

2024-25 Budget Narrative

Look to Michigan for Progress: 2024-25 General Fund Budget

The University of Michigan-Ann Arbor (U-M) advances its highest priorities for the 2024-25 general fund budget in support of the exemplary people and programs that further our excellence in the coming year and beyond. The 2024-25 budget proposal provides a balanced budget at a time of increasing costs while maintaining the resources necessary to fuel our future.

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, foster academic excellence, and assure value. Our ongoing investments continue even in a constrained budget environment through careful evaluation of priorities and strategic decisions about resources.

In 2024-25, we embark on the pursuit of our recently completed Vision 2034 strategic plan with an initial set of investments in its four core impact areas: Life-Changing Education, Human Health & Well-Being, Democracy, Civic & Global Engagement, Climate Action, Sustainability & Environmental Justice.

Vision 2034: Look to Michigan



We build on our enduring legacy of renowned life-changing educational programs that include 110 ranked in the top-ten nationally and recognition as a leading undergraduate institution nationally and globally. Initiatives such as the LEAPS@ Marygrove program and the University of Michigan Center for Innovation further extend undergraduate and graduate programming to Southeast Michigan. Additionally, the further development of new online degree and programs will result in new MOOCs, courses, and academic programs, adding to an impressive set of virtual offerings. Assuring our ability to connect students to the exemplary educational programs and experience we're known for, we also further our commitment to affordability and access with significant investment in our financial aid programs.

The 2024-25 general fund budget also advances human health and well-being with additional investments in mental health services and public safety. Both investments build on existing programs funded by the central campus, schools and colleges, Housing and Student Life, the Division of Public Safety & Security, and others to assure health and well-being for our students,

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faculty, and staff. Additionally, new initiatives in several colleges expand our work to improve health equity nationally and globally.

In a recent address to the U-M community, President Ono highlighted the coming academic year as “The Year of Democracy and Civic Engagement.” In support of this theme, the 2024-25 general fund budget makes investments in anti-bias-focused training and outreach, the recently launched Wallenberg Institute, a program for teaching civil discourse at scale, the UMICH Votes Coalition, and expanded international partnerships. Each investment is intended to foster additional learning, participation, and dialogue as we work to find solutions that lead to a more peaceful and equitable world.


Emphasizing our ongoing commitment to sustainability, the Vision 2034 plan reinforces Climate Action, Sustainability & Environmental Justice as a core impact area. The 2024-25 general fund budget supports this goal with several key initiatives, such as the Detroit-based Sustainability Clinic and the Climate Futures Lab, which will advance creative architectural and urban planning practices to promote climate action and resilience. This budget also includes funding to expand our fleet of electric buses. Our allocations build on our existing programs, policies, and campus sustainability efforts, accelerating our momentum towards our goal of Scope 1 carbon neutrality by 2040 and continuing U-M’s leadership in implementing resilient sustainability infrastructure.

Other Budgetary Adjustments

The 2024-25 budget also makes significant incremental investment in our people, programs, and infrastructure to not only support new initiatives, but to provide the resources necessary to maintain our excellence across the institution in existing programs.

U-M is consistently recognized as a leader for value and excellence as evidenced by our perennial ranking as a top-three public institution by U.S. News and World Report, recognition as the best value in higher education by Money Magazine, and the second-ranked public institution for return on investment as determined by the Georgetown University Center on Education and the Workforce.

Demonstrating our achievement in affordability is the fact that the net price for resident undergraduates with family income of up to \$120,000 who receive financial aid is less now than it was ten years ago after adjusting for inflation. Not surprisingly, 63 percent of resident undergraduates receive institutional grant aid and one-in-three pay no tuition at all, many as a result of the Go Blue Guarantee, a national model for tuition guarantee programs. U-M’s commitment to access continues in the 2024-25 general fund budget with a 6.3 percent increase to undergraduate financial aid, nearly twice the rate of current annual inflation.



GO BLUE GUARANTEE

- 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

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Each year, the budget planning process begins with the identification of cost containment initiatives that when taken together will reduce our campus spending by over \$31 million in 2024-25. Cost containment strategies include savings through our procurement and travel policies, realignment of IT Services departments, and adjustments to personnel assignments across our faculty and staff. Our 2024-25 cost containment efforts result in a recommended tuition increase that is 2 percent lower than would be necessary without them. Since 2005, cost containment strategies have resulted in over \$550 million in cost reductions and containment, an amount that is approximately 20 percent of our total general fund budget.

Supporting our programs, services, and campus operations is a globally renowned faculty and a deeply dedicated staff that make our tripartite mission of education, research, and public service possible. The 2024-25 general fund budget invests in our faculty and staff with merit programs of approximately 3.5 percent and makes additional allocations to employee benefits. Merit increases and benefits adjustments are critical strategies for attracting and retaining our faculty and assuring our ability to be a leading employer regionally for staff.

New and ongoing initiatives that fuel U-M's mission of world-class education, research, and public service are supported by a combination of state support, indirect cost recovery from our research portfolio, and tuition and fees from our student body.

As a proud public institution, we value our deep connection to the citizens of Michigan and eagerly partner with the state in pursuit of its education, innovation, and development goals. In 2024-25, we anticipate a 2.5 percent increase to our state operating appropriations. We are grateful for the recent period of incremental increases to our operating appropriations as well as the creation of the Michigan Achievement Scholarship. However, over the last twenty years, per-student appropriations have declined by 46 percent after adjusting for inflation, a trend that challenges our ability to maintain the excellence and value we strive for. We encourage the state to continue its policy of steady, predictable increases to operating appropriations as well as their investments in student financial aid.

U-M's renowned research portfolio ranks third nationally and second for public universities with annual activity of approximately \$1.8 billion. The 2024-25 budget anticipates growth in the indirect cost recoveries from sponsored programs of 10.7 percent, more than triple the projected rate of inflation.

Any proposal to increase tuition and fees is carefully scrutinized and, as noted earlier, is paired with significant adjustments to associated financial aid budgets. In the context of broader inflationary pressure and with U-M's ongoing commitment to financial aid, we recommend a 2.9 percent increase for in-state undergraduate students, which is less than the current annual rate of inflation, and a 4.9 percent increase for out-of-state undergraduate and graduate students, which is competitive with our peers.

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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 Vision 2034. 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.