

2023-24 Budget Narrative

Executive Summary

The University of Michigan-Ann Arbor (U-M) advances its highest priorities for the 2023-24 budget, including affordability, access, and success for students; academic excellence through investments in faculty and research; and support for our staff and administrative infrastructure. The 2023-24 budget proposal provides a balanced budget at a time with significant cost pressures while maintaining the resources necessary to realize ongoing excellence during an era of bold change.

The 2023-24 Budget Proposal Prioritizes:

Students: Affordability, Access, Success	Academic Excellence: Faculty & Research	Support for Staff & Administrative Infrastructure
<ul style="list-style-type: none"> • Expands eligibility for the Go Blue Guarantee • Increases the entering undergraduate class • Invests in mental health & wellness programs • Provides summer academic support for doctoral students 	<ul style="list-style-type: none"> • Innovation in biointerfaces, precision health, quantum computing, digital studies • Investment in research cores and infrastructure • Numerous faculty recruitment and retention programs across schools 	<ul style="list-style-type: none"> • Provides merit program and professional development funding • Investments in technology to improve service and efficiency • Expands talent acquisition program

Advancing Our Priorities


U-M stands as one of the world's most highly acclaimed teaching and research universities, consistently ranking among the top institutions for excellence and value. With these goals as guiding principles, we recognize our deep responsibility to uphold the university's reputation through investments that promote innovation and foster excellence. Our ongoing investments continue even in a constrained budget environment through careful evaluation of priorities and strategic decisions about resources.

Student Affordability, Access, and Success

The 2023-24 budget makes a significant investment in our students, sustaining the university's unwavering commitment to assuring a U-M education is accessible regardless of financial means. The 2023-24 budget also expands enrollment in both undergraduate and graduate programs while simultaneously enhancing resources supporting student success and well-being.

2023-24 Budget Narrative

As part of the 2023-24 budget, U-M is committed to increasing participation in its signature financial aid program, the [Go Blue Guarantee](#). The Go Blue Guarantee provides free tuition for eligible in-state undergraduates and will be expanded for students on the Ann Arbor campus to include families with income and assets of up to \$75,000 each, respectively. We anticipate that the increased family income and asset limits will extend eligibility by approximately 450 students.



- Free tuition for eligible in-state undergraduate students
- Eligibility at UM-AA extended to students with family income and assets up to \$75,000 each, respectively

U-M’s focus on affordability for all families extends beyond individual financial aid programs as evidenced by our policy to meet the full demonstrated need for all in-state undergraduates. Over the past decade, spending on undergraduate financial aid has increased by an average of 10 percent annually. As a result, many students--60 percent of in-state and 41 percent of out-of-state undergraduate students--pay less than the published cost of attendance. For in-state undergraduate students from families with income of less than \$180,000, the average financial aid package slightly exceeds \$14,000, with approximately 3,400 in-state undergraduate students paying no tuition at all.

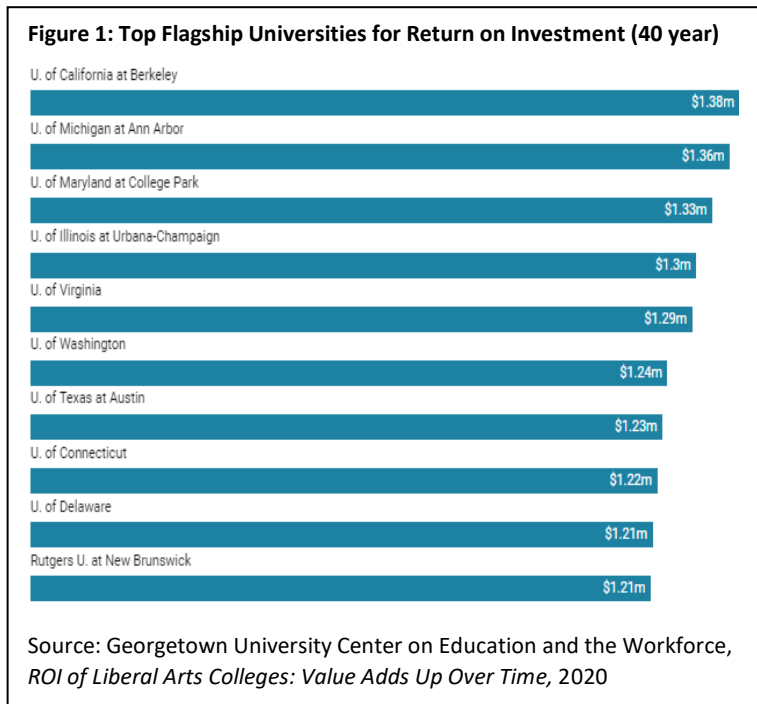
The 2023-24 budget also makes a landmark investment in U-M’s doctoral students, providing approximately \$12.5 million to support summer funding. Stipends of approximately \$12,000 for the spring-summer term are now available to further assure the academic progress and long-term success of our PhD students.

As the state’s premier public institution, not only does U-M prioritize affordability, it also prioritizes access for students from across Michigan, as well as exceptionally well-qualified students from the rest of the U.S. and around the world. In continued pursuit of this goal, we have expanded the entering class for the fall 2023 term and look forward to welcoming one of the largest classes in our history. The robust financial aid programs described above will support our new students, assuring that a U-M education continues to be both accessible and affordable.

U-M’s commitment to students is also focused on supporting their success and well-being as a community. Schools, colleges, and the university at large each make investments annually to enhance academic programs and student services. The 2023-24 budget includes school, college, and university investments in areas such as mental health and wellness services, student organizations, sustainability programs, leadership, and student-facing technologies.

2023-24 Budget Narrative

Our ongoing success is evidenced by our consistent recognition as one of the top values in higher education nationally and recurrent inclusion in US News & World Report as one of the top-3 public universities for undergraduates. Additionally, a recent study of 4,500 two- and four-year colleges by the Georgetown University Center on Education and the Workforce ranked U-M second among the nation’s flagship universities for return on investment (See Figure 1).



Academic Excellence: Faculty & Research

As a public research university, U-M takes seriously its role in education, innovation, outreach, strengthening the economy, and improving quality of life. This budget enables us to produce research that advances human knowledge and to equip the next generation of leaders with the knowledge, skills, and ethos to lead in a rapidly changing world. For example, the 2023-24 budget includes additional investments in electric vehicle research, neuroscience, firearms injury prevention, biointerfaces, precision health, and broader research infrastructure.

U-M’s renowned research portfolio ranks third nationally and second for public universities with annual activity exceeding \$1.6 billion. The 2023-24 budget anticipates growth in the indirect cost recoveries from sponsored programs of 7.6 percent, more than double the projected rate of inflation.

U-M’s success in research and innovation results from its highly acclaimed faculty, many of whom are recognized globally as leaders in their fields. In fact, the U-M faculty is composed of 185 current national academy members. To maintain our excellence, the university makes annual investments to recruit and retain a celebrated and diverse faculty. The 2023-24 budget includes numerous school, college, and university recruitment and retention programs, a 4 percent merit increase plus an additional increment for promotions, and increases to maintain health and other benefits.

2023-24 Budget Narrative

Support for Staff & Administrative Infrastructure

Supporting our pursuit of preeminent education, research, and public service, U-M administrative and operational staff provide a broad portfolio of services that include mental and physical health services, academic support, student support, public safety, transportation, and a wide array of technology, facilities, business, and human resource functions. These integral services are performed by dedicated staff members and occur in physical and technical environments that are critical to our ongoing success as an institution. The landscape for staff hiring and retention continues to be challenged in higher education with significant turnover, limited applicant pools, and increased competition from many sectors of the economy. To this end, the 2023-24 budget includes several notable investments intended to provide additional support for staff and to enhance our ability to recruit and retain employees. For example, the budget includes: a 4 percent merit program for staff; additional support for professional development opportunities; significant investment in research administration, an area of particular focus; and central and local resources to improve talent acquisition and human resource functions.

2023-24 Budget Environment

The general fund is the primary source of support for the academic mission of the university. In addition to the programmatic priorities noted above, the 2023-24 budget is shaped by several factors.

Cost Pressures

Broad indicators of inflation continue to remain elevated and challenge our budget. While the Consumer Price Index (CPI) has moderated since peaking at 9 percent in June of 2022, prices remain high in many areas of the economy, increasing by 4.9 percent for the most recent year ending April 30, 2023, according to the Bureau of Labor and Statistics.

We anticipate ongoing price moderation over the coming year with the 2023-24 budget broadly based on a CPI projection of 3.1 percent. However, certain components of our budget are forecasted to increase by significantly higher values. As examples, insurance costs are projected to increase by over 40 percent due to general liability and cyber coverage illiquidity, and we anticipate a minimum increase of 10 percent for employee health benefits, critical to recruiting and retaining our talented faculty and staff.

Cost Containment & Fiscal Discipline

The 2023-24 budget takes seriously its commitment to keep costs down. The specific cost pressures noted above highlight the challenge the university faces in balancing its budget in a fiscally responsible way. Balancing a budget that includes cost increases above inflation combined with moderate increases to tuition while assuring affordability through significant financial aid investments is only possible due to ongoing cost containment efforts.

2023-24 Budget Narrative

As part of the annual budget process, units across campus examine their operations to identify lower-priority activities and, expenditures they can eliminate, perform more efficiently, or support through alternative funding. Without these continuing efforts that generate annual cost savings of approximately \$31 million, tuition would need to be 2.2 percent higher after accounting for financial aid. In addition to the demonstrable cost-savings, cost containment efforts help focus operations through embedding best practices, discounting and consolidating lower-priority activities, and optimizing capacity to meet demand.

Philanthropic giving continues to play an essential role in allowing the university the flexibility to shift costs off the general fund and providing funding for key priorities. Our donors play a vital role in supporting university priorities and we are deeply grateful to all who donate.

State Appropriations

Annual funding support from the state is critical to our budget. Increases in appropriations are typically allocated to help the university meet rising mandatory and other costs. At this time, the 2023-24 state appropriation has not been determined. While we await a final appropriation decision, we have modeled an outcome that approximates the mid-point of the respective budget proposals from the Governor and Legislature, including a 5.1 percent increase to base appropriations in the budget. U-M supports the commitment of the Governor and Legislature to provide incremental base funding for higher education as well as the additional one-time resources included in two of the proposals for infrastructure, technology, equipment and maintenance.

While increases to appropriations are welcome, they occur in the context of generational disinvestment in higher education. In fact, current appropriations lag inflation-adjusted 2002-03 appropriations by approximately \$5,750 per student, an amount equivalent to over \$290 million across the institution. We applaud recent recommendations to further invest in the state's colleges and universities and encourage ongoing incremental investment to assure that the state's public institutions maintain their leadership positions nationally.

Tuition & Fees

Any proposal to increase tuition and fees is carefully scrutinized and paired with significant adjustments to associated financial aid budgets. While the “sticker price” – the headline tuition and fee rate – is an important indicator, the “net price” – the amount families pay after consideration of financial aid packaging – may be the most important.

As has been typical over many years, the “net price” of tuition for in-state undergraduates with financial aid will not increase in the 2023-24 academic year as additional financial aid will completely offset the proposed change in tuition and fees. The proposed increase to undergraduate financial aid is 7.8 percent for 2023-24 and results in an average annual change over 10 years of approximately 10 percent. The impact of this commitment cannot be overstated

2023-24 Budget Narrative

and is evidenced by two facts: for most resident undergraduate students who receive need-based financial aid the net cost of attendance is less than a decade ago; and there are nearly 3,000 fewer students who have taken out loans as part of their financial plan than a decade ago.

Out-of-state students are not entitled to the state-subsidized discount represented in our in-state rates. However, the university weighs carefully the value of a U-M degree, and out-of-state tuition rates compare favorably to private peers.

In the context of broader inflationary pressure and with U-M's ongoing commitment to financial aid, we recommended a 2.9 percent increase for in-state undergraduate students, which is below the projected rate of inflation, and a 4.9 percent increase for out-of-state undergraduate and graduate students, which is competitive with our peers.

Summary

We are guided by our unwavering dedication to sustain and enhance our commitment to excellence as we enter an ambitious era of change. Our priorities remain steadfast, focused on the students, faculty, and staff who make up this great university, each of whom work closely to realize our commitment to providing long-term societal benefits through education, research, and public service.