

**Approved by the Regents
June 21, 2012**

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Proposed Ann Arbor FY 2012-2013 General Fund
Operating Budget

Action Requested: Approval

Background:

The attached document provides a description of the changes in revenue and expenditures in the General Fund Operating Budget for FY 2012-2013

It is recommended that the Board of Regents approve this General Fund operating budget effective July 1, 2012 for the period July 1, 2012-June 30, 2013.

Respectfully submitted,



Philip J. Hanlon
Provost and Executive Vice President
for Academic Affairs

June 21, 2012
Attachments

**The University of Michigan – Ann Arbor
FY2012-13 General Fund Operating Budget
Executive Summary**

University of Michigan graduates must be prepared to thrive in a fast-paced, global society where new challenges are increasingly complex. This volatility and uncertainty demands leaders who can innovate and act in entrepreneurial ways; who can lead interdisciplinary work-place teams; and who can work effectively with people from diverse backgrounds and cultures.

The FY2013 budget prioritizes activities that emphasize the development of these essential skills and demonstrates our unwavering commitment to continually improve the quality of the academic experience, while also maintaining our commitment to ensuring access to qualified students of all socio-economic backgrounds.

The budget is based on a multi-year, integrated academic strategy and financial plan that includes strategic investments to maintain the academic excellence of the University and ensure that our students graduate prepared to be leaders in the 21st century. The budget supports these investments through the continued practice of fiscal discipline and aggressive cost containment and includes more than \$30 million in reductions and reallocations, and it complements this with the use of philanthropic resources.

With a 10.1% increase in need-based financial aid for undergraduates, the budget supports access for qualified students of all socio-economic backgrounds. Today, it costs less for the typical undergraduate student from Michigan from a family with low – moderate income to attend U-M than it did in 2004. The amount of loans in the financial aid package for this same student is less than in 2004. This year's budget plan also includes investments to increase need-based aid for non-resident students.

The University of Michigan - Ann Arbor has one of the nation's most outstanding set of faculty members, and their quality is a key factor in the success of our academic enterprise. The recruitment and retention environment for top faculty remains highly competitive. To maintain our competitive position among peer institutions, this budget includes the resources to support a modest salary program for faculty. It also protects and slightly expands a program begun several years ago to hire 150 new faculty members, in a deliberate effort to reduce our student-faculty ratio and enable smaller class sizes over time.

Fostering economic development throughout the state is a vital part of the University's public service mission. The University is embracing and strengthening important relationships among academia, industry, and government. Through business engagement, technology transfer, industry partnerships, student internships, entrepreneurship and community assistance, to the extent possible, the University is continuing to put resources toward addressing our region's economic challenges.

Achieving our goals of excellence and access has been challenging. The FY2013 budget is based on a state appropriation that represents a 1.6% increase over last year. While we are appreciative of this increase, it comes after a decade of significant cuts. In fact, state support to U-M per student has declined by more than 50% over the past decade, adjusting for inflation. To manage our constrained financial circumstances, we are committed to continuing our very aggressive cost-containment efforts. Over the past nine years we have reduced or avoided recurring General Fund expenditures by \$235 million, and we are targeting an additional \$120 million in savings over the next 5 years. At the same time, we will make expanded efforts to identify new revenue streams.

The budget recommendation for FY2013 includes a tuition increase of \$360¹ (2.8%) for resident undergraduates and \$1,340¹ (3.5%) for non-resident undergraduates. Most graduate and professional rates are increasing by 3.0%, and a limited number of differentials also are recommended for specific programs.

Despite the continuing challenges of the economy, the University of Michigan-Ann Arbor remains on a stable financial path, and continues to be one of the world's most highly regarded universities. This is the result of a disciplined approach to financial management that emphasizes multi-year budget planning, ongoing cost containment and continual reallocation of resources toward our highest priorities.

The accompanying Budget Narrative and associated Table 1 outline the General Fund budget recommendation for FY2013 in more detail.

We respectfully request approval of the proposed FY2013 General Fund budget.

APPENDIX

FY2013 General Fund Operating Budget Narrative
Table 1: General Fund Budget Proposal

¹ Figures are per academic year for the most common undergraduate lower division rate

**The University of Michigan – Ann Arbor
FY2012-13 General Fund Operating Budget**

Introduction

The FY2013 General Fund budget is based on a multi-year integrated academic strategy and financial plan that focuses on two key goals: maintaining the academic excellence of the University of Michigan – Ann Arbor and ensuring access to students. It is designed to be responsive to the evolving context of higher education, by making strategic investments to ensure that U-M graduates are prepared to be leaders in the 21st century. We support these investments through our continued practice of fiscal discipline and aggressive cost containment, complemented with the use of philanthropic resources. The budget recommendation also invests heavily in financial aid, emphasizing our strong commitment to enabling qualified students to receive a U-M education. For the fourth year in a row, there will be no increase in the cost to attend U-M for the typical undergraduate resident student who has financial need. This year's financial aid investment is sufficient to cover the full increase in the cost of attendance (tuition and fees, housing, textbooks and incidentals) with grant aid for these students, resulting in no increase in packaged loan burden.

The students we educate must be prepared to thrive in a society that is rapidly changing. Major societal challenges are becoming more complex and urgent. Increased volatility and uncertainty in the world result in a need for leaders who can innovate and act in entrepreneurial ways. The state of Michigan is engaged in transforming itself, and our graduates need to be part of that. At the same time, the challenges they will face have an ever-increasing global dimension. Information technology is having a profound effect on all aspects of our lives. As we educate students for this new environment, the traditional capabilities and skills that we expect students to obtain remain important, but it is essential that they also develop a range of new skills for success in the 21st century. This includes the confidence to innovate and take risk, the skills to lead small groups and flat organizations, an ability to work effectively with people from diverse backgrounds and cultures, aptitude for life-long learning, and a command of information technologies.

To ensure the success of our graduates, the FY2013 budget prioritizes activities that emphasize the development of such skills. Our unwavering commitment to improving the quality of the academic experience will not be compromised, and the budget recommendation gives top priority to the University's essential missions in education, research and public service by enabling critical investments through the reallocation of resources from lower priority activities: the budget includes \$30 million in reductions and reallocations for FY2013.

As in previous years, the FY2013 budget also has as a top priority access for qualified students of all socio-economic backgrounds. It includes an increase of 10.1% in need-based financial aid for undergraduates. Today, it costs less for the typical undergraduate student from Michigan from a family with low – moderate income to attend U-M than it did in 2004: the amount of loans in the financial aid package for this same student is less than in 2004. This year's budget also includes investments to increase the need-based aid for non-resident students.

The budget recommendation includes a tuition rate increase of \$360¹ (2.8%) for resident undergraduates and \$1,340¹ (3.5%) for non-resident undergraduates. Most graduate and professional rates are increasing by 3.0%, and a limited number of differentials are also recommended for specific programs.

Achieving our goals of excellence and access has been challenging. State support to U-M per student has declined by more than 50% over the past decade, adjusting for inflation, and today our state appropriation constitutes just 16.9% of our General Fund budget. After many years of reductions in our state appropriation, including the historic reduction in FY2012 of \$47.5 million, we are appreciative that this year's proposed state appropriation reflects a modest increase of 1.6%. To deal with our constrained financial circumstances, we have been aggressive in implementing a range of cost-cutting measures which, over the past decade have resulted in \$235 million in recurring reductions and reallocation, through everything from becoming more energy-efficient, to sharing the costs of health benefits with our employees, to standardizing our procurement practices, and more. We are committed to continuing these efforts and are targeting an additional \$120 million over the next 5 years. We are also looking to identify new revenue streams that can help constrain tuition increases.

Despite the continuing challenges of the economy, the University of Michigan – Ann Arbor remains on a stable financial path largely because of our disciplined approach to financial management, which emphasizes multi-year budget planning, on-going cost containment and continual reallocation of resources toward our highest priorities. Going forward, we will also work diligently to identify alternative revenue streams. We will continue to provide an outstanding education to our students, with an increased focus on the skills and capabilities they need to be the next generation of leaders. We will also continue to invest heavily in financial aid to ensure access to qualified students who can benefit from that education.

Financial Aid

The ability of admitted students to attend the University without regard to family financial circumstances remains a top objective of the University of Michigan. The longstanding policy of the Ann Arbor campus to meet the full demonstrated financial need of all of its Michigan resident undergraduate students will continue.

The FY2013 budget recommendation includes an increase of \$10.5 million in centrally awarded financial aid for a new total allocation of \$144.8 million. The majority of this increased funding (\$9.2 million) is for need-based aid for undergraduate students, a 10.1% increase in that budget, with the rest going to graduate students. In fact, improvements in operating efficiency have enabled the University to achieve double-digit percentage increases in the central undergraduate financial aid budget in seven of the last eight years, even while support from the state has been deteriorating. This year's financial aid investment is sufficient to cover the full increase in the cost of attendance (tuition and fees, housing, textbooks and incidentals) with grant aid for the typical resident undergraduate students with financial need, resulting in no increase in packaged loan burden for those students.

¹ Figures are per academic year for the most common undergraduate lower division rate

We continue to look for non-General Fund sources of revenue to enhance our financial aid programs. The President's Donor Challenge and the accompanying matching program raised more than \$72 million in endowment donations for need-based undergraduate financial aid with another \$60 million directed towards graduate aid, adding significant resources to this priority starting several years ago. As a result of this and other programs, the University is able to provide a significant amount of funding beyond the centrally awarded financial aid: \$87 million in merit-based undergraduate scholarships, which, when awarded to students with need, reduce dollar-for-dollar their loan amount.

Faculty

The quality of our faculty is one of the most important factors contributing to the success of our academic enterprise and the recruitment and retention environment remains highly competitive. The University of Michigan – Ann Arbor has one of the nation's most outstanding faculties, and over the past seven years a total of 510 faculty members received offers from other institutions and chose to remain at Michigan, a retention rate of nearly 60%. In addition, the University has successfully recruited nearly 650 faculty members from other leading universities during that same seven year timeframe. The institutions we compete with most often for faculty include Harvard, UC-Berkeley, Stanford, University of Chicago, and University of Texas, to name a few.

This budget provides the necessary resources to support a modest salary program for faculty in order to maintain our competitive position within our peer group. In addition, several years ago we began an initiative to hire 100 new faculty members in a deliberate attempt to reduce our student-faculty ratio over the next several years and to ensure our competitiveness by fostering key interdisciplinary areas of education. That investment was expanded two years ago to include an additional 50 faculty positions; enhancement of undergraduate teaching has been a key criterion used in allocating these 50 positions. These investments continue to be protected in this budget and are expanded further (\$1.3 million) to enhance our students' academic experience.

Academic Program Initiatives

The FY2013 budget prioritizes innovation in teaching and research to keep pace with the rapidly evolving needs of our students and society. By reallocating funds from lower priority activities, we will be able to invest in academic initiatives such as these:

- The Ross School of Business is redesigning the BBA curriculum to incorporate a scalable introductory course, action-based learning opportunities, global and multicultural experiences, and a meaningful capstone course. It is building on its world-renowned MBA program, adapting the Multidisciplinary Action Projects (MAPS) that are at its core to the undergraduate setting.
- “Changing Gears” is a new program in The College of Literature, Science, and the Arts designed specifically for students transferring from community colleges. Its overarching goals include providing access to research opportunities that can facilitate academic decisions and provide direction for these students, thereby increasing the likelihood that they will successfully complete their degrees at U-M. It does this by providing students with one-on-one mentorship from a U-M faculty member with whom they conduct a research project.

- At the College of Engineering (CoE) a new active learning opportunity, Design Immersion, was piloted last year. Under the supervision of a U-M faculty member, almost 100 new CoE students moved into residence halls early to work on challenging design projects in small teams. These activities gave students the chance to jump-start their undergraduate education by experiencing engineering as a creative process. The program will expand this year to more than 200 students.
- MCubed is a first-of-its-kind, real-time research-funding initiative designed to encourage bold research at the interfaces of academic fields. To qualify, three researchers from different disciplines must come together to form a “cube”, working on a cutting-edge topic. They are then provided funds to support one student researcher. Beginning this fall, MCubed, a two-year pilot itself, aims to fund pilot studies that could eventually lead to larger traditional grants, while further expanding the opportunities for U-M students to engage in research.
- The U-M Medical School recently initiated the Global Health and Disparities Path of Excellence, to address dramatic health and healthcare inequities in the United States and across the globe. In this program, students participate in a variety of educational activities on topics including social determinants of health disparities, tools and strategies to promote sustainable change, health care systems and policy, and professional and leadership development. The program includes both small group training under the supervision of a medical school faculty member, and clinical clerkships in which students apply their knowledge and skills in caring for vulnerable patients.

University Library

One of the University’s most distinguished and valuable resources is the University Library, which houses a nationally prominent collection that serves as an invaluable resource to faculty and students as well as to the public in the state of Michigan and to other universities. This year we are again investing in the Library’s collections budget to ensure that the collection maintains its current value and distinction.

Economic Development and Innovation

Within the University of Michigan’s public mission, economic development is a high priority and an important outcome of maintaining a high quality academic enterprise. The University’s reservoir of talent and ideas replenishes an ecosystem for innovation that can lead to economic transformation for the region and the nation. “Great ideas change everything” is the theme of the University of Michigan’s Innovation website, innovate.umich.edu, where these efforts are featured.

The University is embracing and strengthening important relationships among academia, industry, and government. Through business engagement, technology transfer, industry partnerships, student internships, entrepreneurship and community assistance, to the extent possible, the University is continuing to put resources toward addressing our region’s economic challenges. Over the last year, the University took several new steps to facilitate partnering for economic development.

This region is poised to become a major industrial cluster that will define and support the next generation of American advanced manufacturing not only in transportation, but also in renewable energy, chemicals, pharmaceuticals, and other areas where manufacturing expertise is the key element to success. U-M is one of six universities involved in the Advanced Manufacturing Partnership (AMP), a working group advising President Obama, and hosted a regional meeting in December 2011.

The Michigan Investment in New Technology Startups (MINTS) has funding of \$25 million over the next 10 years dedicated to accelerating businesses that could contribute to the Michigan economy. The program invests in select venture-funded U-M startups — new companies built around inventions born in faculty members' labs.

Michigan Research Advantage IP Program allows our most substantial industrial partners to pre-negotiate terms for ownership of intellectual property at the outset of a long-term research program, eliminating one of the biggest impediments to university-industry partnerships. The IP program is part of a broader Michigan Research Advantage Program aimed at facilitating ties to industry.

Five years ago, U-M launched the Business Engagement Center (BEC) as a “front door” for companies seeking access to university expertise and other resources. Along with its affiliated offices in the College of Engineering and the Medical School, and at the Flint and Dearborn campuses, the BEC now maintains relationships with more than 1,000 companies. This year, the University took a lead role in establishing a state-wide network aimed at connecting six Michigan universities with industry, funded by the Strategic Fund-Michigan Economic Development, and called the Michigan Corporate Relations Network.

Commercialization of University research is creating jobs and improving the quality of life for the residents of Michigan. In Michigan and across the globe last year, more U-M technologies were licensed to companies than ever before. U-M Tech Transfer created 101 licensing agreements with industry, including 11 new start-up ventures. The Venture Center, a one-stop hub for start-up venture opportunities, opened an Accelerator co-located on the North Campus Research Center (NCRC) to provide world-class lab and office space where our faculty can start their own companies while accessing expert help in being successful. The Accelerator is close to capacity in just 18 months of operation, with seventeen companies from five U-M schools.

We have been expanding our efforts to develop the next generation of entrepreneurs for the state of Michigan. The University's very popular student entrepreneur programs include the Center for Entrepreneurship at the College of Engineering and the Zell-Lurie Institute for Entrepreneurial Studies in the Ross School of Business. A unique professional master's degree in entrepreneurship has been developed by the College of Engineering and the Ross School of Business as a joint program that will educate students on forming and managing high-growth potential, scalable businesses. The program's first students will be admitted in 2012. Also new this year is the Zell Entrepreneurship and Law program, which is preparing law students to serve both start-up and already existing entrepreneurial businesses and establishing a clinic to provide free legal advice to student entrepreneurs across campus. TechArb, a student business accelerator, provided free space, internet access, and mentoring to about 25 companies for six month sessions. Now in its eighth session, TechArb has launched several successful companies that have garnered venture capital and are delivering products.

Partnering with other universities, industries, governments and foundations is another way that U-M is leveraging its efforts in economic development. Founded in 2006, the University Research Corridor is a collaboration of Wayne State University, Michigan State University, and the University of Michigan to strengthen the role the state's top research universities play in helping transform the state's economy through their educational and research programs.

University of Michigan also administers and leads the fundraising for a state-wide consortium of public universities to promote regional economic development and entrepreneurship, called the Michigan Initiative for Innovation and Entrepreneurship (MIIE). The MIIE consortium distributes funds raised from the Michigan Economic Development Corporation, as well as Mott, Dow and NEI foundations, matched with resources and funding from universities and private businesses. In its first five award cycles, MIIE awarded nearly \$5 million through 90 grants to commercialize research and encourage public and private collaboration in Michigan. Thus far, MIIE-funded technologies are being developed by seven start-ups. MIIE expands on the success of the Michigan Universities Commercialization Initiative (MUCI), funded by the state, which in its first ten years distributed more than \$8.1 million to tech transfer projects and fostered 54 start-ups.

Finally, the breadth and depth of the University's research portfolio, with research expenditures of \$1.24 billion in FY2011, yields hundreds of ideas that contribute to economic development.

The Scope of the Budget Challenge

The cost of doing business at a university follows a higher trajectory than it does in much of the economy, as our costs are subject to increases beyond the normal forces of inflation. This is largely because teaching and research are more labor-intensive than most activities in the economy, and it is generally the case that the costs of labor rise faster than other costs. In addition, universities make substantial investments in a broad range of new technologies and facilities to conduct leading-edge research and prepare students adequately for careers in a broad spectrum of fields. These are expensive investments that are central to our mission but typically do not increase revenues or create efficiencies. At the same time, the volume of activity continues to rise, further driving up costs.

Revenue to the General Fund comes from three main sources: state appropriation, tuition and indirect cost recovery. Indirect cost recovery pays specifically for the indirect costs of research, and hence this funding is not available for allocation on a discretionary basis. This leaves tuition dollars and the state appropriation as the primary General Fund revenue sources that can be flexibly allocated.

In our FY2013 budget proposal, we are assuming a state appropriation of \$273.1 million, which represents a modest 1.6% increase over last year. While we are appreciative of this increase, it is important to note that it comes after a decade of significant cuts, and in fact is only slightly more than the amount received in FY1991. On a per student basis, the state allocation has been reduced by more than 50% over the past decade, after adjusting for inflation. Thus, we continue to operate in highly constrained financial circumstances, which demand that we are aggressive in seeking ways to be as efficient as we possibly can be.

Cost Containment Efforts

For nearly a decade we have engaged in aggressive cost containment efforts, and have reduced or avoided recurring General Fund expenditures by \$235 million since FY2004. We have achieved this by focusing on seven key areas: purchasing, energy efficiency, health benefits strategies, leveraging information technology, other revenue sources, greater productivity of staff and more efficient utilization of space and facilities. In seeking efficiencies, we adhere to the following principles:

- Protect and invest in our core educational and research missions
- Remain competitive for the best faculty/staff/students
- Leverage our size and scale
- Maintain high quality essential services
- Eliminate duplicate and lower priority activities
- Shift costs from the General Fund to other funding sources, where appropriate
- Avoid short-term reductions that will raise costs or undercut quality in the long-term
- Introduce centralization and greater sharing of resources in cases where this will result in higher quality services and/or more effective use of high quality facilities
- Consider insourcing and outsourcing, when that leads to improvements in service at the same or lower costs
- Take advantage of advanced technologies to achieve efficiency of operations

These principles have directed us to pursue a broad range of strategies to achieve cost reductions and long-term efficiencies in our operational areas. For instance we have chosen to self-insure in select areas, including health benefits and risk management, so as to achieve the full financial benefit of risk-reduction programs and investment opportunities with insurance reserves. Additionally a multi-pronged approach has been taken to control energy consumption and corresponding costs through the installation of new campus systems, retrofitting existing facilities to achieve efficiencies, advanced energy purchases, and encouraging behavior changes among faculty, staff, and students. In the area of health benefits, efforts include aligning benefit offerings with the market and ensuring appropriate levels of cost sharing with employees, who now pay on average 30% of the health care costs.

We are now entering a new phase of our cost containment efforts, with a five-year cost target savings of \$120 million, including reductions and reallocations of more than \$30 million in FY2013. To achieve this new goal we will be required to look deeper into the academic enterprise for efficiency opportunities, but we will continue to make every effort to protect the excellence of the educational experience as we make reductions.

On a large scale, we are implementing a major IT rationalization project across the Ann Arbor campus. Once implementation is complete, savings are expected to total \$25 million - \$30 million per year, of which 60%-70% will benefit the General Fund. These savings will come from various initiatives over multiple years. One such initiative, currently underway, is the Collaboration Project which will provide a powerful, web-based environment that will support the U-M's leadership in teaching, learning, and discovery by improving collaboration among faculty, students, and staff

(and colleagues around the world) while also reducing overall operational costs. Savings will also be achieved through the elimination of non-productive, redundant services, and decreases in infrastructure expenditures. Additional IT rationalization initiatives planned for FY2013 – FY2015 include the consolidation of desktop, network, server, storage, security, and helpdesk support into a single organization. The highly integrated new service will maintain/improve service quality, improve the consistency of user support, and reduce the overall cost to the University.

An administrative service benchmarking study that was completed in late 2009 also is helping us to identify additional areas in our human resources, procurement, and financial operations that have the potential for increased efficiency and cost savings, and we are actively investigating the potential for shared services in these areas through a formal design phase that will conclude with implementation recommendations. A final decision is expected this summer.

We have implemented a strategic sourcing program that we anticipate will result in an additional \$4 million - \$5 million in General Fund savings annually. Savings are expected to come from purchases in areas that include furniture, janitorial supplies, peripherals, office supplies, and computers. Additionally changes to our retiree health benefits program will yield another \$2 million - \$3 million.

A summary of our cost containment activities can be found at <http://www.vpcomm.umich.edu/pa/key/budget/>

Working to achieve this level of cost containment has been both difficult and disruptive, but also necessary. Consistently cutting and reallocating at a level higher than our rate of new investment will ultimately have a negative impact on the quality of the institution, but we are committed to doing everything we can to operate as efficiently as possible, with the goals of providing high levels of financial aid to our students, attracting and retaining world-class faculty on the Ann Arbor campus, and developing and offering innovative educational programs that will enable our students' long-term success.

The General Fund Budget Recommendation

The attached Table 1 summarizes the General Fund budget recommendation for FY2013. As mentioned previously, the budget recommendation reflects the assumption that the state appropriation will be \$273.1 million.

The revenue lines on Table 1 require some explanation. Overall, tuition revenue is budgeted to increase by \$66.3 million, or 6.1%. This increase reflects changes in enrollment as well as rates for tuition. Proposed rate increases are 2.8% for resident undergraduates, 3.5% for non-resident undergraduates and 3.0% for most graduate programs. The decrease in Indirect Cost Recovery of \$6.7 million is due to the federal government's ARRA Program winding down as anticipated, and the government's tightening of other discretionary research and development spending.

The overall budget is increasing 3.9%, with Academic Units' budgets increasing by nearly 6.0%. The academic units' budget changes result from increased enrollment and tuition rate increases, as well as investments in academic initiatives; all of these new investments are funded by reallocation of funds from other activities, and thus are balanced by reductions elsewhere. As a result, the net increase/decrease varies from unit to unit depending on activity. The increase to the Capital Renewal Fund is part of a long-term planned effort to establish a dedicated funding source for major renovations and capital projects. The overall Executive Officer and Service Unit budget remains relatively unchanged, with most administrative units receiving modest budget increases.

Conclusion

Over the past decade, we have relied heavily on internal reallocation and cost containment to mitigate the effects of rising costs and the simultaneous reduction in state support. The environment for recruiting and retaining faculty remains fiercely competitive, the needs of our student body continue to grow, and we must continue to ensure that qualified students of all economic backgrounds are able to attend the University. To achieve our mission and to advance the excellence of the institution, we must maintain a focus on the future and continue to be exceptionally prudent in our planning and financial management.

The FY2013 General Fund budget proposal for the University of Michigan – Ann Arbor is based on a multi-year integrated academic strategy and financial plan focused on maintaining the academic excellence of the University of Michigan – Ann Arbor while ensuring access to students of all economic backgrounds. The budget recommendation will allow us to invest heavily in financial aid while also investing in educational innovations that strengthen our students' learning experience. We must continually innovate, so that the topics we study, and the methods we use to create knowledge, remain at the cutting edge. Maintaining our position as one of the best educational and research institutions in the world is essential. It is critical to our ability to continue supporting the state's economic transformation and recovery, and it is critical to our ability to ensure that our students leave the University of Michigan with the knowledge and skills they need to succeed, and become leaders in the 21st century.

Table 1

The University of Michigan - Ann Arbor
General Fund Budget
Fiscal Year 2012-13

	FY 2012 Adjusted Budget*	Recommended Change	Proposed FY 2013 Budget	% Change	Average Annualized 3 Year % Change
Revenue Budgets					
State appropriation	268,803,300	4,253,400	273,056,700	1.58%	-4.81%
Tuition and Fees	1,090,340,016	66,306,730	1,156,646,746	6.08%	6.84%
Indirect Cost Recovery	218,291,135	(6,675,055)	211,616,080	-3.06%	5.50%
Other Revenue	9,603,000	(1,783,000)	7,820,000	-18.57%	-7.20%
Total Revenues	1,587,037,451	62,102,075	1,649,139,526	3.91%	4.26%
Expenditure Budgets by Unit					
A. Alfred Taubman College of Architecture & Urban Planning	14,877,381	625,698	15,503,079	4.21%	3.36%
School of Art & Design	9,515,135	1,162,705	10,677,840	12.22%	5.37%
Stephen M. Ross School of Business	77,102,430	5,892,468	82,994,898	7.64%	5.60%
School of Dentistry	29,957,046	669,459	30,626,505	2.23%	1.20%
School of Education	16,979,525	(155,179)	16,824,346	-0.91%	0.55%
College of Engineering	155,624,821	10,225,777	165,850,598	6.57%	8.07%
School of Information	14,120,366	950,008	15,070,374	6.73%	8.64%
School of Kinesiology	11,325,613	457,490	11,783,103	4.04%	7.00%
Law School	43,083,274	1,651,260	44,734,534	3.83%	2.10%
College of Literature, Science and the Arts	324,131,487	14,396,834	338,528,321	4.44%	4.43%
Medical School	78,096,085	3,860,221	81,956,306	4.94%	5.48%
School of Music, Theatre & Dance	29,237,336	1,715,829	30,953,165	5.87%	4.89%
School of Natural Resources & Environment	9,415,966	1,967,808	11,383,774	20.90%	14.70%
School of Nursing	15,290,146	2,033,043	17,323,189	13.30%	7.11%
College of Pharmacy	11,986,583	1,025,371	13,011,954	8.55%	7.39%
School of Public Health	33,705,476	(2,386,277)	31,319,199	-7.08%	1.57%
Gerald R. Ford School of Public Policy	8,870,736	450,225	9,320,961	5.08%	2.64%
School of Social Work	18,746,661	1,596,232	20,342,893	8.51%	5.38%
Horace H. Rackham School of Graduate Studies	8,618,322	(5,004)	8,613,318	-0.06%	0.65%
University Academic Units	60,468,178	1,710,657	62,178,835	2.83%	2.08%
Research Units	4,969,190	(30,331)	4,938,859	-0.61%	16.07%
Academic Program Support	62,990,965	1,735,442	64,726,407	2.76%	9.33%
Capital Renewal Fund	16,565,726	13,734,490	30,300,216	82.91%	0.00%
TOTAL ACADEMIC	1,055,678,448	63,284,226	1,118,962,674	5.99%	5.70%
President	1,832,121	23,333	1,855,454	1.27%	1.52%
Provost & Executive Vice President for Academic Affairs	30,918,274	420,294	31,338,568	1.36%	1.40%
Executive Vice President & Chief Financial Officer	168,640,787	(1,201,599)	167,439,188	-0.71%	-0.02%
Vice President for Communications	5,864,792	35,128	5,899,920	0.60%	2.59%
Vice President for Development	841,129	8,778	849,907	1.04%	1.41%
Vice President & General Counsel	3,072,849	39,507	3,112,356	1.29%	1.44%
Vice President for Government Relations	1,820,716	17,619	1,838,335	0.97%	1.07%
Vice President for Research - Support Units	23,828,454	824,031	24,652,485	3.46%	2.87%
Vice President & Secretary of the University	743,922	9,113	753,035	1.22%	2.24%
Vice President for Student Affairs	15,149,139	15,981	15,165,120	0.11%	0.97%
TOTAL EXECUTIVE OFFICER AND SERVICE UNITS	252,712,183	192,185	252,904,368	0.08%	0.56%
General University Support	37,429,306	1,521,986	38,951,292	4.07%	3.18%
Centrally Awarded Financial Aid	134,255,008	10,513,253	144,768,261	7.83%	6.97%
Utilities	89,921,789	(13,834,392)	76,087,397	-15.38%	-5.49%
Insurance	8,514,387	130,496	8,644,883	1.53%	5.13%
Legal and Professional Fees	369,031	0	369,031	0.00%	0.00%
Ceremonial and Presidential Events	757,299	(5,679)	751,620	-0.75%	1.31%
Departmental Income	6,000,000	0	6,000,000	0.00%	0.00%
Staff Benefits Pool	1,400,000	300,000	1,700,000	21.43%	19.35%
UNIVERSITY ITEMS	278,646,820	(1,374,336)	277,272,484	-0.49%	2.25%
Total Expenditures	1,587,037,451	62,102,075	1,649,139,526	3.91%	4.26%
DIFFERENCE			0		

* Transfers between units are incorporated in the FY 2012 Adjusted Budget

Note: The proposed FY 2013 budget changes how operating costs for the North Campus Research Complex are handled in that only costs for the General Fund space are included whereas in prior years all operating costs were incorporated. This change has a significant positive impact on the budget for the Medical School and corresponding negative impact on the Executive Vice President & Chief Financial Officer (EVP/CFO) and Utilities.