Chapter 10 Finances & Fundraising

Goals
The University budget is built to reflect the institution’s commitments to academic excellence and affordability. Managing the budget so as to meet these dual goals is an ever more complex endeavor. Cost containment is important, both to allow for reallocation of resources due to projected slow revenue growth and to fund new investments in financial aid, faculty, academic programs, research and entrepreneurial programs. Fundraising activity – in support of current activities and to build the endowment – makes vital contributions to the University’s budget.

Narrative
The revenue mix is evolving, especially as the academic functions rely increasingly on tuition and research funding to replace declining revenues from state appropriations. The expenditures mix has not changed much during the past decade. However, with enrollment having increased by 11 percent over this time period, the smaller percentage of expenditures allocated to instruction, research and public service indicates that cost-saving efforts are improving the efficiency of the academic program delivery.

Alumni giving rates are comparable to many public universities. Nevertheless, the institution is making efforts to boost the number of alumni donors. 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
Michigan Model for Financial Strategy and Cost Control
www.vpcomm.umich.edu/pa/key/budget/
U-M Endowment Q&A
www.vpcomm.umich.edu/pa/key/endow_qa.html
U-M Budget Model
www.provost.umich.edu/budgeting/budget.html

Charts in Chapter 10

10.1.1 Breakout of FY2014 General Fund Budget for the Ann Arbor campus.
10.1.2 Revenue and Expenditure Budget Summary (in Thousands) for Ann Arbor Campus, FY2004-14.
10.2 Relative Contributions to the University’s General Fund by State Appropriations, Tuition and Fees, and Other Revenues, FY1970-2014.
10.4 State of Michigan Appropriation to the U-M Ann Arbor Campus per Full Year Enrolled Student (FYES), Adjusted for Inflation, FY2003-2013.
10.5 Total Gifts to the University, by Gift Type, FY2002-12.

Chart updated since previous edition.
Two-thirds of the U-M’s annual General Fund budget directly supports academic activities.

### 10.1.1 Breakout of FY2014 General Fund Budget for the Ann Arbor campus.

<table>
<thead>
<tr>
<th>68.2 cents</th>
<th>12.8 cents</th>
<th>9.3 cents</th>
<th>9.6 cents</th>
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</thead>
<tbody>
<tr>
<td>68.2 cents</td>
<td>12.8 cents</td>
<td>9.3 cents</td>
<td>9.6 cents</td>
</tr>
</tbody>
</table>

68.2 cents of each dollar goes to academic activities: Instruction, Academic Advising, Libraries, Museums.

12.8 cents goes to facilities and risk management: Plant Operations, Utilities, Insurance, Public Safety.

9.3 cents goes to centrally awarded financial aid.

9.6 cents goes to administrative services: Admissions, Budgeting and Accounting, Central Human Resources, Central Information Technology, Legal Services.

SOURCE: University of Michigan Office of the Vice President for Communications.

### 10.1.2 Revenue and Expenditure Budget Summary (in Thousands) for Ann Arbor Campus, FY2004-14.

#### Revenue Budgets

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</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation</td>
<td>327,206</td>
<td>320,662</td>
<td>314,733</td>
<td>325,796</td>
<td>320,156</td>
<td>329,908</td>
<td>315,148</td>
<td>268,803</td>
<td>273,057</td>
<td>279,109</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>642,373</td>
<td>675,392</td>
<td>725,108</td>
<td>777,367</td>
<td>840,566</td>
<td>894,487</td>
<td>948,461</td>
<td>1,015,952</td>
<td>1,090,340</td>
<td>1,156,647</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>149,157</td>
<td>156,458</td>
<td>165,384</td>
<td>170,560</td>
<td>164,710</td>
<td>171,569</td>
<td>180,191</td>
<td>212,467</td>
<td>218,291</td>
<td>211,616</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>10,305</td>
<td>10,870</td>
<td>15,260</td>
<td>21,325</td>
<td>22,230</td>
<td>12,830</td>
<td>9,785</td>
<td>9,678</td>
<td>9,603</td>
<td>7,820</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>1,129,041</td>
<td>1,163,382</td>
<td>1,220,485</td>
<td>1,295,048</td>
<td>1,347,661</td>
<td>1,408,794</td>
<td>1,455,010</td>
<td>1,553,245</td>
<td>1,587,037</td>
<td>1,649,140</td>
</tr>
</tbody>
</table>

#### Expenditure Budgets by Unit

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</tr>
</thead>
<tbody>
<tr>
<td>Schools and Colleges</td>
<td>653,009</td>
<td>674,235</td>
<td>705,376</td>
<td>744,999</td>
<td>779,497</td>
<td>812,445</td>
<td>821,383</td>
<td>890,861</td>
<td>910,684</td>
<td>956,818</td>
</tr>
<tr>
<td>University Academic Units</td>
<td>43,265</td>
<td>45,233</td>
<td>46,213</td>
<td>47,715</td>
<td>49,475</td>
<td>57,640</td>
<td>59,294</td>
<td>59,543</td>
<td>60,468</td>
<td>62,179</td>
</tr>
<tr>
<td>Research Units</td>
<td>8,410</td>
<td>4,251</td>
<td>4,191</td>
<td>3,608</td>
<td>4,305</td>
<td>4,116</td>
<td>3,158</td>
<td>4,314</td>
<td>4,969</td>
<td>4,939</td>
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<tr>
<td>Academic Program Support</td>
<td>31,854</td>
<td>35,050</td>
<td>35,455</td>
<td>41,987</td>
<td>49,233</td>
<td>58,328</td>
<td>70,592</td>
<td>84,367</td>
<td>62,991</td>
<td>64,726</td>
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<tr>
<td>Capital Renewal Fund</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Executive Officer and Service Units</td>
<td>214,603</td>
<td>218,942</td>
<td>218,134</td>
<td>230,229</td>
<td>233,298</td>
<td>234,949</td>
<td>241,786</td>
<td>246,329</td>
<td>252,712</td>
<td>252,904</td>
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<tr>
<td>Financial Aid</td>
<td>75,492</td>
<td>78,099</td>
<td>84,759</td>
<td>98,920</td>
<td>99,058</td>
<td>106,594</td>
<td>117,790</td>
<td>126,056</td>
<td>134,255</td>
<td>144,768</td>
</tr>
<tr>
<td>University Items</td>
<td>102,408</td>
<td>107,572</td>
<td>126,357</td>
<td>135,590</td>
<td>132,795</td>
<td>134,723</td>
<td>141,006</td>
<td>141,775</td>
<td>144,392</td>
<td>132,504</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>1,129,041</td>
<td>1,163,382</td>
<td>1,220,485</td>
<td>1,295,048</td>
<td>1,347,661</td>
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<td>1,587,037</td>
<td>1,649,140</td>
</tr>
</tbody>
</table>

SOURCE: University of Michigan Office of the Vice President for Communications.
The state appropriation’s share of the General Fund has declined steadily and dramatically since 1970.

### 10.2 Relative Contributions to the University’s General Fund by State Appropriations, Tuition and Fees, and Other Revenues

![Chart showing relative contributions]

SOURCE: University of Michigan Financial Reports.

The state appropriation for FY2014 is $279.1 million, 16 percent of the General Fund revenues for the year. In FY1970, the state appropriation represented 64 percent of the Ann Arbor campus General Fund. By contrast, tuition and required fees for FY2014 are 71 percent of the General Fund; in FY1970, tuition was 26 percent of the General Fund.

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3 Prior to FY1969, indirect cost recovery was not included in the General Fund.
The gap between the purchasing power for the FY2003 state appropriation and the actual state appropriation has grown to $177 million over the last decade.


In actual dollars, the state appropriation for the Ann Arbor campus peaked at $363.5 million in FY2002. Factoring in inflation, the 2014 state appropriation for the Ann Arbor campus needed to be $456 million to equal the 2002 appropriation’s purchasing power. The actual FY2014 state appropriation is $279.1 million.
Based on the Detroit Consumer Price Index for 2013.
State support per U-M enrolled student, when adjusted for inflation, has declined by more than 50% over the past decade.

10.4 State of Michigan Appropriation to the U-M Ann Arbor Campus per Student, Adjusted for Inflation\(^3\), FY2003-2013.

![Chart showing State of Michigan Appropriation to the U-M Ann Arbor Campus per Student, Adjusted for Inflation (FY2003-2013)]


This chart is based on the simple calculation of dividing the actual State of Michigan inflation-adjusted appropriation to the Ann Arbor campus by the official third week enrollment count. *Enrollment for FY2013 is an estimate.

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\(^3\) Based on 2013 Employer Cost Index, U.S. Bureau of Labor Statistics.
Gifts are an important source of revenue that supports many current and future academic activities and campus facilities.

The University’s most recent capital campaign – The Michigan Difference⁴ – raised $3.1 billion in gifts and pledges from more than 364,000 donors between July 2000 and December 2008.

The total value of the University of Michigan-Ann Arbor endowment has largely recovered from the losses experienced during the recession that started in 2008.

10.6.1 Total Value of U-M Endowment, Ann Arbor Campus, 2002-12.

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 professorships, student scholarships, 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 $1.6 billion decline in value for 2009 over 2008 corresponds to the sharp losses sustained by the stock and bond markets and recession that ensued, but the value has been reserved.

The value of the endowment funds shown in the chart is the value on June 30 of each year.
The U-M has the largest endowment among its public university peers.


An asterisk after the name indicates a private university.

NACUBO is the National Association of College and University Business Officers.