FY 2007 Budget Update,  
FY 2008 Strategic Planning &  
Budget Trends

A Different Way to Look at the  
WSU Budget…

- Present “Quarterly Performance Report” using expenditure classifications
- Present entire current budget during one meeting
  - For FY 2008, the budget presentation has been restructured:
    - Overview of current funds budget for the university (July)
    - Budgets for the General Fund, Auxiliary Funds and Research Excellence Funds will be presented concurrently for approval at the same meeting (July)
    - Previous budget presentations focused on the General Fund (July), Auxiliary and Research Excellence Funds budget presentations occurred independently from the General Fund (September)
  - Overview of all funds occurred with the presentation of the annual audited financial statements (January)
FY 2007 Quarterly Update

Changes to Quarterly Update
- Provides an analysis of projected actuals by:
  - School / College / Division; and
  - Expenditures broken by “classification of expenditures”; and
  - Year-to-Date analysis

Enrollment Update
- Credit Hour Analysis
- Headcount Analysis

School / College / Division vs. Classification of Expenditures

- **S / C / D**
  - Schools / Colleges $180 M
  - Academic Support $105 M
  - Divisions $49 M
  - Financial Aid $28 M
  - Central Accounts $127 M
  - Total Expend $489 M

- **Classification of Expenditures**
  - Compensation
    - Salaries $250 M
    - Benefits $66 M
    - Sub-Total Comp $316 M
  - General Expenditures
    - Operational Exp $106 M
    - Facilities Services $39 M
    - Financial Aid $28 M
    - Sub-Total Expend $173 M
  - Total Expenditures $489 M

Numbers represent FY 2007 Approved Budget

Facilities Services includes: Utilities, Debt Service & Physical Plant Maintenance
## FY 2007 Expenditure Outlook

### Classification of Expenditures

<table>
<thead>
<tr>
<th>GF Expenditures</th>
<th>Budget</th>
<th>Proj. Actuals</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$249.6 M</td>
<td>$251.0 M</td>
<td>($1.4 M)</td>
</tr>
<tr>
<td>Benefits</td>
<td>$  66.4 M</td>
<td>$  66.8 M</td>
<td>($0.4 M)</td>
</tr>
<tr>
<td>Sub-Total Comp</td>
<td>$316.0 M</td>
<td>$317.8 M</td>
<td>($1.8 M)</td>
</tr>
<tr>
<td>General Expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Exp</td>
<td>$106.0 M</td>
<td>$104.5 M</td>
<td>$1.5 M</td>
</tr>
<tr>
<td>Facilities Services</td>
<td>$ 39.1 M</td>
<td>$ 38.8 M</td>
<td>$0.3 M</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>$  28.2 M</td>
<td>$  28.2 M</td>
<td>$0.0 M</td>
</tr>
<tr>
<td>Sub-Total Gen. Exp</td>
<td>$173.3 M</td>
<td>$171.5 M</td>
<td>$1.8 M</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$489.3 M</td>
<td>$489.3 M</td>
<td>$0.0 M</td>
</tr>
</tbody>
</table>

Projected expenditures are at budget. No budget adjustments are required at this time.

## FY 2007 Expenditure Outlook

### School / College / Division

<table>
<thead>
<tr>
<th>GF Expenditures</th>
<th>Budget</th>
<th>Proj. Actuals</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools / Colleges</td>
<td>$179.5 M</td>
<td>$179.7 M</td>
<td>($0.2 M)</td>
</tr>
<tr>
<td>Academic Support</td>
<td>$105.4 M</td>
<td>$105.4 M</td>
<td>$0.0 M</td>
</tr>
<tr>
<td>Divisions</td>
<td>$  48.8 M</td>
<td>$  48.6 M</td>
<td>$0.2 M</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>$  28.2 M</td>
<td>$  28.2 M</td>
<td>$0.0 M</td>
</tr>
<tr>
<td>Central Accounts</td>
<td>$127.4 M</td>
<td>$127.4 M</td>
<td>$0.0 M</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$489.3 M</td>
<td>$489.3 M</td>
<td>$0.0 M</td>
</tr>
</tbody>
</table>

Projected expenditures are at budget. No budget adjustments should be made at this time.
## FY 2007 Enrollment Outlook

<table>
<thead>
<tr>
<th>TYPE</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Headcount</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>19,714</td>
<td>20,892</td>
<td>1,178 6.0%</td>
</tr>
<tr>
<td>Graduate</td>
<td>10,373</td>
<td>9,078</td>
<td>-1,295 -12.5%</td>
</tr>
<tr>
<td>Grad-Prof</td>
<td>3,060</td>
<td>3,012</td>
<td>-48 -1.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,147</td>
<td>32,982</td>
<td>-165 -0.5%</td>
</tr>
<tr>
<td><strong>FYES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>15,638</td>
<td>16,040</td>
<td>402 2.6%</td>
</tr>
<tr>
<td>Graduate</td>
<td>5,807</td>
<td>5,701</td>
<td>-106 -1.8%</td>
</tr>
<tr>
<td>Grad-Prof</td>
<td>2,280</td>
<td>2,187</td>
<td>-93 -4.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,725</td>
<td>23,928</td>
<td>203 0.9%</td>
</tr>
</tbody>
</table>

Enrollment Analysis:
- Undergraduates—headcount increased over budget, but a decrease in the credit hour / headcount ratio
- Graduates—headcount decreased over budget, but an increase in the credit hour / headcount ratio

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### New Ways to Look at Budgeting....
What are the Current Funds?

**Revenues**

**Total Revenues** $780 M--FY 2006
- **General Fund Budget:** $475 M
  - Sources: Tuition, fees, ICR and State
  - Uses: Faculty/staff compensation, utilities, insurance
- **Designated Fund:** $83 M
  - Sources: Gifts & Non-Governmental contracts
  - Uses: Funding for specific purposes that have been designated to schools, colleges or divisions
- **Auxiliary Fund:** $29 M
  - Sources: Housing, Parking, University Press, Bookstore, Student Center, etc.
  - Uses: salaries, operations and debt service of auxiliary entities
- **Restricted Budget:** $193 M
  - Sources: Federal grants, contracts, and gift
  - Uses: Grants—support the university’s research activities
  - Uses: Gifts—dedicated components of the educational budget such as scholarships, endowed chairs, and capital improvements

**Expenditures**

**Total Expenditures** $735 M--FY 2006
- **Primary Mission 61%**
  - **Instruction/Public Service:** $300 M
  - Expenditures associated with faculty compensation
  - **Research:** $151 M
  - Expenditures associated with sponsored award activity
- **Support Programs 31%**
  - **Scholarships:** $58 M
  - Expenditures associated with financial aid for the University
  - **Institutional Support:** $54 M
  - Expenditures associated with administrative operations of the University
  - **Academic Support:** $69 M
  - Expenditures associated with supporting academic mission such as the Library
- **Plant Operations 8%**
  - Operations & Maintenance $62 M

Note: chart does not include transfers
WSU Expenditure Trends
FY 1998 to FY 2007

Expenditure Trends:
Proportion of Expenditures by Major Categories

WSU spent 31.2% of total expenditures on instruction in FY 1998. In FY 2006, WSU spent 34.3% of total expenditures on instruction.

Note: Other expenditure categories include—Public Service 6.5% ↓; Academic Support 8.7% ↔; Student Services 3.9% ↓; O&M of Plant 7.8% ↔; Auxiliary 2.6% ↑

Source: Audited Financial Reports
FY 2006 Current Funds—
By Natural Classifications

**Revenues**
- Tuition & Fees 34%
- Grants & Contracts 28%
- State 28%
- Auxiliary 3%
- Other 7%

**Expenditures**
- Compensation 68%
- Supplies & Services 24%
- Financial Aid 8%

Current Funds = General Fund + Auxiliary Fund + Designated Fund + Restricted Fund

Note: Expenditure analysis does not include adjustments for Scholarship Allowance of $53 M

Source: FY 2006 Financial Statements, Pg 41
% Change in State Appropriations
FY 1997 to FY 2007

Source: ISU Center for the Study of Educational Policy – "Grapevine"

State of Michigan
Higher Education Appropriations vs.FYSES

Actual State Approp.
Inflation Adj. State Approp.
Wayne State University
State Appropriation vs. Headcount
FY 1997 to FY 2007

Wayne State University
State Appropriation and Tuition History
FY 1985 to FY 2007
### Wayne State University

**Total State Appropriation + Tuition vs. HEPI & CPI**

FY 1997 to FY 2008

- **Percent Increase**
  - HEPI
  - CPI

- **SA & Tuition Avg increase:** 3.8%; **HEPI Avg.** 4.0%; **CPI Avg.** 2.6%

### What Combination of Tuition & State Appropriations does WSU Need to Breakeven in FY 2008?

<table>
<thead>
<tr>
<th>Tuition and Fees Increase (net of financial aid increases)</th>
<th>0%</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
<th>4%</th>
<th>5%</th>
<th>6%</th>
<th>7%</th>
<th>8%</th>
<th>9%</th>
<th>10%</th>
<th>11%</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation Increase of:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>$0</td>
<td>$1.5</td>
<td>$2.0</td>
<td>$2.5</td>
<td>$3.0</td>
<td>$3.5</td>
<td>$4.0</td>
<td>$4.5</td>
<td>$5.0</td>
<td>$5.5</td>
<td>$6.0</td>
<td>$6.5</td>
<td>$7.0</td>
</tr>
<tr>
<td>1%</td>
<td>$2.1</td>
<td>$3.6</td>
<td>$5.1</td>
<td>$6.6</td>
<td>$8.0</td>
<td>$9.5</td>
<td>$11.0</td>
<td>$12.5</td>
<td>$14.0</td>
<td>$15.5</td>
<td>$17.0</td>
<td>$18.5</td>
<td>$20.0</td>
</tr>
<tr>
<td>2%</td>
<td>$4.3</td>
<td>$5.6</td>
<td>$7.2</td>
<td>$8.7</td>
<td>$10.2</td>
<td>$11.7</td>
<td>$13.2</td>
<td>$14.7</td>
<td>$16.2</td>
<td>$17.7</td>
<td>$19.2</td>
<td>$20.7</td>
<td>$22.2</td>
</tr>
<tr>
<td>3%</td>
<td>$6.4</td>
<td>$7.9</td>
<td>$9.4</td>
<td>$10.9</td>
<td>$12.4</td>
<td>$13.9</td>
<td>$15.4</td>
<td>$16.9</td>
<td>$18.4</td>
<td>$19.9</td>
<td>$21.4</td>
<td>$22.9</td>
<td>$24.4</td>
</tr>
<tr>
<td>4%</td>
<td>$8.6</td>
<td>$10.1</td>
<td>$11.6</td>
<td>$13.1</td>
<td>$14.6</td>
<td>$16.1</td>
<td>$17.6</td>
<td>$19.1</td>
<td>$20.6</td>
<td>$22.1</td>
<td>$23.6</td>
<td>$25.1</td>
<td>$26.6</td>
</tr>
</tbody>
</table>

What increases would WSU need to achieve a 3.5% ($17 M) GF base increase?

- **Cuts Required**
- **Breakeven**
- **Allows for Strategic Investments**
**Relationship Between Tuition Increases & FYES**

*Annual % FYES Changes vs. % Tuition Increases*  
*FY 1997 to FY 2007*

<table>
<thead>
<tr>
<th>FY 97</th>
<th>FY 98</th>
<th>FY 99</th>
<th>FY 00</th>
<th>FY 01</th>
<th>FY 02</th>
<th>FY 03</th>
<th>FY 04</th>
<th>FY 05</th>
<th>FY 06</th>
<th>FY 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Tuit</td>
<td>% FYES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-2.0%</td>
<td>4.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.0%</td>
<td>16.0%</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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**WSU General Fund Budget**  
**FY 2008 and Beyond…..**

- If current trends continue, what are the implications for WSU:
  - Majority of expenditures components are contractually obligated through FY 2011
  - Moderate tuition increases and no additional state support

### Needed annual budget reductions if no additional state support & only inflationary increases in tuition:

<table>
<thead>
<tr>
<th>FY 08</th>
<th>FY 09</th>
<th>FY 10</th>
<th>FY 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14</td>
<td>$22</td>
<td>$33</td>
<td>$44</td>
</tr>
</tbody>
</table>

Total cumulative reductions of $114 M
### Hypothetical MPU Tuition Rates

**WSU vs. MSU, UM, MPU**

<table>
<thead>
<tr>
<th></th>
<th>Gap 2006</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>UM</td>
<td>$2,774</td>
<td>$4,179</td>
</tr>
<tr>
<td>MSU</td>
<td>$1,322</td>
<td>$2,113</td>
</tr>
<tr>
<td>MPU</td>
<td>$232</td>
<td>$726</td>
</tr>
</tbody>
</table>

**Growth rate for UM, MSU & MPU based on annual average increase from FY 1983 to FY 2007**

### $ Impact of Tuition Increases to Students

**Impact to Students**

*(per credit hour, Resident Freshman)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation</th>
<th>4%</th>
<th>6%</th>
<th>8%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008</td>
<td>$5</td>
<td>$8</td>
<td>$12</td>
<td>$16</td>
<td>$20</td>
</tr>
<tr>
<td>FY 2009</td>
<td>$5</td>
<td>$8</td>
<td>$13</td>
<td>$17</td>
<td>$22</td>
</tr>
<tr>
<td>FY 2010</td>
<td>$5</td>
<td>$9</td>
<td>$14</td>
<td>$19</td>
<td>$24</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$5</td>
<td>$9</td>
<td>$14</td>
<td>$20</td>
<td>$27</td>
</tr>
</tbody>
</table>
How Does WSU Utilize Financial Aid?

Institutional Aid as a Percent of Total Tuition

Percent of FY 2005 Graduating Class who Have Borrowed

Integrating Strategic Planning and Budgeting

Board of Governors  May 2, 2007
Next Steps….

- Discussion of Budget Options and Benchmarks in June
- Discussion of FY 2008 & Beyond Budget Implications
  - State Funding
  - ICR
  - Enrollment
  - Part-Time faculty