creating capital replacement and deferred maintenance plans
- Decentralizing some of the budget decision making:
 - Involving Deans and senior campus administrators in discussions on tuition rates and enrollment projections
 - Allowing departments to carry forward up to 10% of their annual base budget to do long-term planning
 - All departments had budget allocations in FY 07 and FY 08 that were more than the cost of the merit salary program and related benefits. These additional funds were to be used at the discretion of department management to accomplish goals related to the campus' strategic plan
 - We still centrally budget for fixed and unavoidable cost increases (utilities, union contracts, fixed cost contracts, insurance, debt service and Ann Arbor recharges)
- Budgeting to support enrollment growth and reward performance:
 - Budgets are determined based on performance in terms of enrollment growth and revenue generation
 - A year-end revenue share is distributed to reward performance for the year
 - Continue to promote new program growth through incentives (note: we have standardized these new program agreements)
- State Funding
 - State financial support for public higher education institutions has declined significantly in Michigan during recent years and the trend is expected to continue
 - This has placed added pressure on UM-Flint for enrollment and revenue growth in order to maintain academic quality and keep tuition affordable
 - A budget system that provides a financial incentive for enrollment and revenue growth is essential to maintain the financial health of the institution

Budget Process

- Initial Phase – Information Collection
 - Revenue:
 - Actual enrollment/tuition revenue information from Summer, Fall and Winter of the current year plus budget Spring term information become the basis for projecting tuition revenue for the following fiscal year.
 - We get enrollment projections on undergraduate programs from Admissions and projections on graduate programs from the Graduate Programs Office.
 - We gather rate information and anticipated rate increases for other Michigan Public Universities. We take our budget and rate increase requests to the Regents at the same time that Ann Arbor and Dearborn do so we are particularly interested in what they are considering.
 - We meet with the Deans to discuss rate increases and the potential impact on our programs.
 - We try to gather the best intelligence that we can on what the State of Michigan may do with State Appropriation. This directly impacts what we can do with both tuition rates and funding potential cost increases.
 - We gathering information on fee requests. We are particularly interested in new fees that impact all students or increases in the current fees (Technology, Student Activity and Recreation Center) that impact all students. These fees are considered “tuition equivalent fees” and must be included as part of any tuition increase request.
 - We pull information on Indirect Cost Recovery (note: the Research Office has a model for how all these funds are allocated).
 - We look at UIP for the current year as a base for the following year. We get information from A2 – Investment Office to determine how to budget this for the next year.
 - We estimate non-General Fund sources and show commitments against those funds.
 - Expenditures:
 - We gather information on who will be eligible for merit salary increases. Salaries as of April 1st of the current year are the basis for modeling various merit programs. The budget model does not directly fund merit salary increases, but we take into consideration the cost of a merit program when establishing rate increases.
 - We gather information from Ann Arbor and Dearborn on what they are modeling for a merit program (again, we take these to the Regents the same time that they do and don’t want to be out of line with what they are proposing).
 - We pull together information on decisions that were made during the current fiscal year that will have an impact on the budget going forward.

- We gather information on fixed and/or avoidable cost increases:
 - Utilities – Facilities Department
 - Fixed Cost Contracts – ITS, Facilities and Purchasing
 - Union Contracts – Human Resources
 - Debt Service – A2 Treasurer’s Office
 - Business Operations Recharge – A2 Financial Analysis Office
 - Fringe Benefits – A2 Benefits Office
 - Insurance – A2 Risk Management Office
 - Student Financial Aid – Chancellor (note: at a minimum this will increase at a rate equal to the tuition rate, the Chancellor will determine if it will increase at a higher rate)
 - Faculty Promotions – Provost Office
 - We gather information on budget requests.
 - We gather information on long term capital planning and deferred maintenance needs.
- Phase 2 – Modeling
 - Modeling is the most time consuming part of the budget process as the variables are constantly changing and we are balancing keeping tuition rates affordable with providing the necessary resources to maintain (and when possible enhance) our operations.
 - Revenue targets for each program are established to support the proposed budget (these are different for each scenario). Note: these are not finalized until we have a final budget.
 - We take the revenue information collected, separate out revenue that is promised (Special Program Revenue) and model various scenarios producing potential levels of “available funding”.
 - Additional available funding is applied to fixed costs and unavoidable cost increases first.
 - Next we look at options for a merit salary program and providing funding through the budget model to cover merit salary and benefit increases.
 - Next we look at budget requests, long term capital planning and deferred maintenance needs. These are prioritized. We have never been able to fund all of these. We balance funding these with providing a budget model payout that is greater than merit (allowing departments to address needs). It is a priority for us to distribute funding back to departments through the budget model.
 - We provide the Chancellor and Provost with recommendations on rate increases, priority of allocating funding, source of funding initiatives and budget model allocations.
 - After preliminary decisions are made, we run the numbers through the budget model to determine allocations. We compare allocations to the merit program and benefit increases to determine whether or not they were covered. There may be acceptable cases where these are not covered (enrollment declines in particular areas).
- Phase 3 – Preliminary Budget Review with Regents

- Sometime between April and June, the Chancellor meets in closed session with the Regents to discuss our budget plans. There is a standard report package they expect from us.
- If the budget and rate are tentatively approved, we move to Phase 4.
- If the Regents do not agree with the proposed budget, we move back to phase 2.
- Prepare preliminary budget schedules to be used in the Budget (Grey) Book. Schedules are submitted to A2 – Financial Analysis.
- Between our initial review with the Regents and the submission of our annual budget, we continue to monitor things that impact our budget. If anything happens that would cause us to revise our preliminary budget, we communicate these changes to the Regents prior to the July Regents Meeting.
- Phase 4 – Regents Approval of annual budget and rate increase at the July Regent’s Meeting (note: the intention is to move up approval to the June meeting. Last year this was the goal, but it was pushed back due to unprecedented uncertainties with regard to the state budget process)
 - Prepare budget schedules for the July Regents Meeting.
 - Chancellor presents our budget proposal in open session at the July Regent’s Meeting.
 - Regents vote on our budget.
- Phase 5 – Communication & Implementation of the Budget
 - Final schedules are produced for the Budget (Grey) Book.
 - Financial Services & Budget sends information to Deans and Vice Chancellors regarding their carry forward, revenue share, revenue targets and base budget for the current year. We request feedback on how the budget and carry forward should be loaded.
 - Budgets are loaded on M-Pathways in August.
- Phase 6 – Budget vs. Actual Comparison
 - We pull tuition & fee revenue for each term.
 - We separate tuition revenue between promised revenue programs and budget model revenue.
 - We estimate write-offs of tuition and build a reserve into what gets allocated to cover write-offs.
 - We compare revenue targets from promised revenue and budget model revenue with targets. We compare actual fee revenue with what was budgeted.
 - We report results after the fall and winter terms.
 - On promised revenue programs, we will start distributing a percentage of revenue above the targets as soon as revenue exceeds the target. We will take budget back if revenue targets are not met.
 - On budget model revenue programs, we gather tuition revenue information all year, run it through the budget model and if revenue exceeds the target we distribute a profit share in August the following fiscal year based on the rules built into the model. We will take funds back if revenue targets are not met.
 - Fee revenue is allocated to departments when the revenue exceeds budget. We will take budget back if budgets are not met.

- We monitor changes in State Appropriation. Depending on when the change is made and whether we have concerns about additional changes in the current year, we will either adjust allocation at the time the State announces the change or we will hold off until the end of the fiscal year and make it part of the year end budget model profit year (funds distributed in August following the current fiscal year).