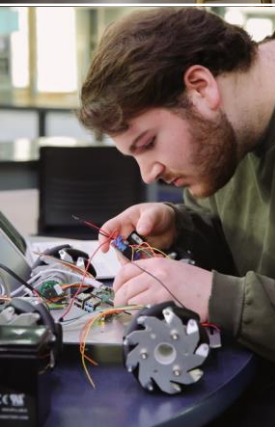


DREAMS IN PRACTICE



UM-Dearborn

University Budget Committee

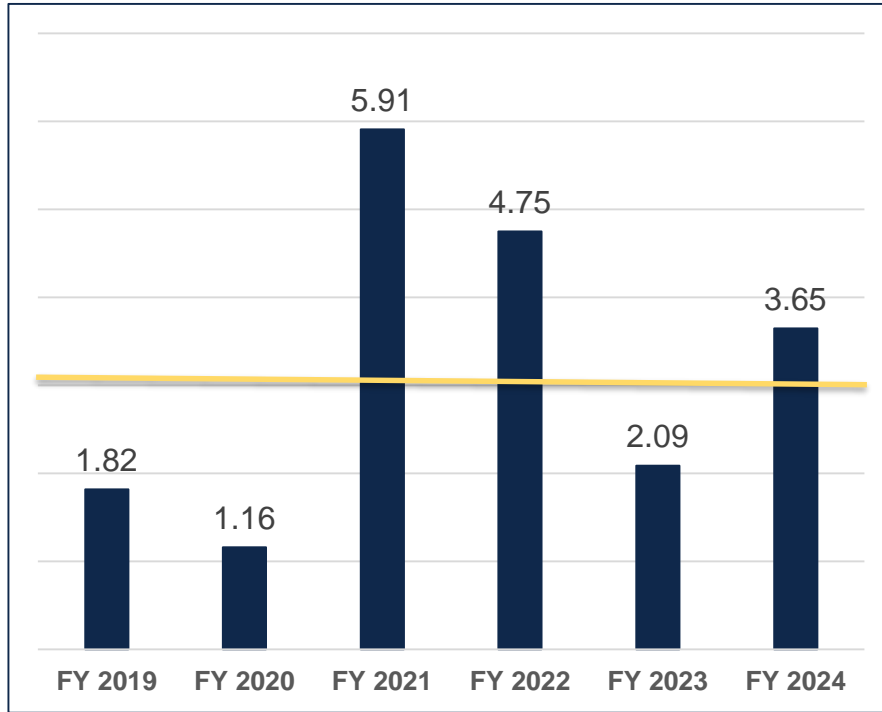
February 2025

FY26 Budget Cycle

HLC Financial Ratios

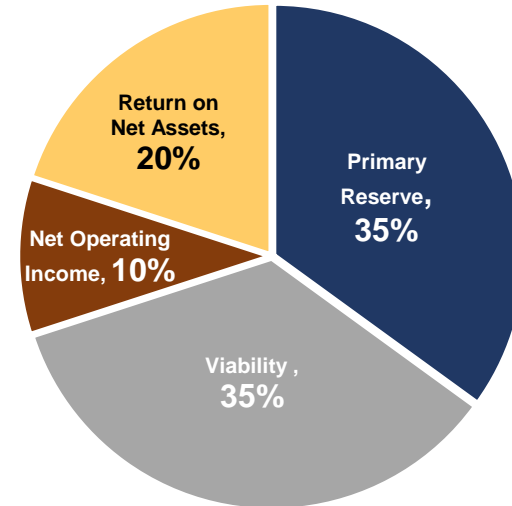
Financial Health

HLC: Composite Financial Indicator (CFI)



Weighted scoring of key financial ratios:

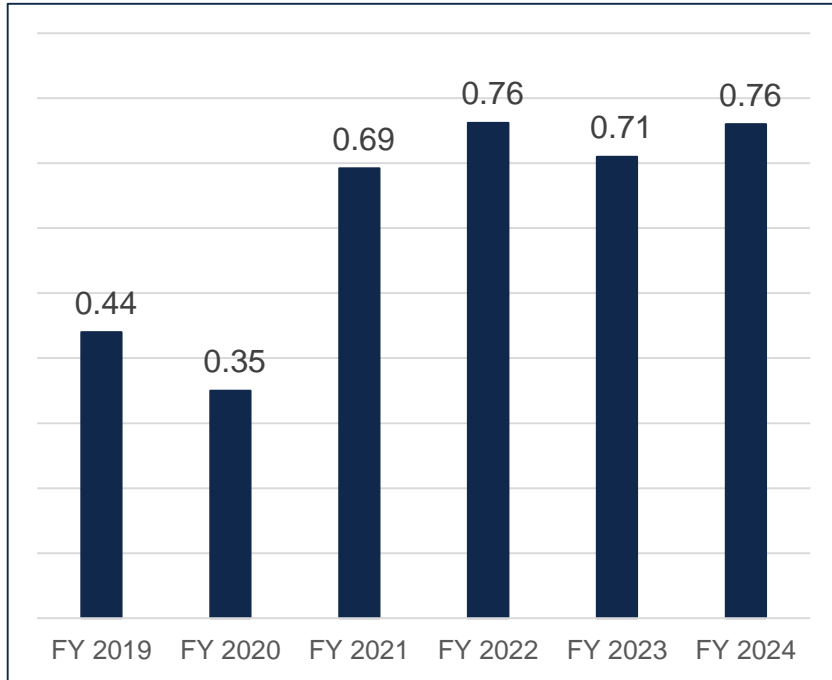
- Primary Reserve Ratio (Reserves)
- Viability Ratio (Debt)
- Net Operating Income Margin (Profit or loss)
- Return on Nets Assets (Total Return)



* Note: CFI Score of “3” indicates relative financial health

HLC: Primary Reserve Ratio

Financial Reserves / Financial Strength



Note: Improved financial position starting in FY 21 was due to the Higher Education Emergency Relief (HEERF) funds.

Ratio calculation:

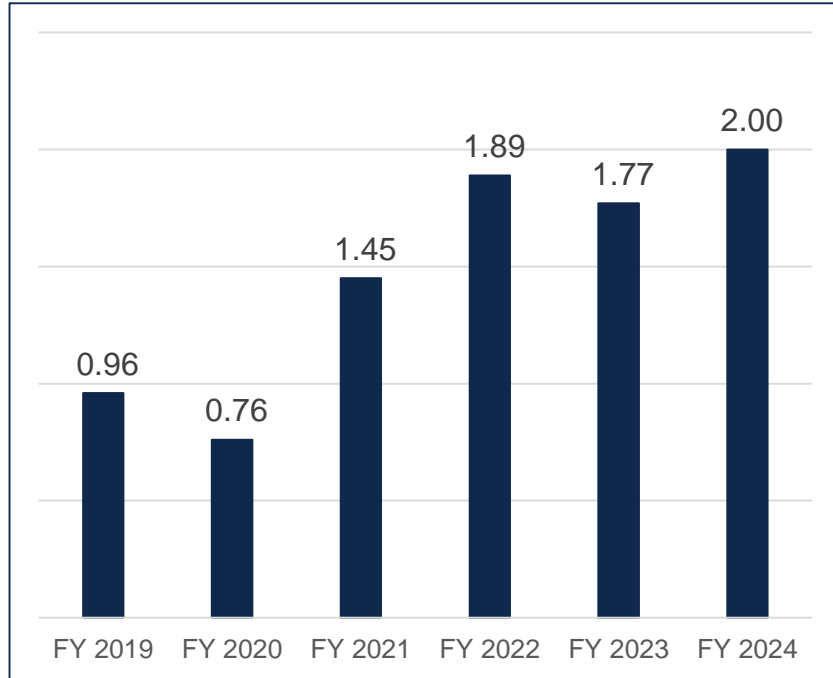
$$= \frac{\text{Expendable Net Assets (reserves)}}{\text{Operating Expenses}}$$

Commentary:

- FY 24 primary ratio has increased from 0.71 to 0.76 due to endowment investment earnings and positive variances for financial aid and state appropriations.
- Expendable nets assets increased primarily in the General Fund and Endowment Fund.

HLC: Viability Ratio

Debt Position / Leverage



Ratio calculation:

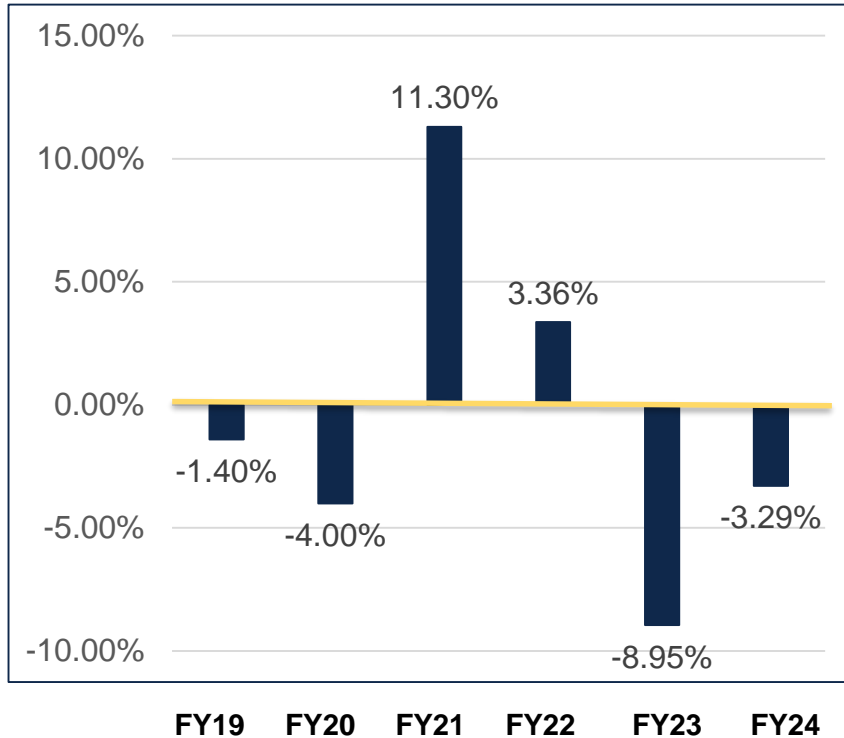
$$= \frac{\text{Expendable Net Assets (reserves)}}{\text{Long-term Debt}}$$

Commentary:

- FY 24 viability ratio improved from 1.77 to 2.00 due to lower outstanding debt and higher expendable net assets.
- Outstanding debt slightly reduced in FY24:
 - No additional debt
 - FY 24 debt service payment (paid down principal)

HLC: Net Operating Income (%)

Profit Margin



Ratio calculation:

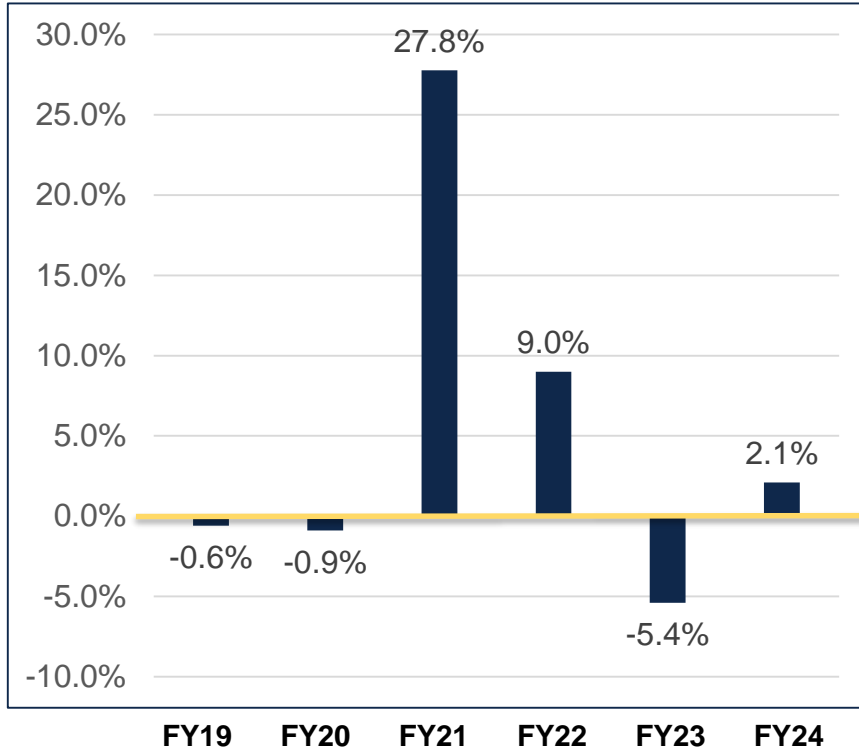
$$= \frac{\text{Net Income}}{\text{Operating Revenue}}$$

Commentary:

- FY 21 and FY 22 benefited from the Higher Education Emergency Relief Funds (HEERF)
- Annual operating deficit due to profit margin being outpaced by depreciation expense. We are not generating enough net income to cover our depreciation expenses. (not funding depreciation)

HLC: Return on Assets

Total Economic Return



Ratio calculation:

$$= \frac{\text{Change in net assets}}{\text{Beginning total net assets}}$$

Commentary:

- Difference between ROA and Net Operating Income Margin is primarily:
 - State Capital Appropriations (\$3.4M)
 - Endowed Gifts (\$650k)
- FY 21 and FY 22 benefited from capital outlay and HEERF.

UM-Dearborn vs. UM-Flint

<u>FY 24 Ratio</u>	UM-D	UM-F
Primary Reserve Ratio (aka: financial reserves)	0.76	1.68
Net Operating Income (aka: profit margin)	-3.29%	-0.05%
Return on Net Assets (aka: change in equity)	2.10%	3.52%
Viability Ratio (aka: debt level or leverage)	2.00	24.27
Composite Ratio Score	3.65	7.35

UM-Flint has a stronger financial position due to significantly higher levels of restricted expendable reserves and significantly lower levels of total debt.

UM-Flint's operating margin and return on net assets is driven by larger investment income returns on endowment investments.

FY 2026 General Fund Budget

Budget Development Process – FY 2026

Current Status

- **General Fund Budget – Initial Version** (March BOR)
 - First Enrollment Projection
 - Tuition Rate Strategy
 - Merit Strategy

Budget Approval Process

- **March 20th – Board of Regents Presentation**
 - First presentation of the FY 2026 Budget
- **May 15th – Board of Regents Presentation**
 - Final presentation of the FY 2026 Budget
- **June 12th – Board of Regents Consent Agenda**
 - Official approval of the Budget

Tuition Rates



Undergraduate Rates

- Base Rate (lower division): **+3.5%** (\$635 to \$657 per credit hour)
 - State Tuition Restraint: 4.5%
 - HEPI: 3.4%
- Upper Division Premium
 - COB/CECS: **No change** (\$150/\$125 per credit hour, respectively)
 - CASL/CEHHS: Increase **\$4 per credit hour** (From \$26 per credit hour to \$30)
- Non-Resident Rate: **+3.5%**

Tuition Rates



Graduate Rates

- Restructuring Plan – Simplification
 - Eliminate the 9+ credit hour discount
 - Restate the per credit hour rate
 - Align non-resident online rates
 - Scholarship offsets for students taking 9+ credit hours
 - Work towards “program pricing”
- Resident Rates
 - New credit hour rate: \$960
 - Old credit hour rate (1-8): \$954 (9+): \$531
- Graduate Premiums (discussed with Deans)
 - COB/CECS: No change (\$200 per credit hour)

Tuition Rates



Graduate Rates (continued)

- Non-Resident Rates
 - New credit hour rate: \$1,740 (excluding premium)
 - Old credit hour rate (1-8): \$1,721 (9+): \$1,007
- Non-Resident Online Rates (Goal: Align college rates)
 - CECS/CEHHS
 - New credit hour rate: \$1,200 (excluding premium)
 - Old credit hour rate: \$1,192
 - COB/CASL
 - New credit hour rate: \$1,200 (excluding premium)
 - Old credit hour rate: \$1,721

FY 2026 Budget – Initial Version (March BOR)

Main Assumptions

- Enrollment: **Overall +1.5%** (Mix: UG/GR, Res/Non-Res, Block)
- Tuition Rates: **+3.5%** (base rate)
- State Appropriations: **+2%** (net +1%)
- Merit: **+3%**
- Healthcare: **+11.9% (2025) / +4.0% (2026)***
- Contractual Obligations: **+3% to +5%**
- Debt Service: **+\$450K** (New Debt - SSB/AB)
- Deferred Maintenance/Capital Investment: **\$1.5M**



BALANCED !

* - House Bill 6058, if presented to the Governor and approved, would have a significant impact on our healthcare expenses. The Bill requires public employers to cover 80% of the healthcare insurance premiums. U-M programs are currently at 72% - 74%.