



Chapter 10 Budgets & Fundraising

Goals

The University budget is built to reflect the institution's commitments to academic excellence and affordability. Cost containment along with strategic investments in financial aid, faculty, and research are critical to these goals. Fundraising contributes to critical operational needs and strategic investments that can't be paid out of other budget categories.

Overview

This chapter focuses on revenues, and examines the trends by sources, such as state appropriations, tuition, research grants and fundraising. Since 2001, state appropriations as a revenue source have declined and the U-M budget has become increasingly reliant on tuition, research grants, and other sources of revenue.

The budgeted state appropriation for FY2024 was \$356.6 million. When this is compared to inflation-adjusted state appropriations since FY2002, there is a widening funding gap between the appropriation provided by the State of Michigan and an appropriation that increased at the rate of inflation.

The COVID-19 pandemic caused the campus to move to remote teaching and work as much as possible, leading to lost revenues. Starting in fall 2021, in-person teaching with appropriate cautions returned and other work functions were performed through a mix of in-person and remote activities. While the pandemic put a strain on the U-M's finances, it has managed to weather the financial storm and has regained a fiscal picture like that from before the pandemic.

Starting in January 2018, the U-M offered the "Go Blue Guarantee," which pledges to fund four years of tuition for in-state undergraduate students with family incomes less than \$65,000 and family assets less than \$50,000. Starting with Fall 2023, qualifying family income was increased to \$75,000 and the asset limit increased to \$75,000.

In November 2013, the University launched its most recent major fundraising campaign - Victors for Michigan - with a goal of \$4 billion. The campaign surpassed its goal and closed December 31, 2018, after raising \$5.28 billion with more than 398,000 donors having made 2.4 million gifts.

The University manages its endowment to meet donors' expectations that their gifts will provide support to the University in perpetuity. The objective is to maintain and enhance the value of endowment gifts and to secure their future purchasing power.

For More Information

Go Blue Guarantee
(goblueguarantee.umich.edu)

Cost Cutting & Budget Update
(publicaffairs.vpcomm.umich.edu/key-issues/cost-cutting-budget-update/)

U-M Endowment Q&A
(publicaffairs.vpcomm.umich.edu/key-issues/university-of-michigan-endowment/)

Leaders & Best/Giving at Michigan
(leadersandbest.umich.edu/)

Charts in Chapter 10

- 10.1.1 Breakout by Spending Categories of General Fund Budget, FY2024.
- 10.1.2 General Fund Revenue and Expenditure Budget Summary, FY2014-FY2024.
- 10.1.3 Summary of Budgeted Revenues and Expenditures by Funds, FY2014-FY2024.
- 10.2 Contributions to the University's General Fund by State Appropriations, Tuition and Fees, and Other Revenues, FY1970-FY2024.
- 10.3 FY2002 State Appropriation Adjusted for Inflation and Projected Forward to Maintain Constant Value, Compared to Enacted Annual State Appropriations, FY2002-FY2024.
- 10.4.1 State of Michigan Appropriations to the U-M Ann Arbor Campus per Full-Time-Equivalent Student, Adjusted for Inflation, FY2013-FY2023.
- 10.4.2 State Appropriation per Full-Time Equivalent Student to the U-M and AAU Public Institutions, based on FY2021 Appropriation and Fall 2020 Enrollment.
- 10.5 Private Gifts to the University, Adjusted for Inflation, FY2012-FY2022.
- 10.6.1 Total Value of U-M Endowment, Ann Arbor Campus, Adjusted for Inflation, FY2012-FY2022.
- 10.6.2 Market Value of Endowment, U-M and Peers, FY2022.

Two-thirds of the U-M's annual General Fund budget directly supports academic activities.

10.1.1 Breakout by Spending Categories of General Fund Budget for the Ann Arbor Campus, FY2024.



67.3 cents of each dollar for academic activities: Instruction, Academic Advising, Libraries, Museums.

9.7 cents for administrative services: Admissions, Budgeting and Accounting, Central Human Resources, Central Information Technology, Legal Services.

13.2 cents for centrally awarded financial aid.

9.8 cents for facilities and risk management: Plant Operations, Utilities, Insurance, Public Safety.

SOURCE: Office of Budget and Planning (Financial Statement Budget Adjustment FY14 Dollar Bill.xls)

10.1.2 General Fund Budgeted Revenue and Expenditure Summary, FY2014-FY2024.

Revenue Budgets	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
State Appropriation	279,109	295,174	299,431	308,639	314,589	320,782	325,532	325,532	322,931	332,619	356,569
Tuition and Fees	1,217,808	1,277,842	1,308,819	1,395,166	1,490,041	1,597,254	1,694,487	1,702,208	1,797,875	1,948,370	2,101,595
Indirect Cost Recovery	219,303	213,874	215,799	226,543	239,050	253,195	277,117	264,054	280,095	301,251	324,048
Other Revenue	7,920	8,020	9,700	9,595	10,095	9,845	10,745	8,245	8,245	8,245	10,845
Total Revenues	1,724,140	1,794,910	1,833,749	1,939,943	2,053,775	2,181,076	2,307,881	2,300,039	2,409,249	2,590,485	2,793,057

Expenditure Budgets by Unit Type											
Schools and Colleges	994,968	1,018,185	1,037,508	1,092,817	1,166,701	1,252,248	1,330,899	1,290,121	1,382,843	1,536,172	1,648,467
University Academic Units	63,995	66,003	67,841	69,059	71,685	75,789	79,680	79,451	80,626	82,533	85,856
Research Units	4,779	3,326	3,719	4,114	2,913	5,549	6,394	5,903	5,773	7,579	5,934
Academic Program Support	69,073	79,912	78,215	98,783	97,319	86,158	86,602	109,720	86,897	68,533	83,489
Capital Renewal Fund	41,894	44,905	46,064	47,693	49,128	49,766	50,670	51,327	52,576	54,153	55,545
Executive Officer and Service Units	256,646	259,499	265,767	275,801	292,000	302,512	315,414	314,460	333,933	352,446	372,020
North Campus Research Complex	12,298	14,403	16,462	15,006	16,103	16,717	16,572	15,728	14,343	14,892	15,892
Financial Aid	161,170	183,444	195,627	212,295	231,436	262,117	286,926	300,842	317,500	332,643	369,277
University Items	119,318	125,232	122,545	124,376	126,490	130,220	134,723	132,487	134,492	141,532	156,577
Total Expenditures	1,724,140	1,794,910	1,833,749	1,939,943	2,053,775	2,181,076	2,307,881	2,300,038	2,409,073	2,590,485	2,793,057

Table entries are dollars in thousands.
SOURCE: U-M Office of Budget and Planning

Revenues grew over the last decade from tuition and indirect cost recovery – until the COVID-19 pandemic arrived. These two revenue sources are again growing in line with past years. Tuition growth has stemmed primarily from increases in out-of-state and graduate program rates, while indirect costs increase as externally funded research grows. A sizable portion of revenues gained by tuition increases goes to financial aid to assist student with need.

The state appropriation values in the table reflect the estimated funding level that was included in the U-M budget approved by the Regents.

NOTE: In charts 10.3, 10.4.1 and 10.4.2, the enacted state appropriations are used.

In addition to the General Fund, the U-M Ann Arbor operating budget projects revenues and expenditures for three additional funds: Designated, Expendable Restricted, and Auxiliary Activities.

10.1.3 Summary of Budgeted Revenues and Expenditures by Funds, FY2014-FY2024.

Budgeted Revenues by Fund	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General	1,724,140	1,794,910	1,833,749	1,939,943	2,053,775	2,181,076	2,307,881	2,300,038	2,409,249	2,590,485	2,793,057
Designated	143,190	172,489	195,081	196,170	201,890	217,515	232,028	195,653	237,764	253,820	425,338
Auxiliary Activities	3,406,856	3,593,864	3,867,754	4,132,188	4,891,134	5,232,564	5,669,783	5,259,348	6,142,722	6,583,288	8,184,933
Expendable Restricted	1,097,197	1,054,926	1,157,947	1,204,451	1,269,565	1,315,880	1,398,915	1,268,003	1,581,455	1,562,024	1,647,820
Total Revenues	6,371,383	6,616,189	7,054,531	7,472,752	8,416,364	8,947,035	9,608,607	9,023,042	10,371,014	10,989,617	6,079,425

Budgeted Expenditures by Fund	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General	1,724,140	1,794,910	1,833,749	1,939,943	2,053,775	2,181,076	2,307,881	2,300,038	2,409,073	2,590,485	2,793,057
Designated	143,190	172,489	195,081	196,170	201,890	217,515	232,028	195,653	237,764	253,820	276,100
Auxiliary Activities	3,495,268	3,638,271	3,937,359	4,062,275	4,845,345	5,292,120	5,730,165	5,275,252	6,136,391	6,506,402	8,071,448
Expendable Restricted	1,097,197	1,054,926	1,147,647	1,189,451	1,254,565	1,300,880	1,383,915	1,254,503	1,566,455	1,547,024	1,608,404
Total Expenditures	6,459,795	6,660,596	7,113,836	7,387,839	8,355,576	8,991,590	9,653,988	9,025,447	10,349,683	10,897,731	12,749,008

Table entries are dollars in thousands.

SOURCE: U-M Office of Budget and Planning, U-M Office of Financial Analysis

The total budget of the University of Michigan Ann Arbor is allocated to a wide range of activities, including instruction, research, administration, health care, student financial aid, student housing and athletics, among others. The revenue and expenditure budgets are divided into four main funds, which track broad campus activity groups.

The General Fund is used for operating purposes to support instruction, research, and public service; academic and other student services; operation and maintenance of the university’s physical plant; and university-funded financial aid. Revenues for the General Fund come from State of Michigan appropriations, student tuition and fees, indirect cost recovery tied to sponsored grants and contracts, and other income. (See Table 10.1.2 for a breakdown of General Fund revenues and expenditures.)

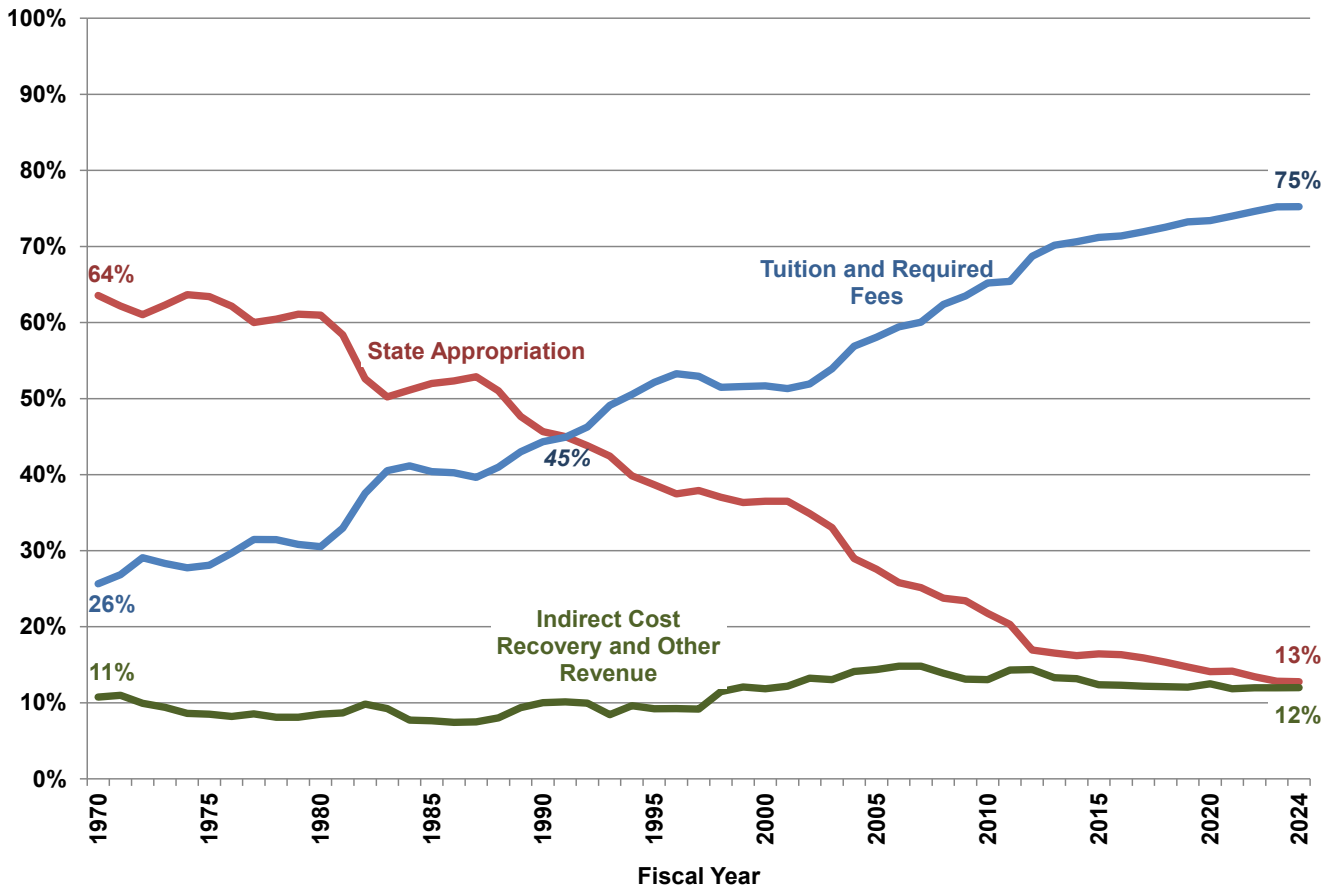
The Designated Fund is like the General Fund in that both support the academic mission of the university, although the Designated Fund revenue sources differ from those for General Fund. The major sources of income in the Designated Fund are departmental revenue for continuing education (non-degree granting), conferences and seminars, royalty income, endowment distribution from unrestricted endowments, publishing of teaching and research data, unrestricted gifts (President only), and investment income from the University Investment Pool for cash held in this fund.

The Expendable Restricted Fund includes spending for research and other sponsored activities with the funds originating from the federal government, other governmental units, non-federal agencies, foundations and charitable organizations, gifts, and endowment distributions. These funds are restricted and may only be used for expenditures relating to the specific purposes as stated by the sponsor or donor.

The Auxiliary Activities Fund supports activities that charge customers for goods and services provided. Auxiliary units include the U-M Hospital and Health Centers, student housing, intercollegiate and varsity athletics, and parking.

The state appropriation's share of the General Fund has declined dramatically since 1970.

10.2 Contributions to the University's General Fund Budget by State Appropriations, Tuition and Fees, and Other Revenues¹, FY1970-FY2024.



SOURCE: U-M Office of Budget and Planning

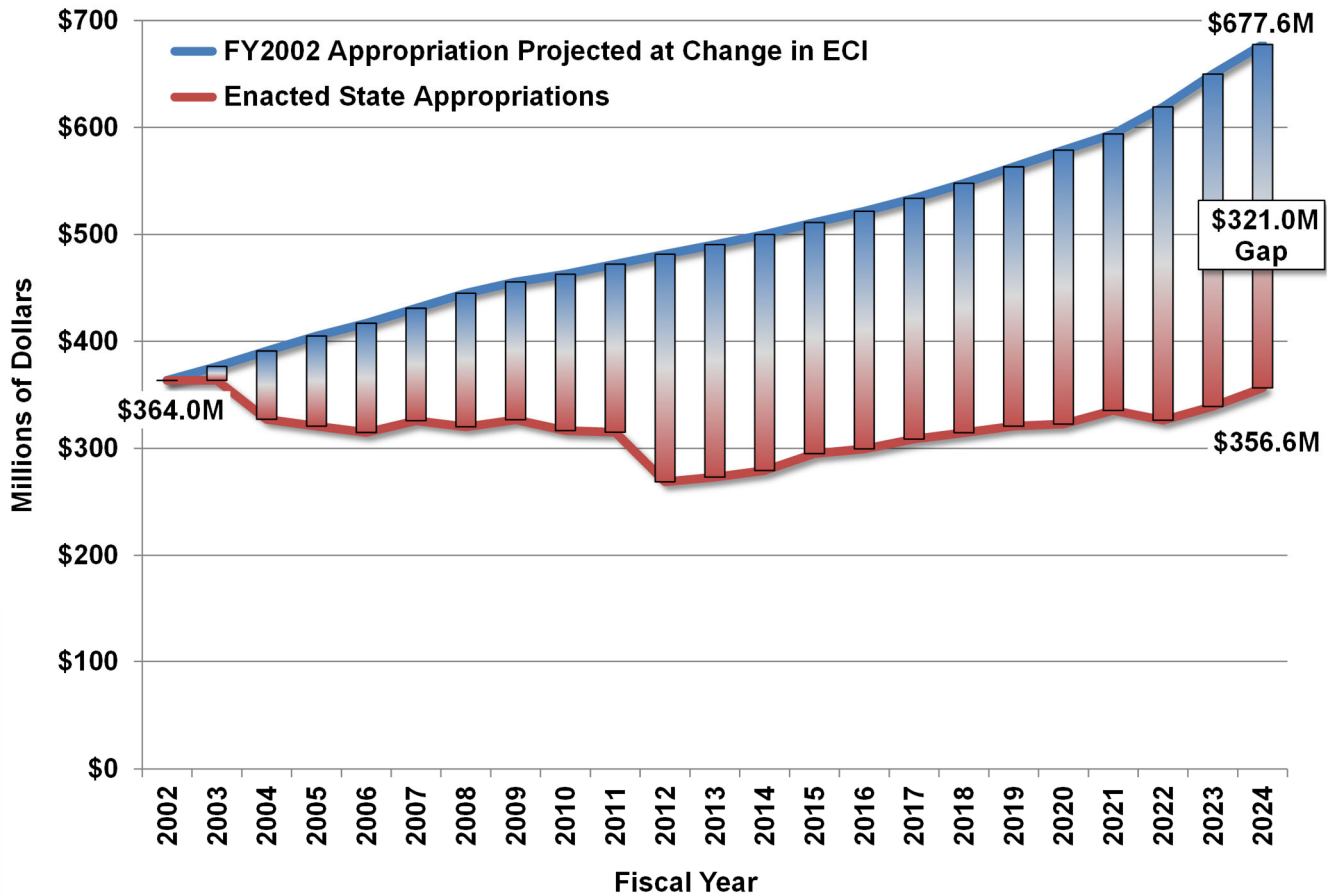
The U-M's General Fund budget for FY2024 projected a State of Michigan appropriation of \$356.6 million, an increase of just under \$24M from last year's budget.

In FY1970, the State appropriation represented 64 percent of the Ann Arbor campus General Fund budget. By contrast, tuition and required fees for FY2024 will be 75 percent of the General Fund; in FY1970, tuition was 26 percent of the General Fund. The crossover year was FY1991, when the State appropriation and tuition provided 45 percent of the General Fund budgeted revenues.

¹ Prior to FY1969, indirect cost recovery was not included in the General Fund.

The gap between the purchasing power for the FY2002 state appropriation projected to the FY2024 has grown to \$321.1 million.

10.3 FY2002 State Appropriation Adjusted for Inflation and Projected Forward to Maintain Constant Value, Compared to Enacted Annual State Appropriations, FY2002-FY2024.



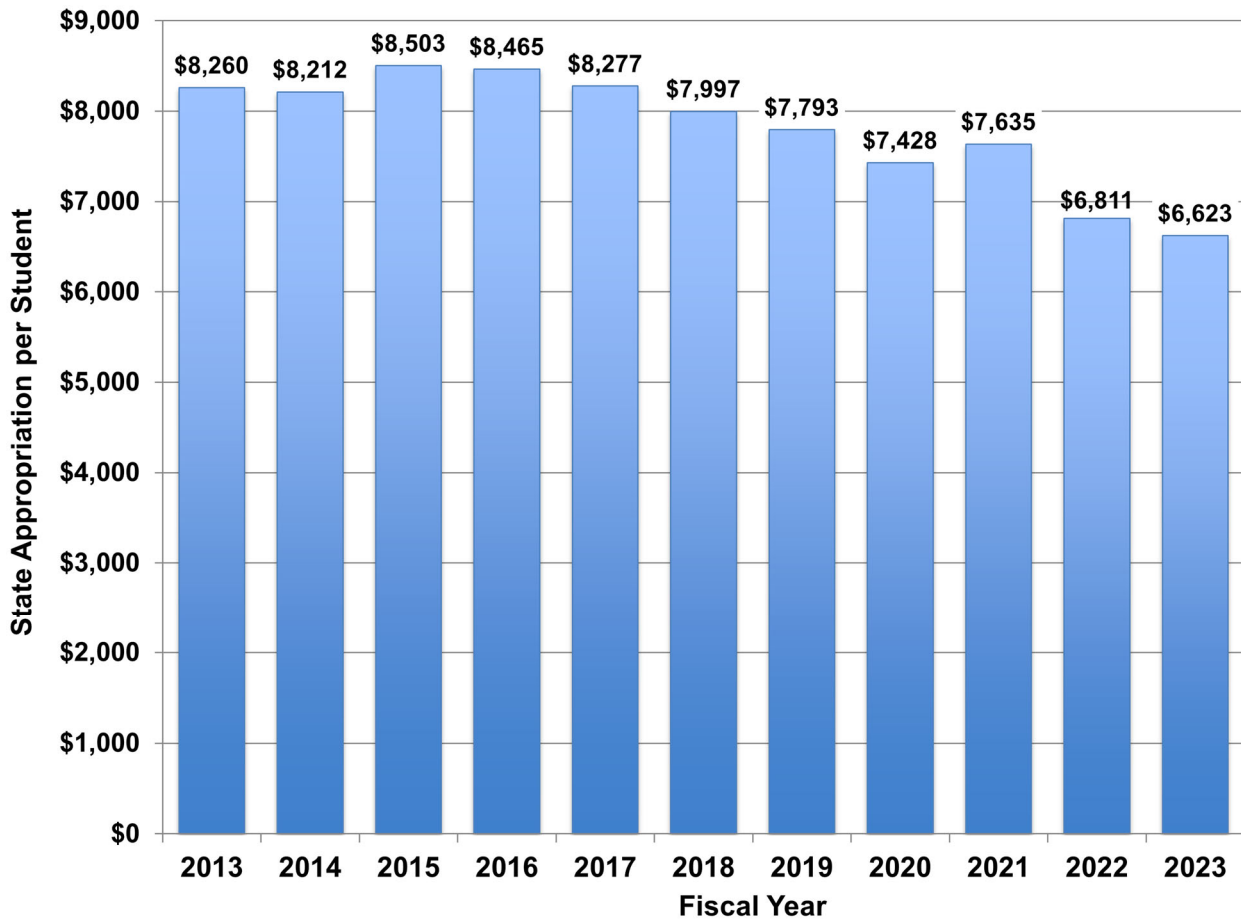
SOURCE: U-M Office of Budget and Planning

In inflation-adjusted dollars, the state appropriation for the Ann Arbor campus peaked at \$363.56 million in FY2003. Factoring in inflation², the 2023 budgeted state appropriation for the Ann Arbor campus needed to be \$677.6 million to equal the purchasing power of the 2002 appropriation, a gap of \$321.0 million.

² Based on the estimated Employment Cost Index for 2024 as projected by the U-M Research Seminar for Quantitative Economics.

State support per student, when adjusted for inflation, is 20% lower than a decade ago.

10.4.1 State of Michigan Appropriations to the U-M Ann Arbor Campus per Full-Time-Equivalent Student, Adjusted for Inflation³, FY2013-FY2023.



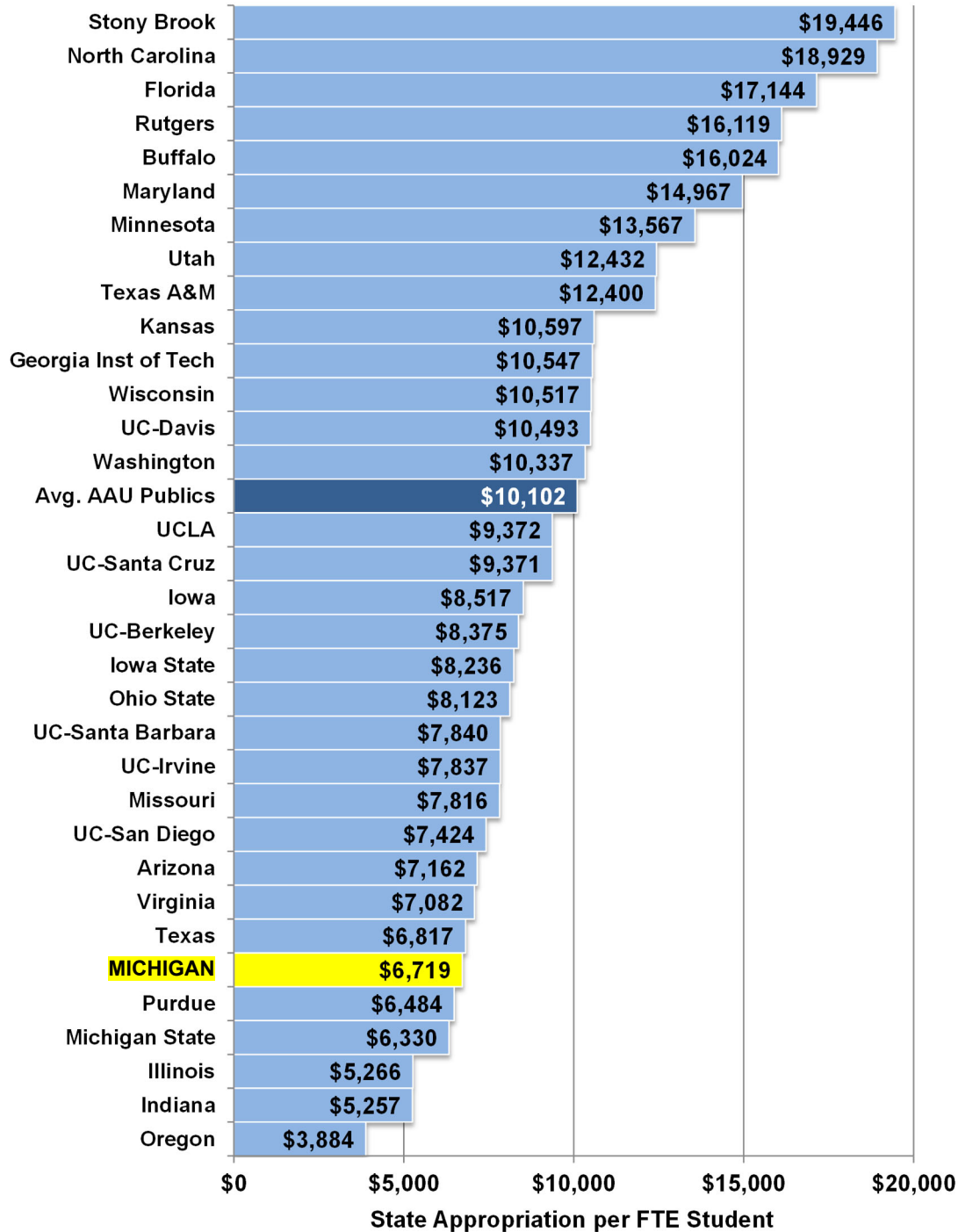
SOURCE: U-M Office of the Registrar, U-M Office of Budget and Planning

This chart is based on a simple calculation: The State of Michigan appropriation to the Ann Arbor campus as enacted each year is adjusted for inflation and the amounts are divided by the official fall semester full-time-equivalent (FTE) enrollment. FTE enrollment is calculated adding the count of part-time students divided by three to the count of full-time students.

³ Based on the estimated Employment Cost Index for 2022 as projected by the U-M Research Seminar for Quantitative Economics.

Most AAU public universities receive more state support per student than the University of Michigan-Ann Arbor.

10.4.2 State Appropriation per Full-Time Equivalent Student to the U-M and AAU Public Institutions, based on FY2021 Appropriation and Fall 2020 Enrollment.



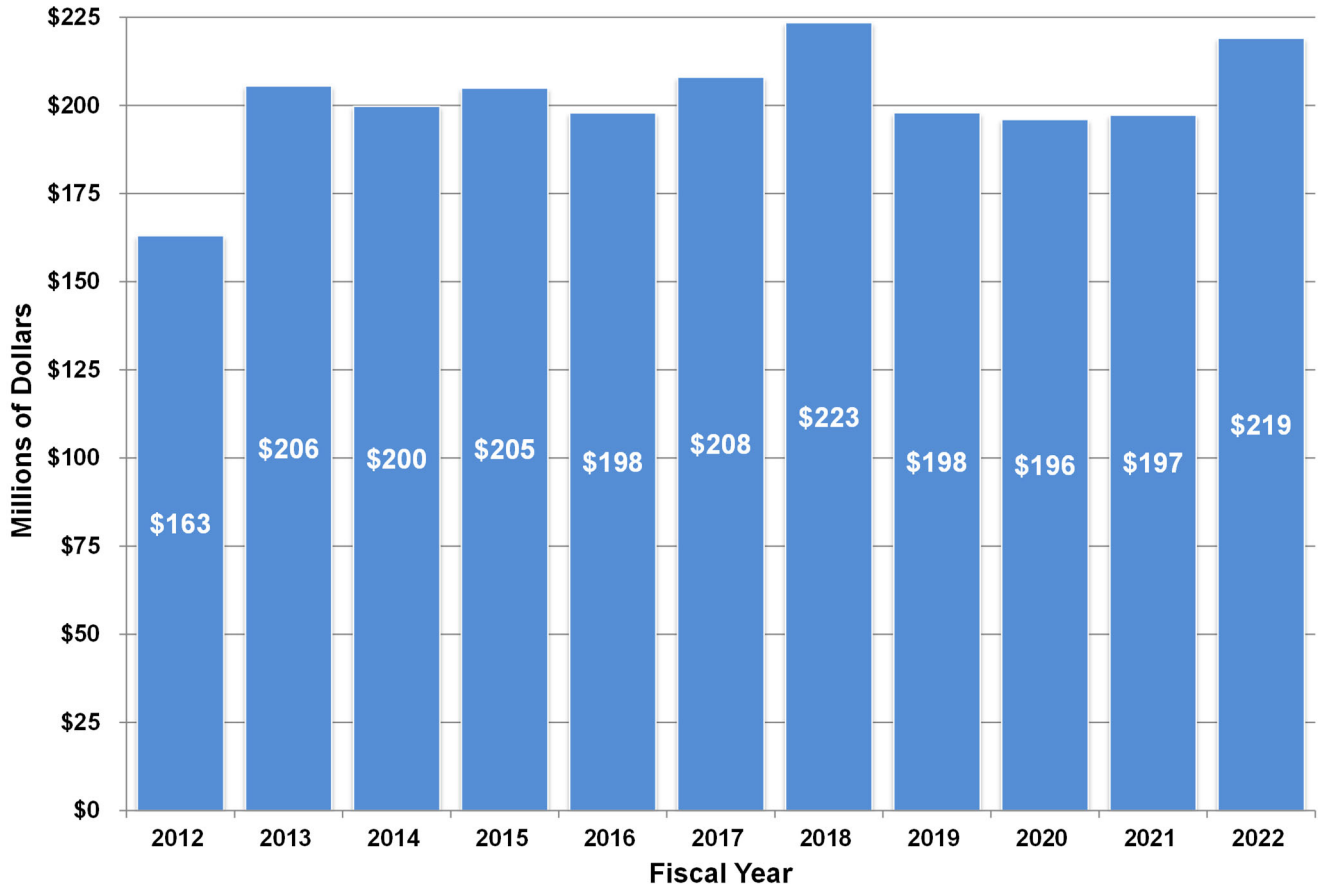
SOURCE: Integrated Postsecondary Education Data System (IPEDS)

The calculation of full-time equivalent (FTE) students for each school is based on IPEDS methodology. State appropriations for three AAU institutions – Pennsylvania State University, University of Colorado-Boulder and University of Pittsburgh – are not available in IPEDS.

Note: These values are not adjusted for inflation, so the U-M value above does not match the FY2021 inflation-adjusted value in 10.4.1.

Gifts are an important source of revenue that supports academic activities, student financial aid, and campus facilities.

10.5 Private Gifts to the University, Adjusted for Inflation⁴, FY2012-FY2022.



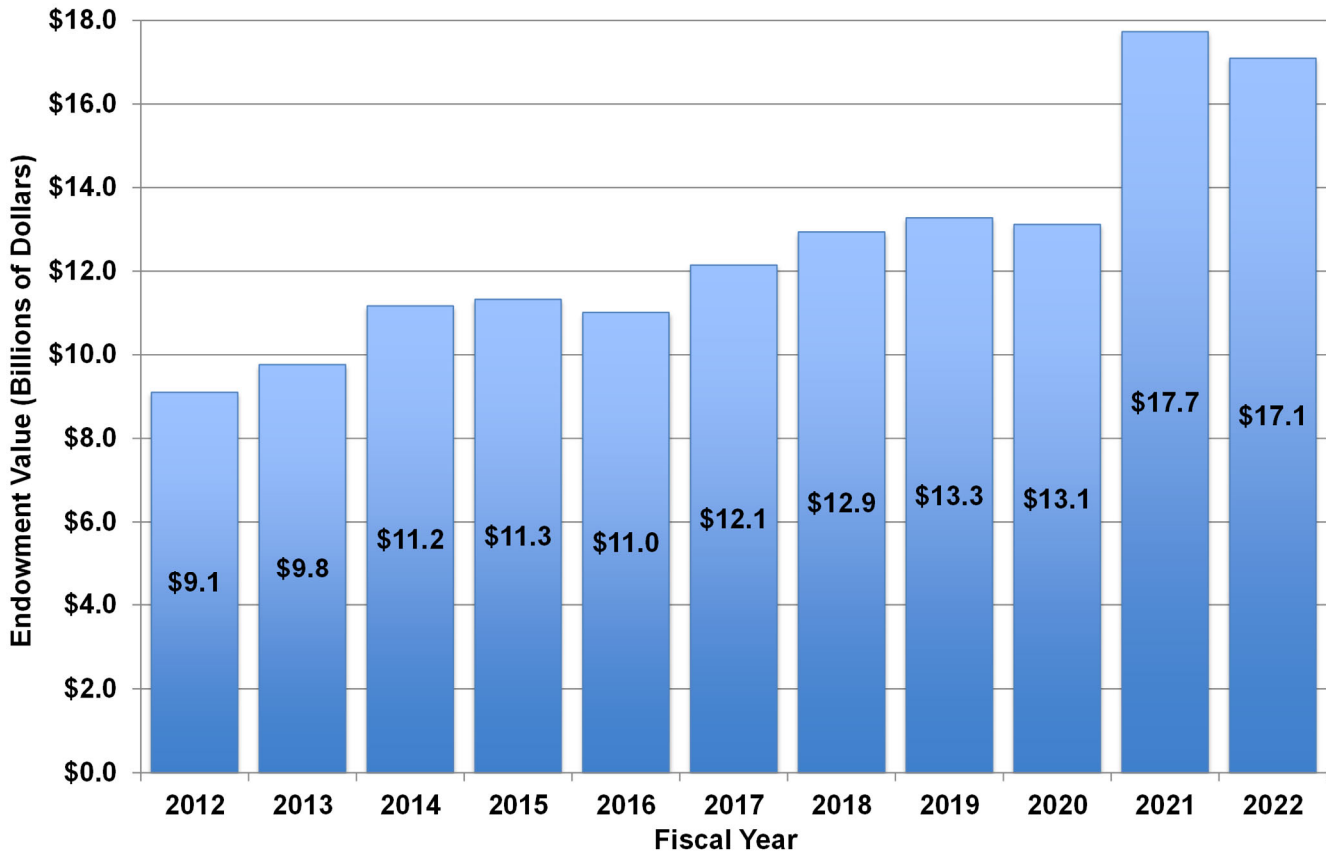
SOURCE: U-M Financial Statement

This chart shows the total private gifts to the University of Michigan for operational activities.

⁴ Based on 2022 U.S. Consumer Price Index.

The U-M investment goal for the endowment is to grow it faster than the rate of inflation; this provides funds for the present and the future. In addition, the greater the endowment earnings each year, the more the endowment can contribute to the annual budget.

10.6.1 Total Value of U-M Endowment, Ann Arbor Campus, Adjusted for Inflation⁶, FY2012-FY2022.



SOURCE: U-M Accounting Operations

The University of Michigan’s endowment is essential to sustaining academic quality. Endowment funds are invested for the long-term, and earnings from those investments provide a guaranteed source of income to support in perpetuity (named) professorships, student scholarships, and innovative programs and learning opportunities. Donors who contribute to the endowment do so because they want to support the University and positively impact U-M students and academic programs now and in the future.

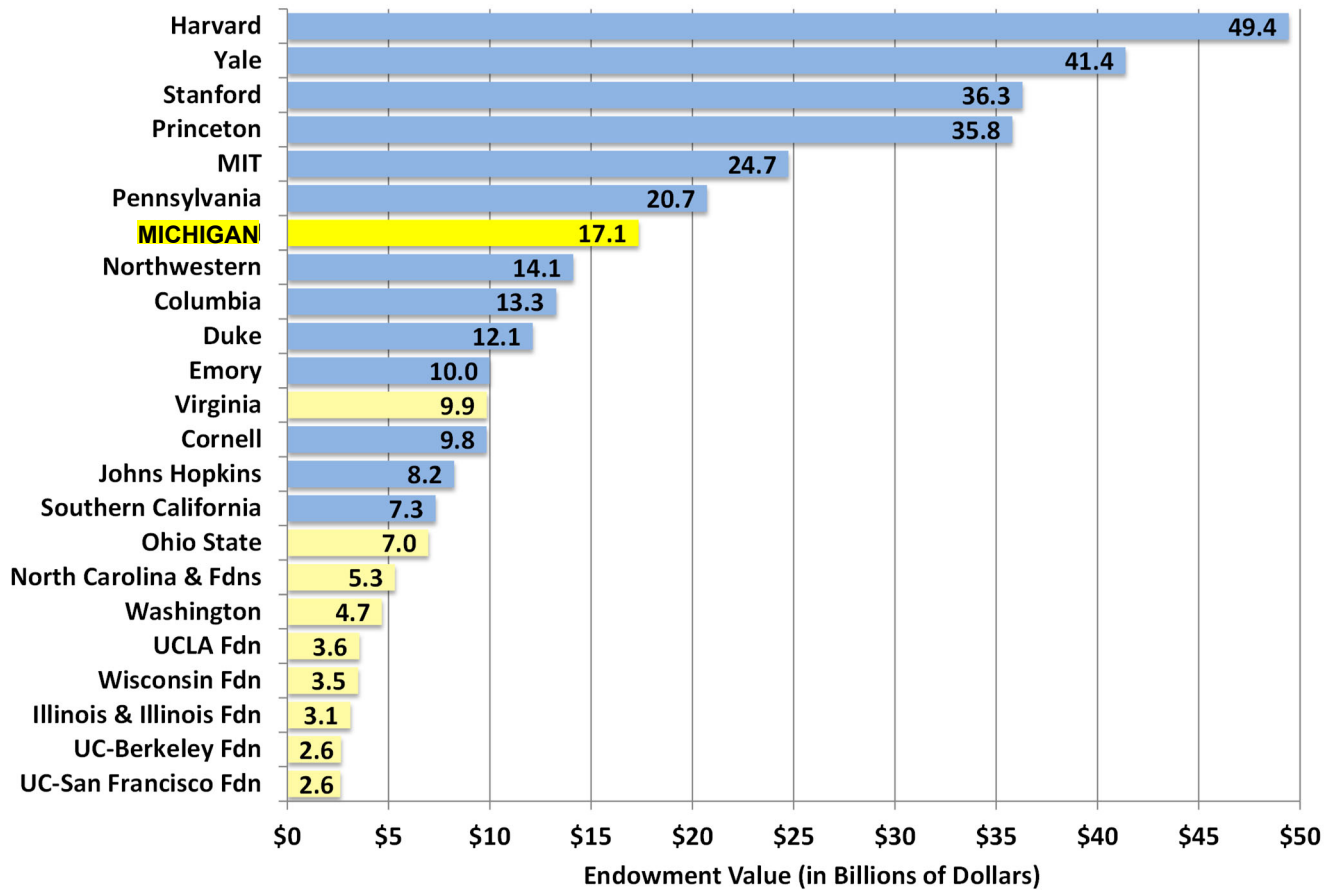
The change in endowment value from FY2021 to FY2022 is primarily due to the significant increase in the inflation rate.

The value of the endowment funds shown in the chart are the totals on June 30 of each year.

⁶ Based on 2022 U.S. Consumer Price Index.

The U-M has the largest endowment among its public university peers. U-M has a large enrollment, too, so it's endowment per student is much lower than its private university peers with smaller enrollments.

10.6.2 Market Value⁷ of Endowment, U-M and Peers, FY2022.



SOURCE: 2022 NACUBO Commonfund Study of Endowments

The U-M endowment market value increased by 3.3 percent, to \$17.1B, at the end of FY2022, from \$16.8B at the end of FY2021. The COVID-19 pandemic hurt returns for the previous fiscal year, just like it did the U.S. and world economies, although endowments were generally stable in FY2022. The value of North American college and university endowment funds decreased an average of 5.1 percent between FY2021 and FY2022, according to an annual survey of 689 institutions and higher education foundations by TIAA and the National Association of College and University Business Officers (NACUBO).

Data for public universities are shaded in yellow; private university data are shaded in blue.

⁷ The change in market value does NOT represent the rate of return for the institution's investments. Rather, the change in the market value of an endowment from one fiscal year to the next reflects the net impact of withdrawals to fund institutional operations and capital expenses, the payment of endowment management and investment fees, additions from donor gifts and other contributions, and investment gains or losses. NACUBO-Commonfund Study of Endowments.

