

2025-26 General Fund Budget Narrative

Executive Summary

The University of Michigan-Ann Arbor (U-M) continues its focus on core principles of academic excellence and affordability in FY 2026.

Academic Excellence. Our FY 2026 budget reflects careful planning and targeted investment to maintain U-M's excellence even in an uncertain funding landscape. Key components of this budget also provide vital support for campus operations and infrastructure, and our students, faculty, and staff.

Accessibility & Affordability. U-M's focus on access drives important FY 2026 investments. In FY 2026 our signature Go Blue Guarantee expands eligibility, meaning even more students will have free tuition during their four years of attendance, with free cost of attendance offered for some majors.



We continue our commitment to provide all in-state students with a financial aid package that meets 100 percent of demonstrated financial need. Substantial aid is also available for out-of-state students.

Fiscal Discipline. The university's ongoing focus on cost containment is critical in the FY 2026 budget. We support investments that help us operate more efficiently and maintain our annual practice of discontinuing lower-priority activities and employing philanthropy to relieve general fund expenses.

Tuition & Fee Rates. Our budgetary goals are attainable with an undergraduate tuition & fee sticker price increase of 3.4 percent for residents and 4.9 percent for nonresidents. In-state students with need-based aid will have a zero percent increase in net tuition, as aid will fully cover that increase. Tuition for most graduate programs would also increase 4.9 percent.

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FY 2026 Budget Priorities

The University of Michigan-Ann Arbor is committed to advancing its key priorities for the FY 2026 general fund budget, focusing on our mission, sustaining our vision, and ensuring access and opportunity for all. This budget carefully balances financial challenges with the need for sustained growth and innovation, securing the resources essential for a vibrant future.

Renowned for its excellence and return on investment, U-M steadfastly upholds its reputation by funding initiatives that promote innovation and academic success. Despite financial constraints, we remain committed to thoughtful investment, rigorously prioritizing and strategically managing resources to maintain our standing and fulfill our commitments.

In FY 2026, we center investments on four pivotal areas: providing life-changing education; enhancing human health and well-being; fostering democracy, civic, and global engagement; and advancing climate action, sustainability, and environmental justice. Through these efforts, we strive to make a meaningful impact on the world.

Life-Changing Education. We are continually enhancing our prestigious educational offerings, which are acknowledged both nationally and internationally. Investments in FY26 include numerous student-focused services, the dual undergraduate degree option in Engineering and the Stephen M. Ross School of Business, the addition of several new online graduate programs, and expanding initiatives at the University of Michigan Center for Innovation. We are providing high-value degree options, boosting student success, and extending our academic reach.

Human Health & Well-Being. This year's budget strengthens our commitment by enhancing services and public safety. Our investments aim to improve the well-being of students, faculty, and staff. Funding for disability navigators, renewed research equipment for our Biointerfaces Institute, access to adaptive sports, and growth in our School of Nursing enrollment are among the investments that further our mission in this area.

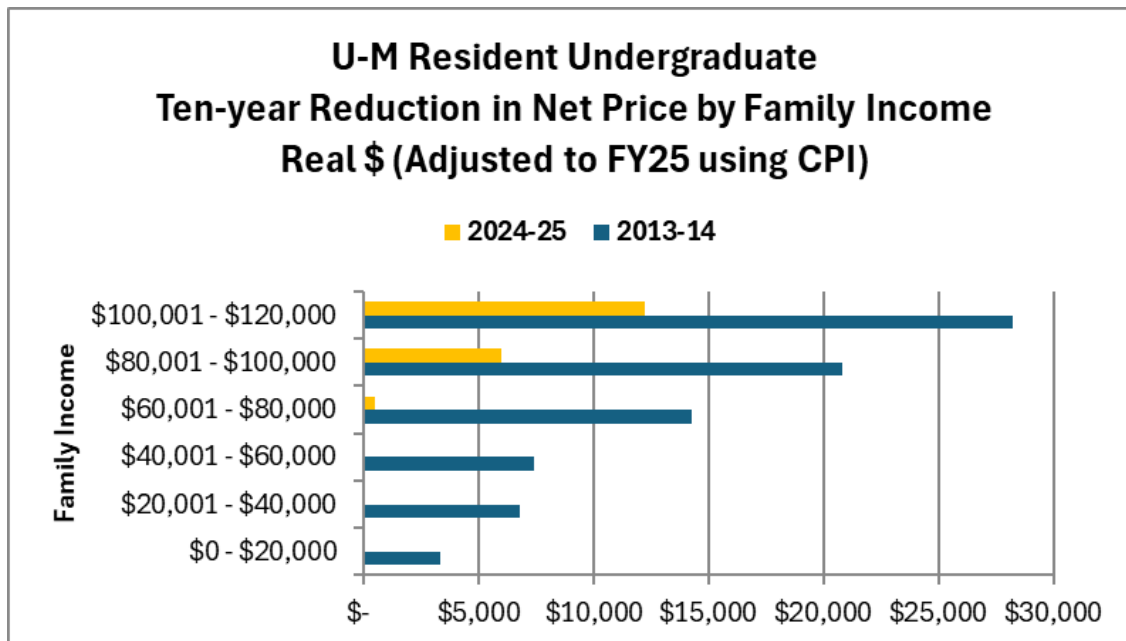
Democracy and Civic & Global Engagement. Our focus on democracy and civic and global engagement continues. FY 2026 funding supports Elevating Detroit through the Ross Business + Impact initiative, investment in the Raoul Wallenberg Institute, continuation of the UMICH Votes Coalition, and enhancements to public engagement at the Bentley Historical Library. Our goal is to encourage learning, dialogue, and community participation in creating a just and peaceful society.

Climate Action, Sustainability, & Environmental Justice. The FY 2026 budget includes investments to support sustainability in operations, education, and research. Support for electric buses, investments in sustainability curriculum and programming, and our partnership with the State of Michigan at our Electric Vehicle Center all contribute to driving climate action and resilience.

Student Access and Affordability

We remain committed to affordability, with many in-state undergraduates seeing lower net tuition costs than they did a decade ago, even after accounting for inflation.

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This year, 33% of in-state undergraduates paid no tuition after financial aid, and 59% paid less than the listed price, largely thanks to the Go Blue Guarantee (GBG). With the expansion of the Go Blue Guarantee, we expect this percentage to increase. The FY 2026 budget strengthens our commitment by increasing undergraduate aid by 4.5%, greater than the rate of increase on tuition and fees, and we anticipate no change in out-of-pocket tuition and fees for in-state undergraduates with financial need.

As a further commitment to affordability, the University of Michigan-Ann Arbor will expand the GBG program in FY 2026 by increasing eligibility to families making up to \$125,000. Additionally, the university will fully cover the cost of attendance for GBG-eligible students in the fields of Education and Nursing, and for those GBG graduates who pursue an MSW degree at the U-M School Social Work.

The university will also broaden opportunity by allocating additional support for Wolverine Pathways, allowing this successful college preparation program to serve more college-aspiring students. Wolverine Pathways graduates who enroll at the University Michigan also enjoy a free tuition guarantee.

Academic Excellence & The Value of a U-M Degree

U-M stands as one of the world's leading teaching and research universities and an exemplar public institution nationally. In an era of uncertainty, we do not back away from our commitment to empower students, faculty, and staff to achieve long-term societal impact through education, research, and service. This longstanding focus on academic excellence is reflected in the U-M student experience and the outcomes of our graduates. The breadth and depth of our world-class degree programs and a commitment to student success support intellectual growth and well-being, while preparing our learners for future societal contributions and successful careers. At a time when some doubt the value of higher education, our graduates demonstrate the soundness of this investment. U-M undergraduate students have a high retention rate—at 97 percent, it is among the highest of public universities—and they graduate at a higher

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rate than their peers. Upon graduation, a typical bachelor's degree recipient at U-M reports high satisfaction with their educational experience, and, on average, will go on to earn \$2.8M more than those without a degree and \$1.0M more than other bachelor's degree recipients over their lifetime.

FY 2026 Strategic Context

The general fund is crucial for the university's academic mission, and the FY 2026 budget reflects our key priorities, shaped by several important factors.

Unprecedented Challenges. The University of Michigan is navigating challenging times due to changes in key revenue streams that impact the institution's financial resources. Notably, there have been cuts to research funding and associated indirect cost revenues, which are crucial for supporting our extensive research enterprise. We also face possible changes to federal aid programs for our students or other revenue constraints due to executive orders. Additionally, a projected flat state appropriation means that U-M will not realize the necessary increases in state support to match inflationary costs. Compounding these issues, a projected decline in international enrollment will also impact tuition and fee revenues across campus.

State Funding. As a public university deeply committed to our partnership with the citizens of Michigan, we are dedicated to achieving educational and developmental goals that benefit our state. We urge the state to prioritize investment and ensure predictable annual increases in funding and financial aid, which are essential for covering our costs and maintaining accessibility. The return on the state's investment in U-M is substantial. State funding advances our shared goals of educating our students, developing new talent, creating jobs and growth, and opening new opportunities.

Research. The University of Michigan has been a leader in research across nearly every discipline, excelling at fostering interdisciplinary collaboration in diverse areas such as healthcare policy, engineering, the arts, and beyond. Our commitment to groundbreaking research has consistently earned us a high national ranking for research activity, reflecting both our dedication and our success.

However, navigating the shifting landscape of research funding presents unprecedented challenges. We will continue to advocate to our federal partners the enduring value and impact of research at U-M. We will further engage with state partners and industry leaders to explore collaborative opportunities that support and enhance our research mission. By maintaining strong alliances and encouraging investment in research, we aim to continue driving influential discoveries that benefit both Michigan and the broader global community. Our proactive approach will ensure that the University of Michigan remains at the forefront of academic excellence and research innovation.

Budgeted 2026 General Fund Revenues & Fiscal Stewardship

Tuition and Fees

The university models expected tuition revenue based on projected enrollment and has proposed the lowest tuition rate increases possible to meet the university's priorities, preserve its excellence, and maintain fiscal stability. Tuition and fee increases coincide with significant increases in financial aid.

The FY 2026 budget includes a 3.4% increase in in-state undergraduate tuition & fees, consistent with

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inflation, and a 4.9% increase for out-of-state students, which aligns with rates at peer institutions. Reflected within this year's increase includes a new Recreation & Wellness Fee to support the operations of the Hadley Family Recreation & Wellness Center, opening in Fall 2025, and ongoing support for student recreation. Additionally, there is a modest increase in the Health Service fee to help fund student physical and mental health services.

State Appropriations

We had no state appropriations decision at the time of our budget development. The university is conservatively budgeting for a FY 2026 state appropriation unchanged from FY 2025 funding.

Indirect Cost Recovery

In our FY 2026 general fund budget, we anticipate a decrease in indirect cost recoveries from federally sponsored programs. We continue to champion U-M's role with our federal agency partners, sharing as evidence our long and successful track record of making groundbreaking discoveries that impact humanity's most significant challenges. In FY 2026, we strategically allocate resources and seek new avenues of research support to sustain our high standards for scholarship and discovery.

Cost Containment

The budget planning process at the University of Michigan includes a rigorous exploration of cost-saving measures, resulting in a reduction of general fund spending by over \$33 million for FY 2026. These diligent efforts enable us to implement a modest tuition increase, keeping tuition rates lower than they would have otherwise been. Since 2005, our comprehensive cost containment strategies have generated over \$600 million in savings, representing a substantial portion of our general fund budget. This disciplined financial stewardship not only reflects our commitment to affordability and accessibility for our students but also strengthens our ability to invest in essential academic programs and infrastructure. By prioritizing efficiency and strategic savings, we ensure that our institution remains financially sustainable and capable of continuing its mission of providing high-quality education and resources to our community.

Philanthropic Giving

Our donors play an indispensable role in offsetting general fund expenses and supporting our key priorities, ensuring that we can continue to provide exceptional education and research opportunities. We are profoundly grateful for their critical contributions, which empower us to expand our impact and reach. In line with this commitment, the University of Michigan has launched the ambitious "Look to Michigan" campaign, a \$7 billion initiative designed to advance our mission across education, research, and public service. This campaign seeks to enhance scholarships and fellowships, bolster groundbreaking research, upgrade facilities, and support a wide array of programs that enrich the student experience. By investing in the future of Michigan, our generous donors help us propel innovation, cultivate leadership, and foster a community of excellence that benefits not only our campus but the world at large.

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Summary

As we conclude, we note that formulating the annual general fund budget for an institution as complex as U-M requires effort and input from leaders at every level of the university. The challenges we face require thoughtful collaboration, dedication to the mission, and hard work from people throughout the organization. The strength of the university's position as we present this FY 2026 budget is a testament to their efforts.

Our budget process and FY 2026 proposal are guided by our unwavering dedication to sustain and enhance our commitment to excellence and high returns for our stakeholders. Our priorities remain steadfast, focused on key areas of impact and the students, faculty, and staff who make up this great university. Together we can realize our commitment to provide long-term societal benefits through education, research, and public service.
