February 11, 2005

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:

<table>
<thead>
<tr>
<th>Academic Affairs</th>
<th>Finance</th>
<th>Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mary C. Lukens, Chair</td>
<td>Douglas B. Roberts, Chair</td>
<td>Samuel S. Benedict, Chair</td>
</tr>
<tr>
<td>Brian D. Cloyd</td>
<td>Alan T. Ackerman</td>
<td>Larry C. Inman</td>
</tr>
<tr>
<td>Larry C. Inman</td>
<td>Samuel S. Benedict</td>
<td>Mary C. Lukens</td>
</tr>
<tr>
<td>Jon G. LaSalle</td>
<td>Larry C. Inman</td>
<td>Karl A. Weber, ex officio</td>
</tr>
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<td>Leslie E. Wong, ex officio</td>
</tr>
<tr>
<td>Leslie E. Wong, ex officio</td>
<td>Leslie E. Wong, ex officio</td>
<td>Douglas B. Roberts, alternate</td>
</tr>
</tbody>
</table>
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
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
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

- General Fund 70.4%
- Auxiliary Fund 17.4%
- Designated Fund 3.9%
- Restricted Fund 8.3%

* 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

- Tuition & fees: 33.4%
- Appropriation: 31.6%
- Room & Board: 10.1%
- Grants: 7.3%
- Auxiliary income: 7.1%
- NMU Foundation: 1.3%
- Other: 9.3%

* 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 *

- Tuition & fees 49.1%
- Appropriation 50.2%
- Other income 0.7%

* 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 *

- Personal services: 60.5%
- Scholarships: 8.1%
- Transfers: 5.2%
- Utilities: 4.3%
- Debt service: 4.2%
- Supplies & services: 9.3%
- Equipment & Library acq.: 8.3%

*Scholarships ($7.2 million) are shown as an expenditure rather than as a revenue offset.
Projected Expenditure Increases

20
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 $100,000 to $150,000
    - credit card fees/
    - other fees and services

- 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
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)

Total state enrollment was 41,307

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)

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.
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

<table>
<thead>
<tr>
<th></th>
<th>FY2004</th>
<th>Rank</th>
<th>NMU</th>
<th>Average (excl NMU)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation</td>
<td>1</td>
<td></td>
<td>$5,355</td>
<td>$3,660</td>
<td>+$1,695</td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>8</td>
<td></td>
<td>$5,621</td>
<td>$6,125</td>
<td>-($504)</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td></td>
<td>$227</td>
<td>$357</td>
<td>-($130)</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>3</td>
<td></td>
<td>$11,203</td>
<td>$10,142</td>
<td>+$1,061</td>
</tr>
</tbody>
</table>

| **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      |

Source: State of Michigan, HEIDI Database.
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