

FISCAL YEAR 2027 BUDGET NARRATIVE

Executive Summary

The FY27 budget reflects the University of Michigan-Ann Arbor's continued commitment to two foundational priorities: academic excellence and affordability. This balanced budget prioritizes our people—faculty, staff, and students—while responding to significant fiscal constraints and funding uncertainties.

This budget directs strategic investments to support our Look to Michigan impact areas and strengthen the Michigan experience for students. It also reaffirms our commitment to Michigan families by sustaining the nation-leading Go Blue Guarantee and increasing undergraduate financial aid to offset tuition increases for resident students with need.

We are able to attain our budget goals while increasing resident undergraduate tuition & fees at rates no higher than inflation. By combining rigorous cost containment with targeted investment, this budget ensures that the University of Michigan remains a premier public institution providing an exceptional education and meaningful returns for students, families, and the broader public.

The Strategic Context: Navigating Fiscal Uncertainty

Building the FY27 budget required navigating a challenging environment marked by volatility in key revenue streams and rising mandatory costs.

- **State Funding:** We developed the FY27 budget before final legislative consensus on our appropriation. We are conservatively budgeting for a flat state appropriation, which, for a growing university facing inflationary pressures, effectively functions as a budget cut.
- **The Research Environment:** After budgeting for a significant 15% reduction in revenue from research grant overhead in FY26, we have forecast a modest increase over last year's budget. However, our long-term outlook is cautious, with a projected 20-30% reduction in federal research activity through FY29.
- **Mandatory Cost Pressures:** The university faces a 7.2% increase in mandatory costs, including insurance and utilities, and a similar 7.2% increase in health care benefits. These rates are more than double projected inflation.

In response to these pressures, the university continues its practice of disciplined fiscal stewardship. For FY27, schools, colleges, and units across campus have identified over \$38 million in cost savings and reallocations. These efforts include several budgeted units enacting across-the-board reductions in non-salary areas, and the realignment of priorities in many other units. We continue to allocate gift funds, wherever appropriate, to alleviate general fund costs. All of these efforts increase efficiency and reduce pressure on tuition & fees. Such disciplined stewardship efforts also ensure that we can continue to support the comprehensive goals of the Look to Michigan campaign.

Advancing Academic Excellence & Supporting Look to Michigan

The FY27 budget reflects our commitment to all five strategic impact areas of the Look to Michigan campaign, advancing essential work in education, community vitality, democracy, sustainability, and technology. Our budget narrative reflects a particular emphasis on the 2027 theme year of **Human Health and Well-Being**, leveraging the university's position at the forefront of global research and discovery. Key investments include:

- The **AI-Enabled Drug Discovery Initiative** is a strategic investment designed to unify the university's world-class, distributed assets in generative AI and pharmacology into a cohesive, high-impact ecosystem. By delivering AI-enhanced infrastructure to research labs across all campuses, including Flint and Dearborn, this initiative ensures the University of Michigan maintains its national leadership as drug development reaches a critical technological inflection point.
- **Research Stability and Retooling:** To maintain stability amid shifting external funding cycles, the budget provides funding for essential research grant bridging programs. These resources help scholars continue their work even if external funding is interrupted and allow them to pivot their research programs to qualify for new extramural funding sources.
- **Biological Safety:** The university is investing in additional biological safety resources to enhance oversight of biological materials used in research, coordinate regulatory compliance, and commission a new Biosafety Level 3 facility.

Enriching the Student Experience and Success

We continue to invest in the success, well-being, and engagement of our students, reflecting our belief that students are best positioned to succeed when they are both academically challenged and well supported. Highlights for FY27 include:

- **Mental Health Resources:** The university is piloting a significant expansion of online mental health resources, offering students better access to teletherapy and wellness assistance. These resources are accessible regardless of a student's location, including those studying abroad. Schools and colleges are contributing as well, including a Wellness Suite at the Ross School of Business and expanded mental health programming within the Medical School.
- **Holistic Student Support:** A university-wide project is replacing aging systems with the Student Success & Advising Technology (SS&AT) Platform. The new platform will provide a consistent, intuitive interface for students and their advisors to track students' academic performance, progress, and cross-campus communications.
- **Curricular Innovation:** The College of Literature, Science, and the Arts is launching the Grand Challenges Curriculum. This multidisciplinary, problem-based pathway equips students to tackle real-world challenges no single discipline can solve alone, and reinforces the enduring value of a liberal arts and sciences education for the common good.

- **Global Engagement:** We are expanding accessibility through more faculty-led international trips, increasing support for traveler safety, and building on strategic initiatives that helped the university achieve a #1 national ranking among public institutions for study abroad.
- **Enhanced Learning Spaces:** A high-priority renovation of the School of Dentistry Simulation Lab will replace 26-year-old equipment with modern, digitally-enabled stations to improve student competency.

Access and Affordability: A Commitment to Michigan Families

The university's commitment to making a world-class education accessible to all Michigan students, regardless of financial means, remains a cornerstone of our budget.

- **Targeted Financial Aid:** The FY27 budget includes a \$12.3 million (3.8%) increase in undergraduate financial aid. This increase is specifically designed to offset the tuition and fees increase for resident undergraduates with financial need, resulting in a net zero tuition cost increase for these students.
- **The Go Blue Guarantee:** This budget enables us to uphold our public university gold-standard promise of free tuition for resident students from families with incomes and assets below \$125,000. This guarantee also covers the full cost of attendance for qualifying students in high-need fields like teacher preparation and nursing.
- **Long-Term Impact:** Since 2016, our undergraduate financial aid budget has increased by more than \$191 million, with an average annual growth rate of 7.6%. Today, 34% of resident undergraduates pay no tuition after grants and scholarships are applied, and the inflation-adjusted net price for families with incomes up to \$120,000 is lower than it was a decade ago.

Balanced Revenues and Fiscal Stewardship

To maintain fiscal stability while preserving our academic mission, we recommend the lowest possible tuition increases necessary to meet our priorities.

- **Tuition and Fees:** The budget proposes a 3.0% increase in resident undergraduate tuition and fees. Notably, the tuition component of this increase (2.9%) is lower than projected CPI inflation. Out-of-state undergraduate and most graduate programs are proposed to increase by 4.9%, keeping the university competitive with peer institutions.
- **Strategic Fee Adjustments:** The proposal includes modest increases to the Health Service Fee (+\$6.80) to maintain wellness services, an increase to the Student Legal Services fee +(\$1.40) to support student consultations or legal representation, and the first increase since FY 2000 for the School & College Student Government fee (+\$4.30) to facilitate greater student impact and engagement.
- **Investing in People:** A 3.0% merit program is included for most faculty and staff to attract and retain the talent that drives our excellence, with bargained-for employees supported according to their respective contracts.

Summary

The FY27 budget is a carefully balanced and strategic plan that advances the University of Michigan's highest priorities amid significant change and fiscal constraints. It protects our most financially vulnerable students, invests strategically in our academic and research mission, and positions the university to remain resilient as external conditions continue to evolve. By leveraging our resources and maintaining an unrelenting focus on efficiency and stewardship, we continue to deliver the world-class education, impactful research, and dedicated public service that empower our community and define this great institution.