Chapter 10 Finances & 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 activity supports critical operational needs as well as strategic investments to manage growth and minimize exposure to risks.

Overview
Since 2001, U-M has become increasingly reliant on tuition, research grants, fundraising, and other sources of revenue to offset a declining share of revenue from state appropriations. While state appropriations in FY2019 were $321 million, when compared to 2001 funding levels adjusted for inflation there is widening funding gap (now at $247 million). Furthermore, the increase in cost for in-state students without need has also been modest, essentially equal to the rate of inflation.

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 a family income less than $65,000 who are admitted to the University. (Such students are also eligible for additional aid, as are many other students, whether in-state or out-of-state.)

Previously, in November 2013, the University launched the Victors for Michigan fundraising campaign 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 of FY2020 General Fund Budget for the Ann Arbor campus.
10.1.2 General Fund Revenue and Expenditure Budget Summary for Ann Arbor Campus, FY2010-2020.
10.1.3 Breakdown by Funds of Revenue and Expenditure Budget Summary for Ann Arbor Campus, FY2010-2020.
10.4.2 State Appropriations per Full Time Equivalent Student to the U-M and AAU Institutions, FY2017.
10.5 Private Gifts to the University, Adjusted for Inflation, FY2008-2018.
Two-thirds of the U-M’s annual General Fund budget directly supports academic activities.

10.1.1 Breakout of FY2020 General Fund Budget for the Ann Arbor campus.

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</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation</td>
<td>316,572</td>
<td>315,148</td>
<td>268,803</td>
<td>273,057</td>
<td>279,109</td>
<td>295,174</td>
<td>299,431</td>
<td>308,639</td>
<td>314,589</td>
<td>320,782</td>
<td>325,532*</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>948,461</td>
<td>1,015,952</td>
<td>1,090,340</td>
<td>1,156,647</td>
<td>1,217,808</td>
<td>1,277,842</td>
<td>1,308,819</td>
<td>1,395,166</td>
<td>1,490,041</td>
<td>1,597,254</td>
<td>1,694,487</td>
</tr>
<tr>
<td>Indirect Cost Recovery</td>
<td>180,191</td>
<td>212,467</td>
<td>218,291</td>
<td>211,616</td>
<td>219,303</td>
<td>213,874</td>
<td>215,799</td>
<td>226,543</td>
<td>239,050</td>
<td>253,195</td>
<td>277,117</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>9,785</td>
<td>9,678</td>
<td>9,603</td>
<td>7,820</td>
<td>7,920</td>
<td>8,020</td>
<td>9,700</td>
<td>9,595</td>
<td>10,095</td>
<td>9,845</td>
<td>10,745</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>1,455,010</td>
<td>1,553,245</td>
<td>1,587,037</td>
<td>1,649,140</td>
<td>1,724,140</td>
<td>1,794,910</td>
<td>1,833,749</td>
<td>1,939,943</td>
<td>2,053,775</td>
<td>2,181,076</td>
<td>2,307,881</td>
</tr>
</tbody>
</table>

10.1.2 General Fund Revenue and Expenditure Budget Summary for Ann Arbor Campus, FY2010-20.

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</tr>
</thead>
<tbody>
<tr>
<td>Schools and Colleges</td>
<td>821,383</td>
<td>890,861</td>
<td>910,684</td>
<td>959,038</td>
<td>994,968</td>
<td>1,018,185</td>
<td>1,037,508</td>
<td>1,092,817</td>
<td>1,166,701</td>
<td>1,252,248</td>
<td>1,330,899</td>
</tr>
<tr>
<td>University Academic Units</td>
<td>59,294</td>
<td>59,543</td>
<td>60,468</td>
<td>62,000</td>
<td>63,995</td>
<td>66,003</td>
<td>67,841</td>
<td>69,059</td>
<td>71,685</td>
<td>75,789</td>
<td>79,680</td>
</tr>
<tr>
<td>Research Units</td>
<td>3,158</td>
<td>4,314</td>
<td>4,969</td>
<td>4,943</td>
<td>4,779</td>
<td>3,326</td>
<td>4,319</td>
<td>4,114</td>
<td>2,913</td>
<td>5,549</td>
<td>6,394</td>
</tr>
<tr>
<td>Academic Program Support</td>
<td>70,592</td>
<td>81,860</td>
<td>82,991</td>
<td>63,548</td>
<td>69,073</td>
<td>79,912</td>
<td>78,215</td>
<td>98,783</td>
<td>97,319</td>
<td>86,158</td>
<td>86,602</td>
</tr>
<tr>
<td>Capital Renewal Fund</td>
<td>-</td>
<td>2,507</td>
<td>16,566</td>
<td>30,300</td>
<td>41,894</td>
<td>44,905</td>
<td>46,064</td>
<td>47,693</td>
<td>49,128</td>
<td>49,766</td>
<td>50,670</td>
</tr>
<tr>
<td>Executive Officer and Service Units</td>
<td>238,196</td>
<td>240,365</td>
<td>245,712</td>
<td>248,989</td>
<td>256,646</td>
<td>259,499</td>
<td>265,767</td>
<td>275,801</td>
<td>292,000</td>
<td>302,512</td>
<td>315,414</td>
</tr>
<tr>
<td>North Campus Research Complex</td>
<td>11,341</td>
<td>15,324</td>
<td>20,342</td>
<td>6,888</td>
<td>12,298</td>
<td>14,403</td>
<td>16,462</td>
<td>15,006</td>
<td>16,103</td>
<td>16,717</td>
<td>16,572</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>117,790</td>
<td>126,056</td>
<td>134,255</td>
<td>144,768</td>
<td>161,170</td>
<td>183,444</td>
<td>195,627</td>
<td>212,295</td>
<td>231,436</td>
<td>262,117</td>
<td>286,926</td>
</tr>
<tr>
<td>University Items</td>
<td>133,254</td>
<td>132,416</td>
<td>131,050</td>
<td>128,665</td>
<td>119,318</td>
<td>125,232</td>
<td>122,545</td>
<td>124,376</td>
<td>126,490</td>
<td>130,220</td>
<td>134,723</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>1,455,010</td>
<td>1,553,245</td>
<td>1,587,037</td>
<td>1,649,140</td>
<td>1,724,140</td>
<td>1,794,910</td>
<td>1,833,749</td>
<td>1,939,943</td>
<td>2,053,775</td>
<td>2,181,076</td>
<td>2,307,881</td>
</tr>
</tbody>
</table>

Table entries are dollars in thousands.
* Indicates estimated value.

SOURCE: U-M Office of Budget and Planning

Revenues have grown over the last decade from tuition and indirect cost recovery. Tuition growth stems primarily from increases in out-of-state and graduate program rates, while indirect costs are up because externally funded research continues to grow. Meanwhile, state appropriations are lower today than a decade ago.

Expenditures have increased for simple reasons like the growth in utility costs, as well as because of planned increases to financial aid, academic program support, and faculty hiring.

Note: As of the publication date, the State of Michigan appropriation has not been finalized.
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 Breakdown by Funds of Revenue and Expenditure Budget Summary for Ann Arbor Campus, FY2010-20.

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</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>1,455,010</td>
<td>1,553,245</td>
<td>1,587,037</td>
<td>1,649,140</td>
<td>1,724,140</td>
<td>1,794,910</td>
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<td>2,053,775</td>
<td>2,181,076</td>
<td>2,307,881</td>
</tr>
<tr>
<td>Designated</td>
<td>134,770</td>
<td>136,270</td>
<td>137,490</td>
<td>137,540</td>
<td>143,190</td>
<td>172,489</td>
<td>195,081</td>
<td>196,170</td>
<td>201,890</td>
<td>217,515</td>
<td>232,028</td>
</tr>
<tr>
<td>Expendable Restricted</td>
<td>969,709</td>
<td>1,053,733</td>
<td>1,110,109</td>
<td>1,094,334</td>
<td>1,097,197</td>
<td>1,054,926</td>
<td>1,157,947</td>
<td>1,204,451</td>
<td>1,269,565</td>
<td>1,315,880</td>
<td>1,398,915</td>
</tr>
<tr>
<td>Auxiliary Activities</td>
<td>2,646,668</td>
<td>2,838,824</td>
<td>2,932,963</td>
<td>3,198,411</td>
<td>3,406,856</td>
<td>3,593,864</td>
<td>3,867,754</td>
<td>4,132,188</td>
<td>4,891,134</td>
<td>5,232,564</td>
<td>5,669,783</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>5,206,156</strong></td>
<td><strong>5,582,073</strong></td>
<td><strong>5,767,599</strong></td>
<td><strong>6,079,425</strong></td>
<td><strong>6,371,383</strong></td>
<td><strong>6,616,189</strong></td>
<td><strong>7,054,531</strong></td>
<td><strong>7,472,752</strong></td>
<td><strong>8,416,364</strong></td>
<td><strong>8,947,035</strong></td>
<td><strong>9,608,607</strong></td>
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<td>1,094,334</td>
<td>1,097,197</td>
<td>1,054,926</td>
<td>1,157,947</td>
<td>1,204,451</td>
<td>1,269,565</td>
<td>1,315,880</td>
<td>1,398,915</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>5,200,618</strong></td>
<td><strong>5,516,761</strong></td>
<td><strong>5,849,883</strong></td>
<td><strong>6,120,019</strong></td>
<td><strong>6,459,795</strong></td>
<td><strong>6,660,596</strong></td>
<td><strong>7,113,836</strong></td>
<td><strong>7,387,839</strong></td>
<td><strong>8,355,576</strong></td>
<td><strong>8,991,590</strong></td>
<td><strong>9,653,988</strong></td>
</tr>
</tbody>
</table>

Table entries are dollars in thousands.


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 similar to the General Fund in that both support the academic mission of the university, although the Designated Fund revenue sources differ substantially 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, such as research, financial aid, instruction, etc., 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.

Note: As of the publication date, the State of Michigan appropriation – a component of the General Fund – has not been finalized.
The state appropriation's share of the General Fund has declined dramatically since 1970.

10.2 Contributions to the University’s General Fund by State Appropriations, Tuition and Fees, and Other Revenues¹, FY1970-2019.

 SOURCE: U-M Office of Budget and Planning

The state appropriation for FY2019 was $320.8 million, and provided 15 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 FY2019 are 73 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 each provided 45 percent of the General Fund 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 current year and the actual state appropriation for FY2019 has grown to $247 million.


In actual dollars, the state appropriation for the Ann Arbor campus peaked at $363.56 million in FY2002. Factoring in inflation\(^2\), the 2019 state appropriation for the Ann Arbor campus needed to be $567 million to equal the 2002 appropriation’s purchasing power. The actual FY2019 state appropriation is $320.8 million.

State support per student, when adjusted for inflation, is 32% lower than a decade ago.

10.4.1 State of Michigan Appropriation to the U-M Ann Arbor Campus per Full-Time-Equivalent Student, Adjusted for Inflation\(^3\), FY2009-19.

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 fall semester full-time-equivalent (FTE) enrollment. FTE enrollment is calculated using the formula: count of part-time students divided by 3 plus the count of full-time students.

The decline in appropriation per FTE student between FY2013 and FY2014 is primarily due to a 15 percent drop in the state appropriation to the U-M over those two years. The change in appropriation for all other two-year pairs over the decade varied from a 2.8 percent decline (FY2010-FY2011) to a 5.7 percent increase (FY2014-FY2015).

\(^3\) Based on the estimated Employer Cost Index for FY2019.
Three-quarters of AAU public universities receive more state support per student than the University of Michigan-Ann Arbor.

10.4.2 State Appropriations per Full Time Equivalent Student to the U-M and AAU Public Institutions, based on Fall 2017 enrollment.

The calculation of full-time equivalent (FTE) students for each school is based on IPEDS methodology. Data on state appropriations for three AAU institutions – Pennsylvania State University, University of Colorado-Boulder and University of Pittsburgh – is not available for FY2017.

SOURCE: Integrated Postsecondary Education Data System (IPEDS)
Gifts are an important source of revenue that supports many current and future academic activities and campus facilities.

10.5 Private Gifts to the University, Adjusted for Inflation, FY2008-2018.

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

A new major fundraising campaign, Victors for Michigan, was officially launched on November 7, 2013. The campaign goal was $4 billion, the largest goal in the history of public education. As of October 1, 2018, donors have made gifts and pledges totaling $5 billion.

SOURCE: U-M Financial Statement

4 “University launches Victors for Michigan campaign to raise $4 billion,” The University Record, Nov. 7, 2013.
6 Based on 2018 U.S. Consumer Price Index.
The total value of the University of Michigan-Ann Arbor endowment has recovered well from the losses experienced stemming from the recession that started in 2008-2009.

10.6.1 Total Value of U-M Endowment, Ann Arbor Campus, Adjusted for Inflation\(^7\), 2008-18.

The 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 reversed.

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

---

\(^7\) Based on 2018 U.S. Consumer Price Index.
The U-M has the largest endowment among its public university peers.


![Endowment Value Graph]

SOURCE: 2018 NACUBO-Commonfund Study of Endowments

The U-M endowment market value increased by 8.8 percent, to $11.90B the end of FY2018 from $10.94B at the end of FY2017. The value of North American college and university endowment funds increased an average of 8.2 percent during the 2017-18 budget year\(^9\), according to an annual survey of 802 institutions and higher education foundations by Commonfund 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.

---

\(^8\) 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 FY 2017 to FY 2018 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.
