

Financial Analysis of The University of Michigan in the Middle of the Coronavirus Pandemic

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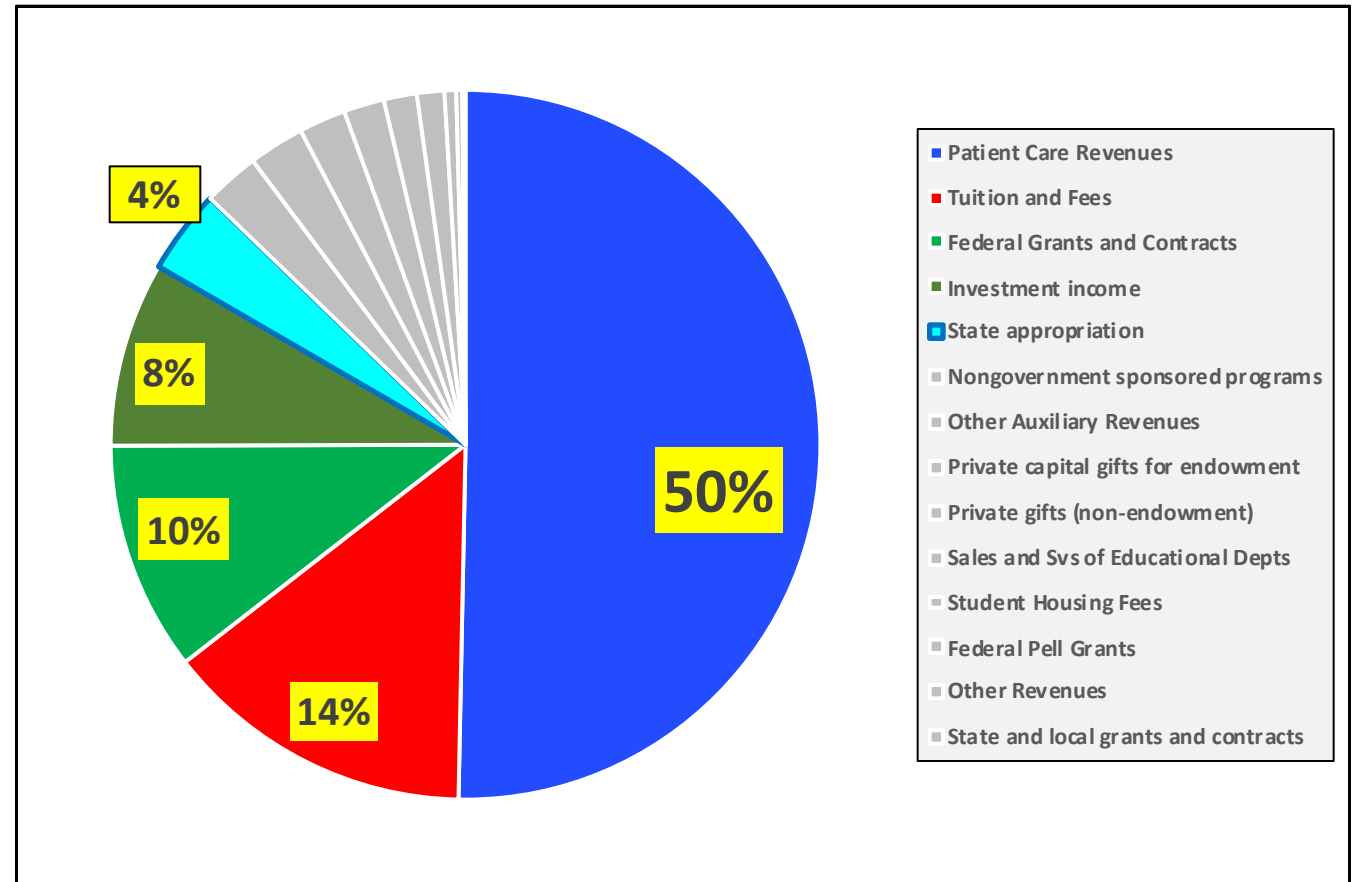
May 28, 2020

**Financial
Situation of
the University
of Michigan:
Very Strong!**

2019 Revenue Distribution

Source: UM Audited Financial Statements

2019 (Dollars in Thousands)	In Dollars	As % of Total
Patient Care Revenues	4,845,098	50.3%
Tuition and Fees	1,366,472	14.2%
Federal Grants and Contracts	1,006,368	10.5%
Investment income	809,997	8.4%
State appropriation	370,442	3.8%
Nongovernment sponsored programs	246,054	2.6%
Other Auxiliary Revenues	244,198	2.5%
Private capital gifts for endowment	206,094	2.1%
Private gifts (non-endowment)	177,758	1.8%
Sales and Svs of Educational Depts	145,070	1.5%
Student Housing Fees	120,122	1.2%
Federal Pell Grants	51,211	0.5%
Other Revenues	26,436	0.3%
State and local grants and contracts	13,955	0.1%
Total Revenues	9,629,275	100%



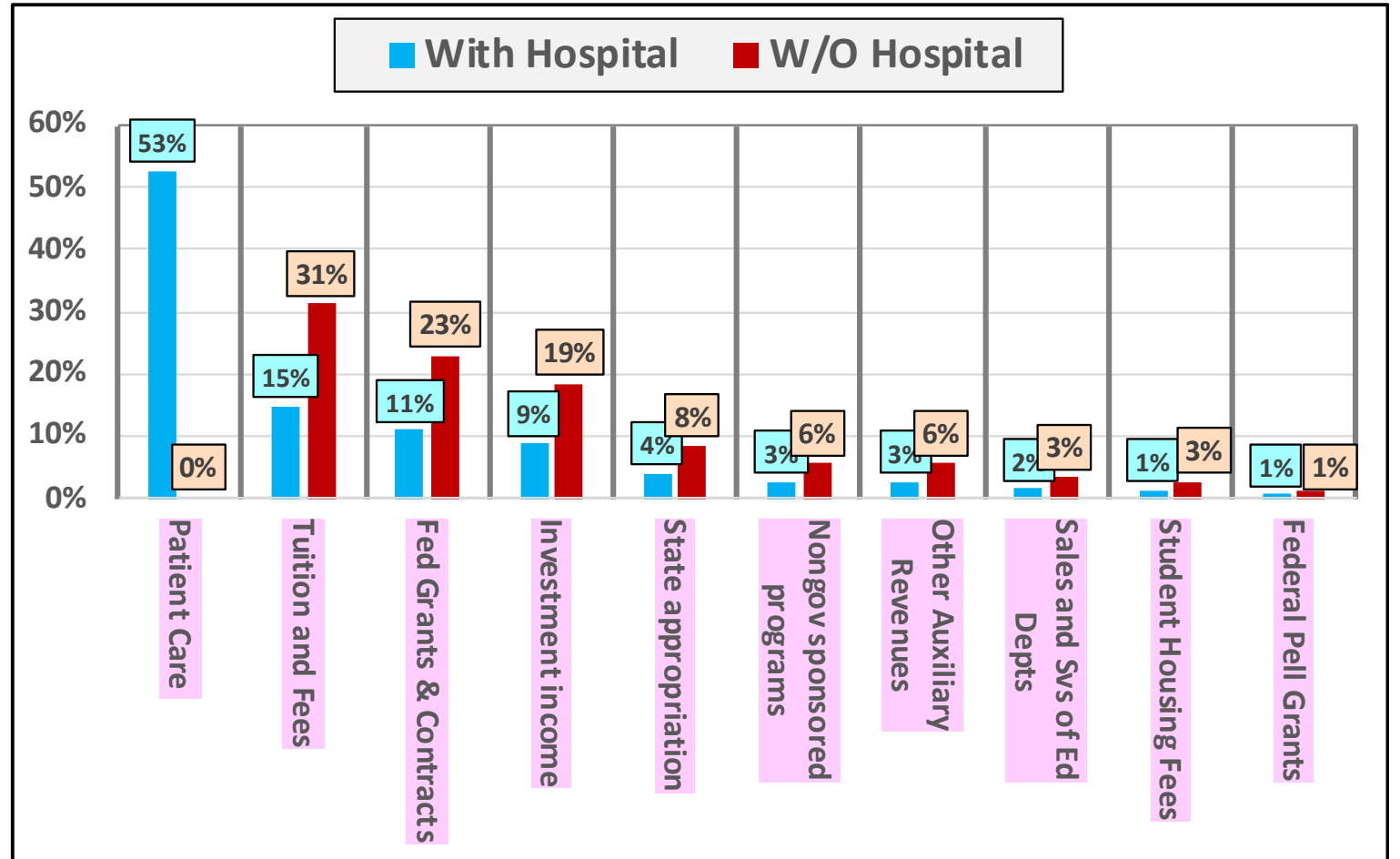
2019 Revenue Distribution: Audit vs. Budget

2019 in thousands	Per Audit	Per Budget	Difference
Patient Care Revenues	4,845,098	4,731,615	113,483
Tuition and Fees	1,366,472	1,815,787	(449,315)
Federal Grants and Contracts	1,006,368	1,020,000	(13,632)
Investment income	809,997	407,643	402,354
State appropriation	370,442	370,440	2
Nongovernment sponsored programs	246,054	250,000	(3,946)
Other Auxiliary Revenues	244,198	413,947	(169,749)
Private capital gifts for endowment	206,094	0	206,094
Private gifts (non-endowment)	177,758	143,000	34,758
Sales and Svs of Educational Depts	145,070	131,120	13,950
Student Housing Fees	120,122	0	120,122
Federal Pell Grants	51,211	0	51,211
Other Revenues	26,436	0	26,436
State and local grants and contracts	13,955	12,000	1,955
Indirect Cost Recovery	0	(25,260)	25,260
Total Revenues	9,629,275	9,270,292	358,983

- Tuition and fees in the budget counts tuition discounts as an expense
- Private gifts for the endowment are not part of the budget as it cannot be spent currently
- Student housing fees are not separate in the budget summary
- Pell grants are in essence tuition revenue
- The total difference of \$358.983 million is 3.7% of the total expenses of \$9.629 billion

2019 Revenue Distribution of Operational Items per Audit

Per Audit	In \$\$
Patient Care Revenues	4,845,098
Tuition and Fees	1,366,472
Federal Grants and Contracts	1,006,368
Investment income	809,997
State appropriation	370,442
Nongov sponsored programs	246,054
Other Auxiliary Revenues	244,198
Sales and Svs of Ed Depts	145,070
Student Housing Fees	120,122
Federal Pell Grants	51,211
Total Operational Revenues	9,205,032



Operating Cash Flows: Current Cash In vs. Current Cash Out

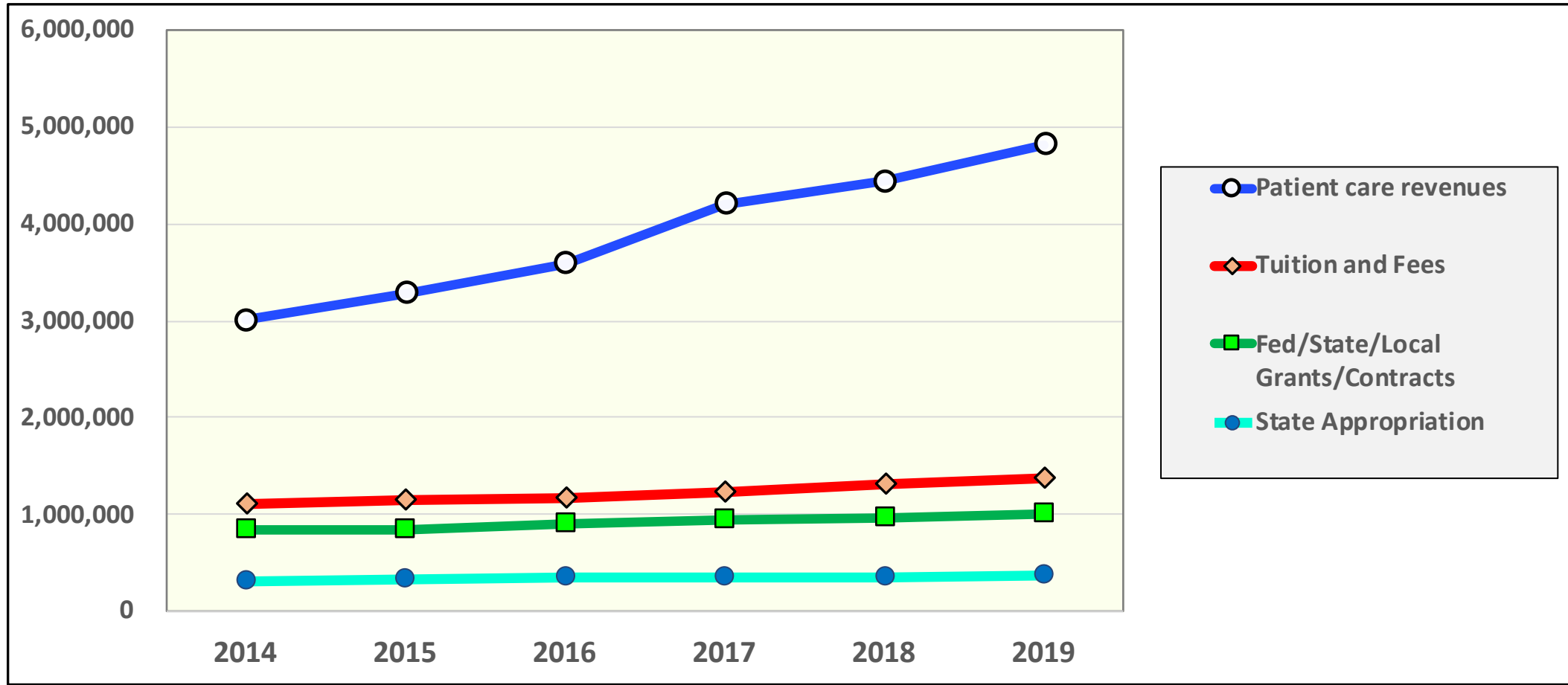
Source: Audited Financial Statements

Main current inflows:	2014	2015	2016	2017	2018	2019
Tuition and Fees	1,106,911	1,141,704	1,166,315	1,242,227	1,314,268	1,365,386
Fed/State/Local Grants/Contracts	852,552	840,144	902,253	945,781	973,815	1,016,393
Nongov grants	174,346	201,852	201,683	240,657	250,617	242,527
Sale of ed depts	315,541	354,555	340,514	338,496	394,892	388,016
Patient care revenues	3,002,184	3,284,591	3,588,770	4,200,681	4,431,064	4,812,476
Student residence fees	90,998	98,801	108,481	112,623	118,192	118,862
State Appropriation	320,634	336,834	344,802	354,143	361,787	369,103
Federal Pell Grants	43,987	44,061	43,265	43,819	49,190	51,211
Private non-capital gifts	249,162	277,284	298,926	299,984	317,215	350,112
Interest and dividends	39,838	50,605	77,309	48,375	51,985	52,846
Total Inflows	6,196,153	6,630,431	7,072,318	7,826,786	8,263,025	8,766,932
Main current outflows:	2014	2015	2016	2017	2018	2019
Payments to employees	(3,196,506)	(3,374,825)	(3,511,163)	(3,881,649)	(4,108,246)	(4,352,547)
Payments for benefits	(913,930)	(936,342)	(1,006,801)	(1,060,665)	(1,157,316)	(1,239,145)
Payments to suppliers	(1,628,379)	(1,771,937)	(1,826,563)	(2,171,333)	(2,478,042)	(2,520,758)
Payments for scholarships	(124,465)	(132,758)	(132,228)	(143,932)	(156,738)	(164,428)
Interest payments	(52,512)	(54,801)	(57,652)	(88,383)	(82,096)	(94,202)
Total Outflows	(5,915,792)	(6,270,663)	(6,534,407)	(7,345,962)	(7,982,438)	(8,371,080)
Operating Cash Flows	280,361	359,768	537,911	480,824	280,587	395,852
Total Current Operating Revenues	6,196,153	6,630,431	7,072,318	7,826,786	8,263,025	8,766,932
Cash Flow Margin	4.5%	5.4%	7.6%	6.1%	3.4%	4.5%

- This is a very conservative reporting of cash flows
- In 2019, UM generated just under \$400 million of positive excess cash flows
- These excess cash flows are strong and positive each year, which is why reserves are growing, and why the bond rating is strong

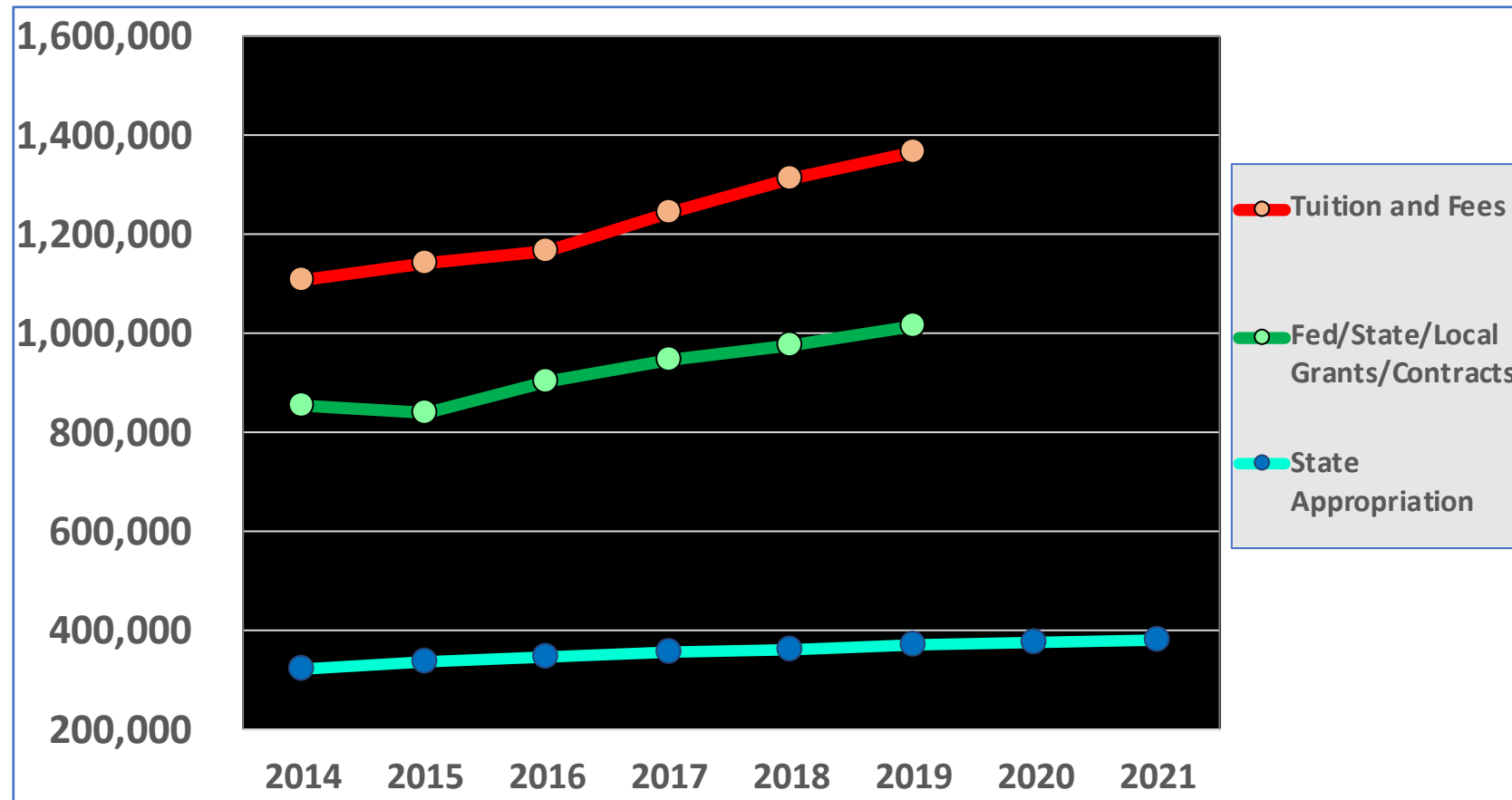
4 Prominent Revenue Sources Over Time

Source: Cash Flows per audited financial statements



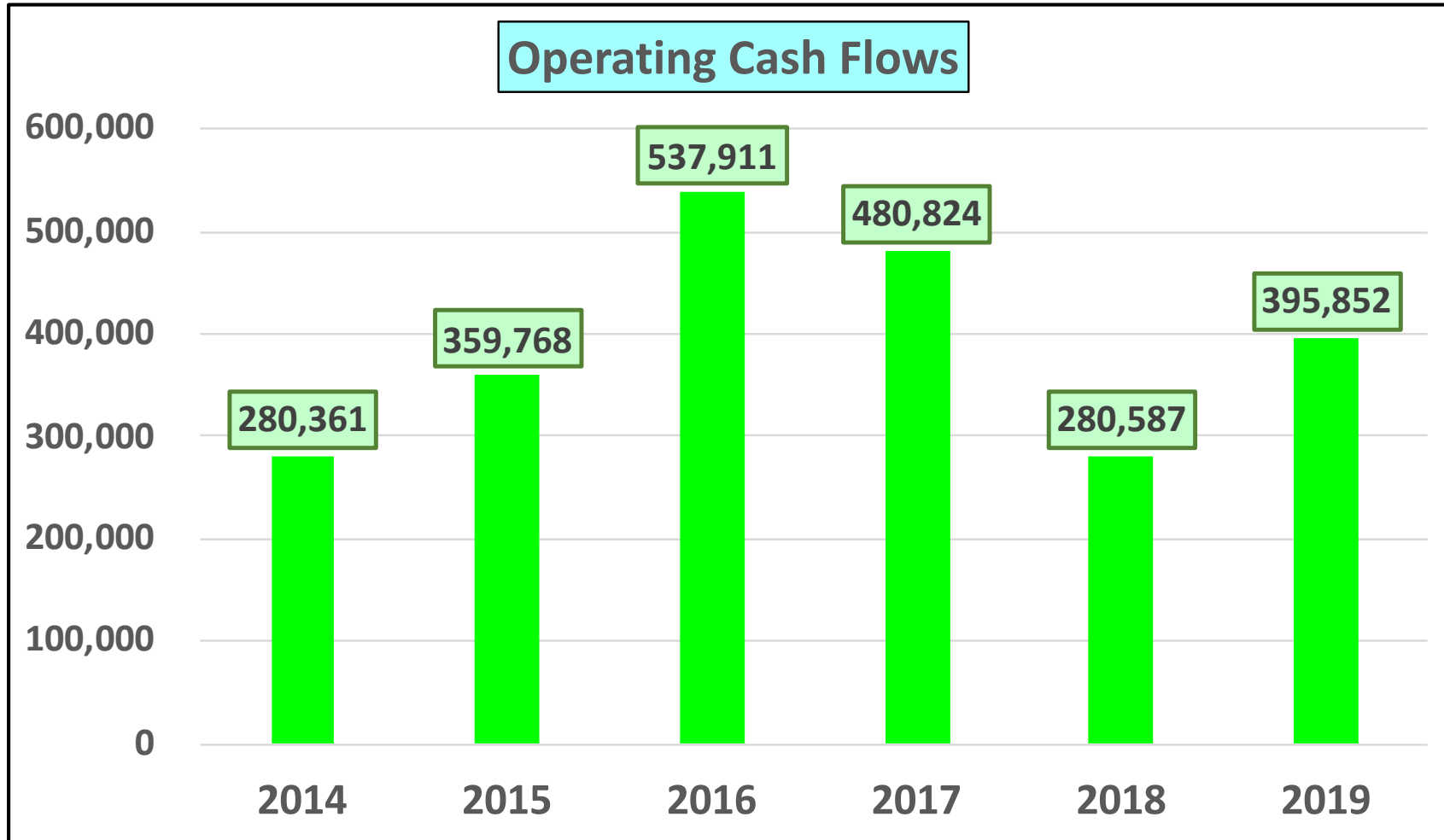
Top Revenue Sources Without the Hospital

Source: Audited financial statements and Michigan Senate Fiscal Agency for 2020 and 2021 State Appropriations



Operating Cash Flows Over Time: Just Under \$400 Million in 2019

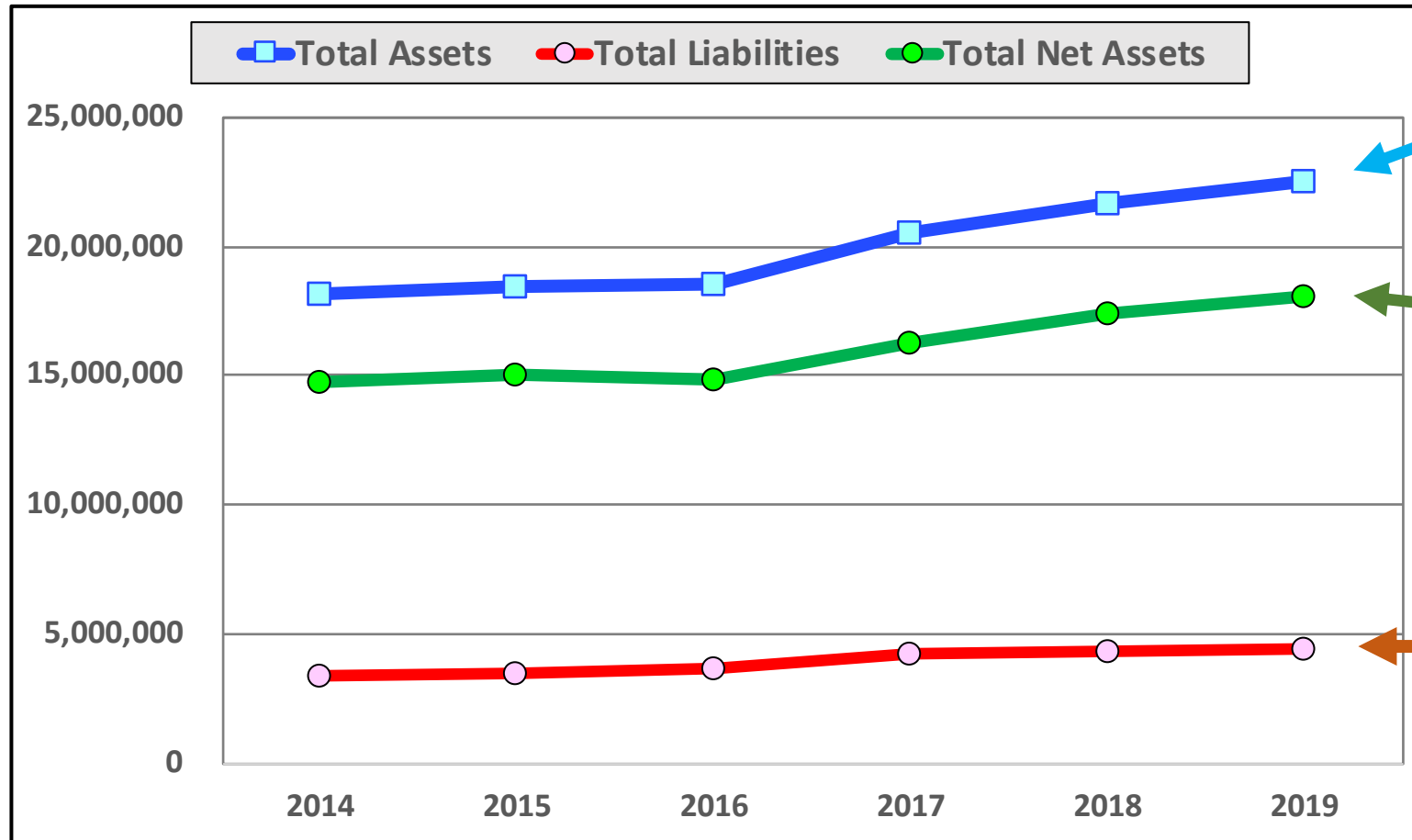
Source: Audited Financial Statements



UM Balance Sheet, Adjusted for Postemployment Benefits

(Blue = Green + Red)

Source: Audited financial statements



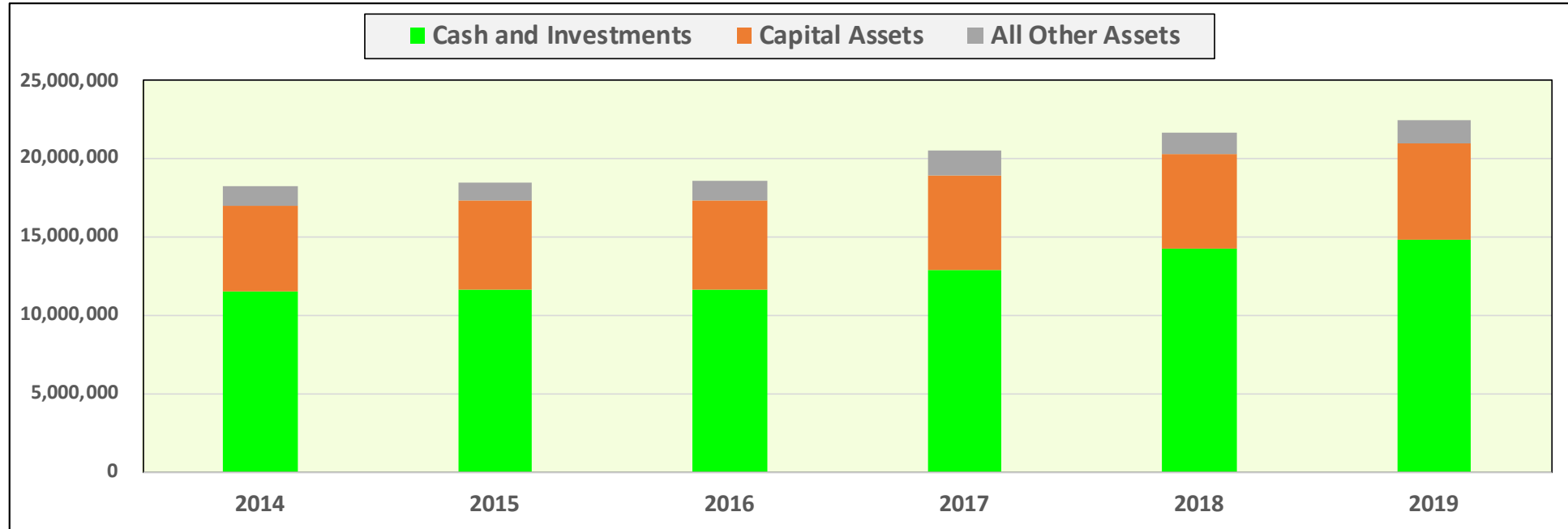
What makes up these assets?

How much of the \$18 billion of net assets are unrestricted reserves?

Is there too much debt?

Asset Composition: Growth in Cash and Investments

Source: Audited Financial Statements



	2014	2015	2016	2017	2018	2019
Cash and Investments	11,560,706	11,677,470	11,628,923	12,931,102	14,206,646	14,782,693
Capital Assets	5,466,671	5,622,386	5,708,576	6,045,442	6,120,997	6,226,969
All Other Assets	1,167,868	1,178,260	1,213,016	1,526,744	1,351,747	1,482,004
Total Assets	18,195,245	18,478,116	18,550,515	20,503,288	21,679,390	22,491,666
Cash + Other investments	1,829,706	1,725,470	1,885,923	1,995,102	2,304,646	2,333,693
Endowment	9,731,000	9,952,000	9,743,000	10,936,000	11,902,000	12,449,000
Casn & Investments	11,560,706	11,677,470	11,628,923	12,931,102	14,206,646	14,782,693

Endowment Issues

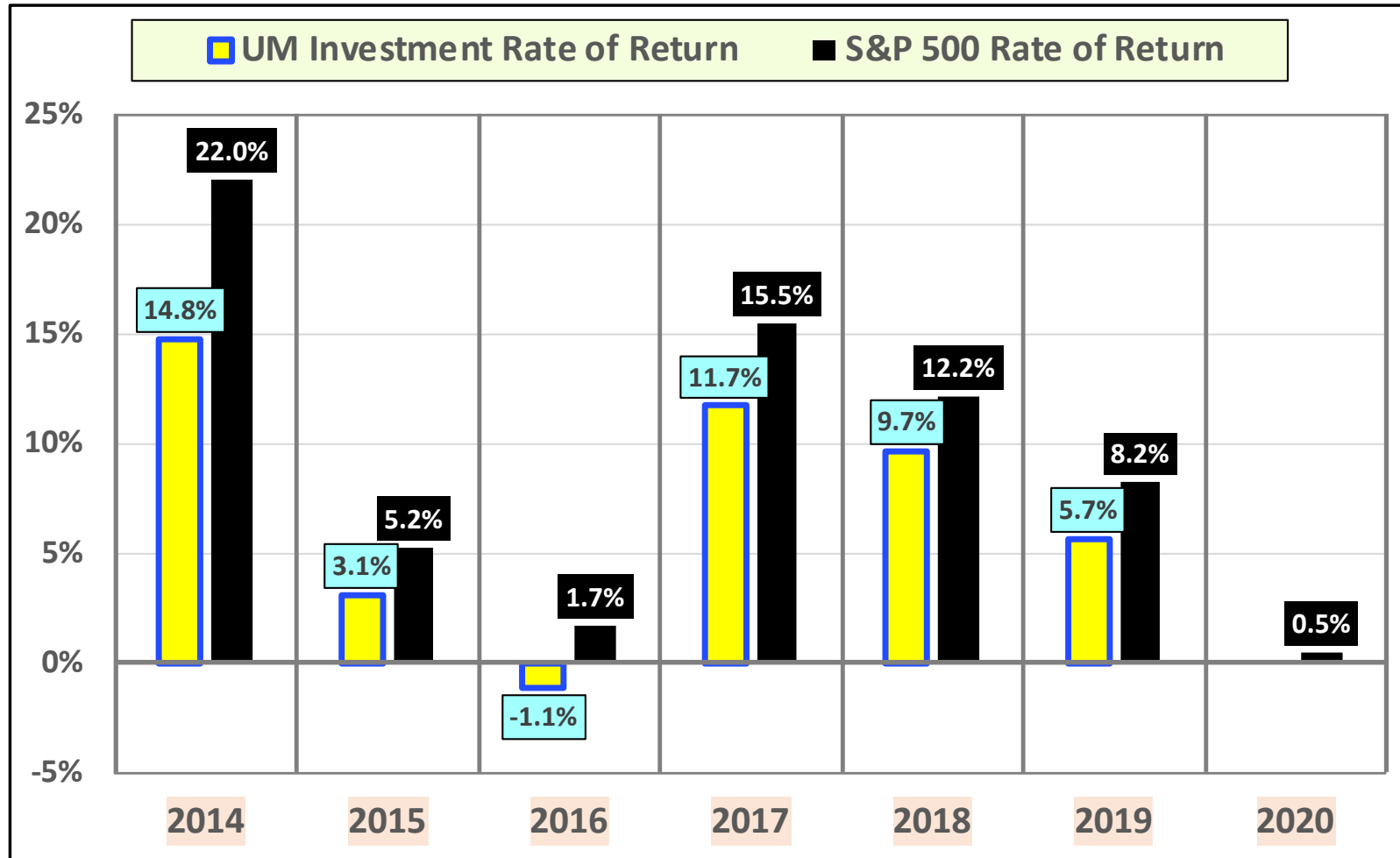
Source: Audited financial statements

	2014	2015	2016	2017	2018	2019
Nonmarketable alternative investments	5,588,516	4,997,621	5,308,968	6,112,495	7,608,059	8,339,202
Total Investments	11,494,944	11,572,005	11,343,085	12,825,975	14,073,281	14,385,414
Percent Alternative	49%	43%	47%	48%	54%	58%
	2014	2015	2016	2017	2018	2019
UM Investment Rate of Return	14.8%	3.1%	-1.1%	11.7%	9.7%	5.7%
S&P 500 Rate of Return	22.0%	5.2%	1.7%	15.5%	12.2%	8.2%
	2014	2015	2016	2017	2018	2019
Spending from endowment for operations	283,000	292,000	302,000	325,000	346,000	368,000
Total U of M operating expenses	6,381,120	6,693,218	7,152,793	7,910,042	8,555,429	9,025,040
% of expenses covered by the endowment	4.4%	4.4%	4.2%	4.1%	4.0%	4.1%

- UM now has more than ½ of the portfolio in risky securities
- UM's rate of return gets beat by the S&P 500 return every year

UM Endowment Return vs. the S&P 500

Source: Audited financial statements and <http://finance.yahoo.com>



The 2020 S&P return is from 6/30/2019 to 5/22/2020;
The POSITIVE 0.5% return will have a minimal effect on endowment spending per the next slide

Specifics: Effects of the 2020 Stock Market Decline on UM:

Result: Any stock market decline will have a negligible effect on UM

UM spends about 4% of a rolling 7-year average of the endowment to support operations;
Below is what will happen under three different scenarios for the return on the endowment:

0.0% -10% -20.0%

Scenario for the Endowment Return	Endowment Long-term average	Endowment Spending: 4.1% of Long-term average	Dollar Difference with 0%	Dollar Difference as % of 9 billion of expenses
0%	11,023,143	451,949		
-10%	10,845,300	444,657	(7,292)	-0.08%
-20%	10,667,457	437,366	(14,583)	-0.16%

- If the market goes down 10%, this will cost UM only \$7.2 million
- Even a 20% decline in the market will be less than 2/10th of 1% of total expenses
- This will just not matter – and note the S&P is actually UP from 7/1/19 to today

Balance Sheet Detail – Adjustment for Postemployment Benefits

Source: Adjustments made by UM in audited financial statements

As reported in Thousands	2014	2015	2016	2017	2018	2019
Total Assets	18,195,245	18,478,116	18,550,515	20,851,979	22,062,979	22,863,240
Total Liabilities	5,137,171	5,182,309	5,549,260	7,491,324	7,781,934	8,059,332
Total Net Assets	13,058,074	13,295,807	13,001,255	13,360,655	14,281,045	14,803,908
Net Assets as Reported	2014	2015	2016	2017	2018	2019
Invested In Capital Assets	3,697,894	3,782,130	3,820,905	3,735,130	3,722,086	3,742,630
Restricted Nonexpendable	1,535,326	1,673,996	1,815,575	1,966,541	2,146,358	2,328,667
Restricted Expendable	4,471,681	4,371,607	4,119,019	4,587,581	5,007,324	5,212,557
Unrestricted	3,353,173	3,468,074	3,245,756	3,071,403	3,405,277	3,520,054
Total Net Assets	13,058,074	13,295,807	13,001,255	13,360,655	14,281,045	14,803,908
Adjustments	2014	2015	2016	2017	2018	2019
Deferred inflows - Pensions	0	0	0	83,683	193,292	520,023
Deferred Outflows - Pensions	0	0	0	348,691	383,589	371,574
Current part postemployment Liability	66,262	65,172	74,885	77,374	87,638	87,712
Pension Liability	0	0	0	3,436	(3,823)	(2,918)
Postemployment liability	1,665,192	1,687,691	1,765,698	3,120,953	3,216,102	3,026,343
Total Adjustment	1,731,454	1,752,863	1,840,583	2,936,755	3,109,620	3,259,586

- Postemployment benefits were added per GASB 45 in 2008
- These adjustments are made by UM in the audited statements, as these are all not true liabilities of UM but of the state of Michigan

Adjusted Balance Sheet (As reported + adjustment)

Sources: Audited financial statements

Adjusted Balance Sheet	2014	2015	2016	2017	2018	2019
Total Assets	18,195,245	18,478,116	18,550,515	20,503,288	21,679,390	22,491,666
Total Liabilities	3,405,717	3,429,446	3,708,677	4,205,878	4,288,725	4,428,172
Total Net Assets	14,789,528	15,048,670	14,841,838	16,297,410	17,390,665	18,063,494
Adjusted Net Assets	2014	2015	2016	2017	2018	2019
Invested In Capital Assets	3,697,894	3,782,130	3,820,905	3,735,130	3,722,086	3,742,630
Restricted Nonexpendable	1,535,326	1,673,996	1,815,575	1,966,541	2,146,358	2,328,667
Restricted Expendable	4,471,681	4,371,607	4,119,019	4,587,581	5,007,324	5,212,557
Unrestricted	5,084,627	5,220,937	5,086,339	6,008,158	6,514,897	6,779,640
Total Net Assets	14,789,528	15,048,670	14,841,838	16,297,410	17,390,665	18,063,494

	2019
Unrestricted as reported on prior slide	3,520,054
Adjustment per prior slide	3,259,586
True Unrestricted	6,779,640

What UM Claims About Reserves in the 2019 Audited Statements, Management Discussion & Analysis, page 34

Unrestricted Per Balance Sheet	3.5
Pension Adjustment	3.2
Total Unrestricted	6.7
UM admin claims:	
Part of unrestricted tied up in the endowment	5.4
Part of unrestricted that is free	1.3
Total Unrestricted	6.7

Invested in capital assets and restricted nonexpendable are not included at all, which is proper

We do not even include restricted expendable net assets in reporting reserves;, though Moody's does. We only consider unrestricted.

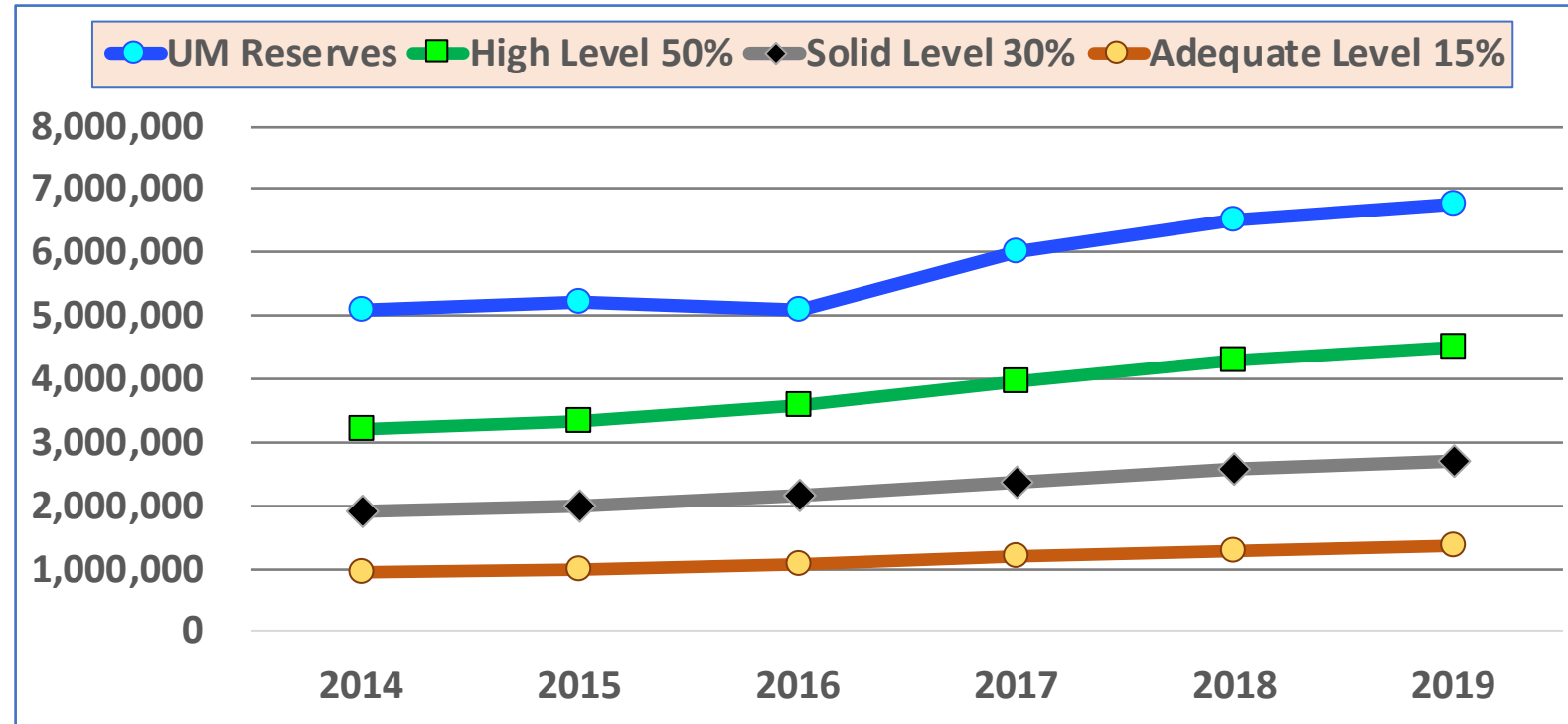
Now, the admin says unrestricted is not unrestricted

Myths vs. Reality of Reserves

What the Administration Will Claim	What is Reality
The reserves are not nearly that high, as so much of the reserves are restricted by the endowment and donor restrictions	The unrestricted reserves do not include any funds restricted by donors
Most of the reserves are already designated by Board policy for important student initiatives; even if we wanted to move some of the funds, we are not allowed to do so	If there is a firm, no-way-you-can-get-out-of-it commitment, then the external auditors would put those funds in the restricted-expendable category of net assets; the Board may have voted for certain initiatives, but those priorities can be changed at the discretion of the Board.
Reserves cannot be spent on recurring expenses such as faculty salaries, and we would be violating our fiduciary responsibility if we used reserves in a haphazard manner	Reserves should not be spent on recurring expenses, but reserves ARE there for this exact purpose: to deal with temporary and unexpected declines in revenues or increase in expenses. That is EXACTLY the situation we are in now with the coronavirus pandemic

True Unrestricted Reserves Over Time

Source: Audited financial statements



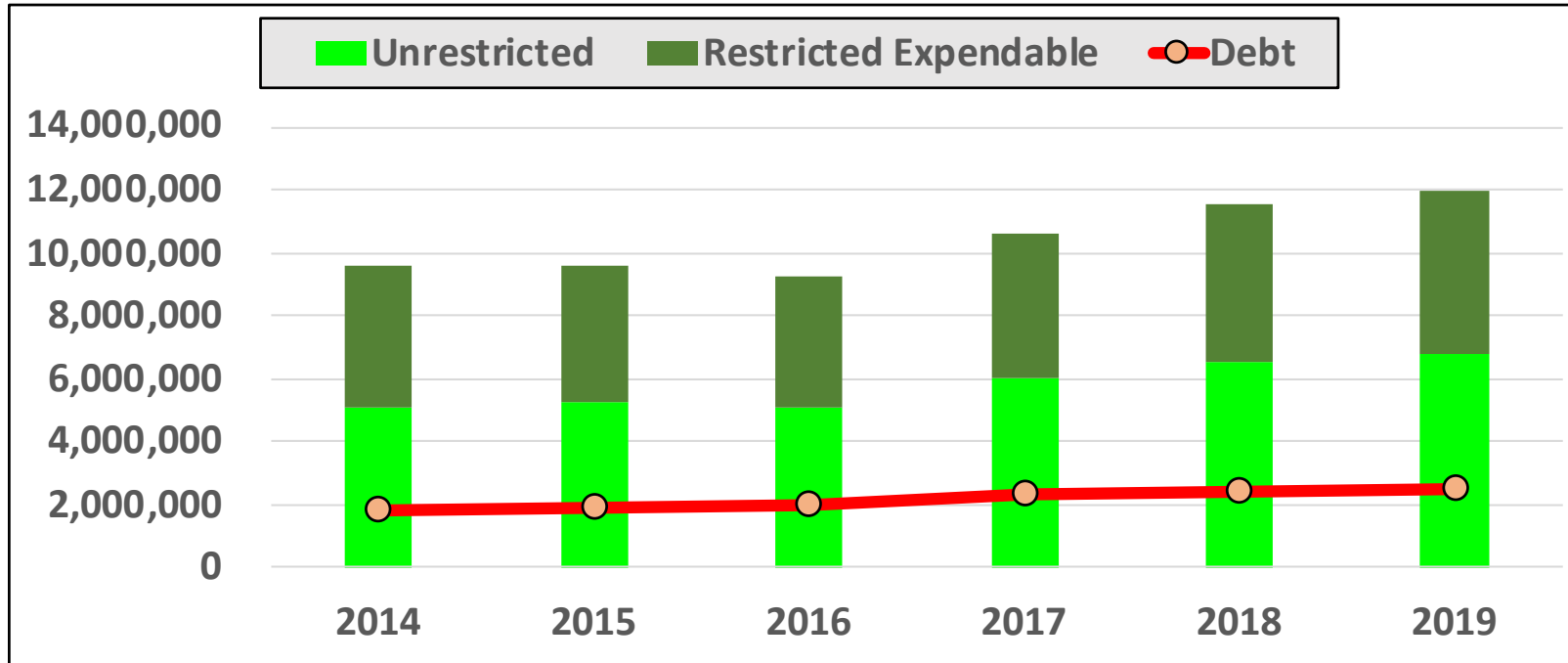
In 2019, UM had unrestricted reserves that were \$2.2 billion above the high level (6 months of expenses)

In 2019, UM had unrestricted reserves \$4.1 billion above the solid level (25% of expenses)

	2014	2015	2016	2017	2018	2019
Unrestricted Reserves	5,084,627	5,220,937	5,086,339	6,008,158	6,514,897	6,779,640
Total Operating Expenses	6,381,120	6,693,218	7,152,793	7,910,042	8,555,429	9,025,040
Primary Reserve Ratio	80%	78%	71%	76%	76%	75%
Months of Expenses in Reserve	9.6	9.4	8.5	9.1	9.1	9.0

Reserves vs. Debt: UM Has Very Low Amounts of Debt

Source: Audited financial statements



Restricted expendable net assets are funds set aside for a definitive purpose, and Moody's includes these in the computation of total reserves

Total expendable net assets are just under \$12 billion, with debt at under \$2.5 billion. This viability ratio of 485% is off-the-charts-high

	2014	2015	2016	2017	2018	2019
Restricted Expendable	4,471,681	4,371,607	4,119,019	4,587,581	5,007,324	5,212,557
Unrestricted	5,084,627	5,220,937	5,086,339	6,008,158	6,514,897	6,779,640
Total Expendable Net Assets	9,556,308	9,592,544	9,205,358	10,595,739	11,522,221	11,992,197
Debt	1,834,659	1,868,417	1,986,370	2,317,515	2,394,008	2,475,028
Viability Ratio	521%	513%	463%	457%	481%	485%

UM Has Authorized the Borrowing of UP to \$1 Billion, May 21, 2020

- <https://regents.umich.edu/files/meetings/05-20/2020-05-IX-3.pdf>
- “The University seeks to borrow funds that may be used to finance authorized capital projects, refund certain outstanding General Revenue Bonds over time, and to support operations and liquidity, as needed, due to uncertainty of the duration and severity of the COVID-19 pandemic.”
- “The proceeds of this issue may also be used to provide additional liquidity to support general operating purposes of the University, as there remains considerable uncertainty in the coming months over the duration and severity of the COVID-19 pandemic and the associated impact on operations.”
- The dollar proceeds of the bonds issued for new purposes would not exceed \$1 billion. These bonds, like the existing bonds and commercial paper notes, will be supported by a pledge of the University’s General Revenues.

Aaa Bond Rating per Moody's and S&P

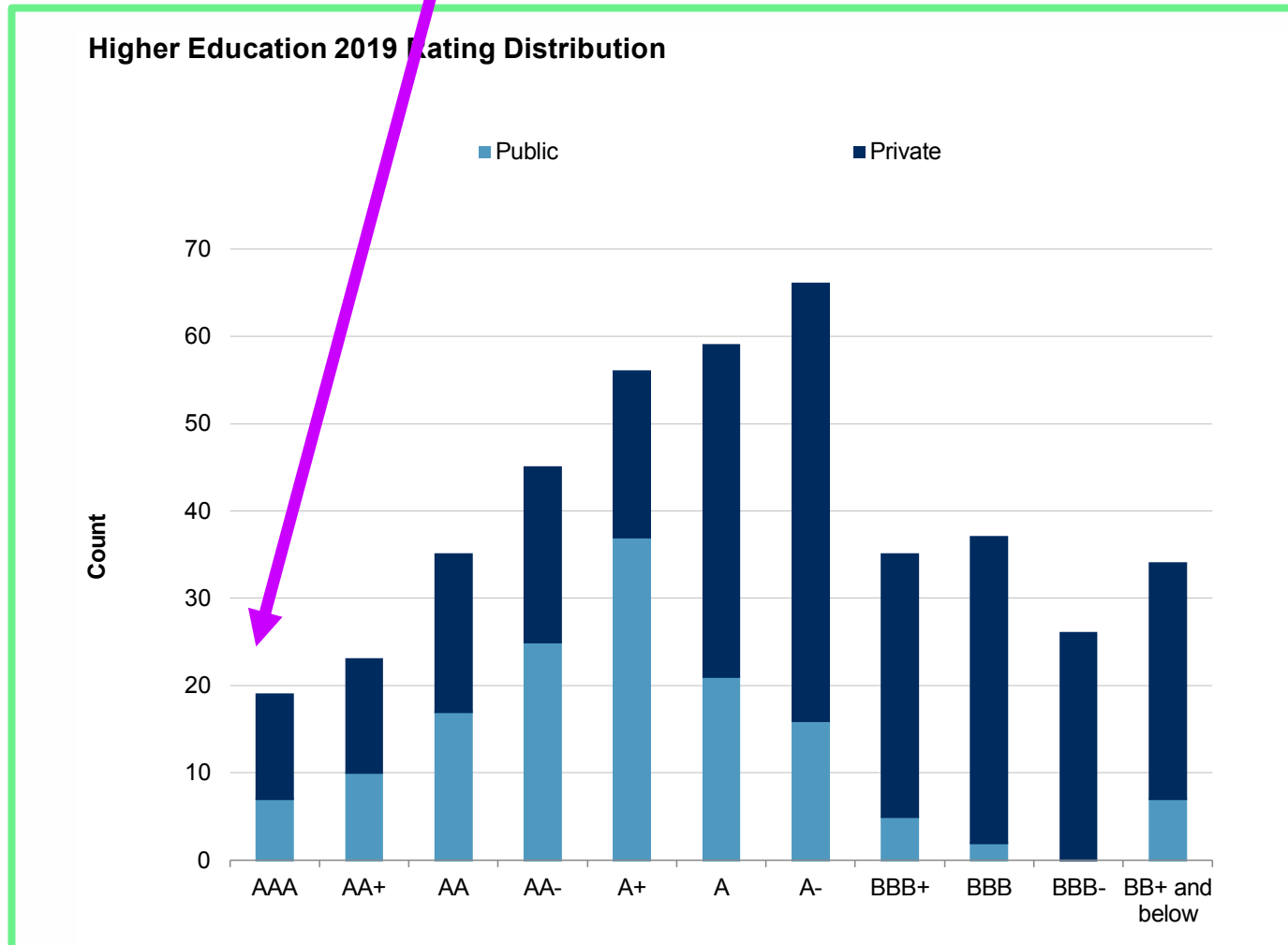
There is NO WAY UM Only has \$1.2 billion of unrestricted reserves, as the admin claims

February 1, 2019

- Aaa rating reflects its consistent ability to translate its international brand into solid revenue growth, excellent student demand and strong philanthropic support.
- The university's large and diversified scale of operations, combined with abundant financial reserves, provides stability to its operating model.
- While U-M has substantial capital plans over the next three to five years, its debt levels will remain manageable
- Consolidated operating performance is expected to remain sound particularly with improved operations of the health system.
- U-M's key credit challenge is a high reliance on patient care revenue through Michigan Medicine which exposes the university to revenue and operating pressures from regulatory and government payer changes.
- The stable outlook reflects our expectation that the university will maintain generally stable operations and excellent financial flexibility and solid liquidity relative to debt and operations.

AAA Rating per S&P in January of 2019

UM AAA S&P Bond Rating in Context (Less than 10 public universities have a AAA rating)



Universities with AAA from both S&P and Moody's:

**Indiana University
Purdue University
Texas A&M
University of Michigan
University of Texas
University of Virginia
University of North Carolina**

Moody's Bond Ratings of Big Ten Universities

Aaa	Aa1	Aa2	Aa3	A1	No Rating
UM	Minnesota	Iowa	Rutgers	Illinois	Wisconsin
Indiana	Maryland	MSU			
Purdue	Nebraska				
	Ohio State				
	Penn State				
	Northwestern				

**UM Administration Claims
there will be “Losses” of \$400
Million to \$1 Billion, and that
reserves cannot be used;**

What is the truth?

UM President Stated There Will be a “Shortfall” of \$400 Million to \$1 Billion

<https://president.umich.edu/news-communications/letters-to-the-community/a-covid-19-update-from-president-mark-s-schlissel/>

Item	Comment by UM Administration	Comment
Is the \$400 million to \$1 billion net of expense reductions or other mitigation?	The administration calls this "anticipated losses"	We will demonstrate that there is significant mitigation not being considered
Are these losses for 2019-2020, 2020-2021, or a combination?	Losses "through the end of the calendar year"	We will break this down by fiscal year
Hospital Revenues	Hospital at 60% to 65% capacity vs. 90%-95% normally; No Dollar figure reported	The 30% reduction seems to be the case for 2-3 months of 2019-2020; the backlog could enhance 2020-2021; we will break down the components of hospital revenue
Tuition	Chair of the Board of Trustees said that international students make up 15% of UM students	15.1% of all A2 students are international, though only 8% of A2 undergrads are; for the 3 campuses combined, 12.8% of students are international.
State appropriation cuts	May decrease "significantly"	State funding is only 4% of total revenues and 8% without the hospital; we will see that this will not hurt much
Federal Research funding	Nothing specific	Very difficult to determine

Solutions and Mitigation Suggested By the UM President vs. Alternative Solutions and Mitigation

Steps Taken By Administration	Savings
Elimination of non-essential travel, conferences, and consultants	Unclear
Hiring Freeze: Exceptions for hirings that are fully funded or deemed "essential." Michigan Medicine can hire as needed	Unclear
Salary Freeze: Through the end of the upcoming budget year, which seems to mean through from 4/20/2020 to 6/30/2020, AND from 7/1/2020 to 6/30/2021; No merit increases; union contractual agreements hold	\$51 Million
Leadership Salary reductions: 10% for UM President and two Chancellors, May 1 to 12/31/2020	\$112,517 for the 3 top leaders
Furloughs for "regular staff in non-critical operations." Staff can apply through UIA for reimbursement	Unclear
Pause of Construction projects, per the Governor's orders; The governor allowed construction per a May 7 orde	Likely zero

Savings of Top Leaders		
Prez/Chancellor	Salary	Savings
Ann Arbor	850,000	56,667
Dearborn	437,750	29,183
Flint	400,000	26,667
Total	1,687,750	112,517
Savings / Total UM Expenses		0.001%

2019 Salaries paid to all employees	4,352,547
Approximate savings of 2% raises for all non-union employees	50,777

Mitigation Not Considered by the President/UM Administration

Sources: <https://www.chronicle.com/article/How-Much-Coronavirus-Stimulus/248471>

<https://khn.org/news/covid-19-bonanza-stimulus-hands-health-industry-billions-not-directly-related-to-pandemic/>

Item	Amount
CARES Act Support Ann Arbor (1/2 of \$25,244,052)	\$12,622,026
CARES Act Support Flint (1/2 of \$4,600,155)	\$2,300,078
CARES Act Support Dearborn (1/2 of \$6,989,129)	\$3,494,565
TOTAL	\$18,416,668
CARES Act Support for hospitals; in the form of reimbursements for providing COVID-19-related care, e.g., building temporary structures, leasing properties, buying supplies, hiring and training additional workers and increasing surge capacity; \$180 billion for all U.S. hospitals; also supports lost revenues	Unclear how much for UM, but the UM president cited these costs and the lost revenue as part of the expected losses UM Hospital will very likely receive support from this fund
Also in the CARES Act; Congress overturned planned rate cuts for hospitals that treat large numbers of Medicaid or uninsured patients. Separately, hospitals will benefit from a temporary suspension of a 2% cut in Medicare fees, per the Federation of American Hospitals.	It has been reported that Michigan Medicine has received \$160 Million from the program; per the audited statements, 26% of patients are Medicare, and 12% are Medicaid; In 2019, \$78M of charity care was provided
Reduced Expenses due to lower food and other costs from students not living in dorms and other conferences not being held	Not mentioned by the UM administration
Borrow on a short-term basis	Not mentioned by the UM administration
Use of Reserves	Specifically rejected by the UM President

Reasons Given by the President on Why Reserves Cannot Be Used

Reasons Cited by President/Administration	Comments
"Like many personal investments, our university endowment has suffered large but uncertain losses."	The stock market has now INCREASED from July 1, 2019 until today, so the claim of large losses is simply not accurate, unless the fancy investing by the UM endowment leads to returns much worse than the S&P
"The endowment is essential for funding student scholarships on all three campuses, and hundreds of units on the three campuses rely on the ongoing funding streams."	We will show two things: a. That funds have already been set aside for student loans, and the endowment that is part of restricted expendable is off-limits; we are not suggesting this can be touched; b. the spending from the endowment covers a very small % of total operating expenses
Much of the endowment supports funds that can be used only for specific purposes	Again, we are not suggesting any part of the endowment that are restricted expendable reserves be used; if there were funds that had a definitive requirement to be spent for a specified purpose, the auditors would put those funds in restricted expendable, not unrestricted
Unrestricted reserves of \$6.7 billion only has \$1.2 billion that is free to spend (this claim is in the audited financial statements)	There is simply no way this is true. Moody's report cites: "abundance financial reserves." 1.2B on 9B of expenses is actually low; the real 6.6B on 9B is abundant, and is why there is a AAA bond rating. If 1.2B were true, the bond rating would be closer to Baa than Aaa

Analysis of President's Claims on Reserves

Dates	S&P 500 Index
July 1, 2019	2,941.76
April 20, 2020	2,955.45
May 26, 2020	2,991.77
Return from 7/1/19 to 4/20/2020	0.5%
Return from 7/1/19 to 5/26/2020	1.7%

	2018	2019
Spending from endowment for operations	346,000	368,000
Total U of M operating expenses	8,555,429	9,025,040
% of expenses covered by the endowment	4.0%	4.1%

- The president claims the endowment has had large losses; the only way this happened is if they invested badly; In fact, the endowment should INCREASE from the end of fiscal 2019 until today
- The endowment covers a very small percentage of total expenses, and we proved that any change in the endowment will have no effect on this spending in 2020 or 2021
- Any claim that the endowment will have any effect on UM financially is without merit

Patient Care Revenues and Expenditures

Source: Annual UM Budget Summaries and Budget Details

REVENUES	2018	2019	2020
Michigan Medicine Auxiliary Revenues	4,421,894,828	4,731,614,892	5,194,934,736
Endowment and Other Invested funds	84,608,294	93,143,321	94,372,038
Private Gifts	12,211,645	1,000,000	1,040,000
Total Michigan Medicine Revenues	4,518,714,767	4,825,758,213	5,290,346,774
REVENUES	2018	2019	2020
Clinical Enterprise	3,921,187,257	4,196,000,551	4,620,445,604
UM Health	412,797,000	452,872,000	489,936,000
Michigan Health Corporation	18,222,186	21,122,196	20,068,774
Medical School - Clinical Activity	784,393,953	799,420,042	858,700,439
Exec VP Med Affairs - Program Support	308,316,738	312,322,310	369,863,181
Subtotal	5,444,917,134	5,781,737,099	6,359,013,998
Less: Recharge Credits	(926,202,367)	(955,978,886)	(1,068,667,224)
Total Michigan Medicine	4,518,714,767	4,825,758,213	5,290,346,774
EXPENDITURES	2018	2019	2020
Clinical Enterprise	3,802,854,000	4,269,329,349	4,612,309,571
UM Health	424,879,000	454,486,000	502,545,000
Michigan Health Corporation	19,704,782	23,444,704	23,408,308
Medical School - Clinical Activity	836,044,754	773,278,515	867,137,648
Exec VP Med Affairs - Program Support	306,998,281	323,847,839	375,463,535
Subtotal	5,390,480,817	5,844,386,407	6,380,864,062
Less: Recharge Credits	(926,202,367)	(955,978,886)	(1,068,667,224)
Total Michigan Medicine	4,464,278,450	4,888,407,521	5,312,196,838

FORECAST MARGIN	2018	2019	2020
Clinical Enterprise	118,333,257	(73,328,798)	8,136,033
UM Health	(12,082,000)	(1,614,000)	(12,609,000)
Michigan Health Corporation	(1,482,596)	(2,322,508)	(3,339,534)
Medical School - Clinical Activity	(51,650,801)	26,141,527	(8,437,209)
Exec VP Med Affairs - Program Support	1,318,457	(11,525,529)	(5,600,354)
Subtotal	54,436,317	(62,649,308)	(21,850,064)
Less: Recharge Credits	0	0	0
Total Michigan Medicine	54,436,317	(62,649,308)	(21,850,064)

Annual Changes in Patient Care Budget

Source: UM Budgets and UM Budget Details

				2018 to 2019		2019 to 2020	
REVENUES	2018	2019	2020	\$\$ Changes	% Changes	\$\$ Changes	% Changes
Clinical Enterprise	3,921,187,257	4,196,000,551	4,620,445,604	274,813,294	7.0%	424,445,053	10.1%
UM Health	412,797,000	452,872,000	489,936,000	40,075,000	9.7%	37,064,000	8.2%
Michigan Health Corporation	18,222,186	21,122,196	20,068,774	2,900,010	15.9%	(1,053,422)	-5.0%
Medical School - Clinical Activity	784,393,953	799,420,042	858,700,439	15,026,089	1.9%	59,280,397	7.4%
Exec VP Med Affairs - Program Support	308,316,738	312,322,310	369,863,181	4,005,572	1.3%	57,540,871	18.4%
Subtotal	5,444,917,134	5,781,737,099	6,359,013,998	336,819,965	6.2%	577,276,899	10.0%
Less: Recharge Credits	(926,202,367)	(955,978,886)	(1,068,667,224)	(29,776,519)	3.2%	(112,688,338)	11.8%
Total Michigan Medicine	4,518,714,767	4,825,758,213	5,290,346,774	307,043,446	6.8%	464,588,561	9.6%
				2018 to 2019		2019 to 2020	
EXPENDITURES	2018	2019	2020	\$\$ Changes	% Changes	\$\$ Changes	% Changes
Clinical Enterprise	3,802,854,000	4,269,329,349	4,612,309,571	466,475,349	12.3%	342,980,222	8.0%
UM Health	424,879,000	454,486,000	502,545,000	29,607,000	7.0%	48,059,000	10.6%
Michigan Health Corporation	19,704,782	23,444,704	23,408,308	3,739,922	19.0%	(36,396)	-0.2%
Medical School - Clinical Activity	836,044,754	773,278,515	867,137,648	(62,766,239)	-7.5%	93,859,133	12.1%
Exec VP Med Affairs - Program Support	306,998,281	323,847,839	375,463,535	16,849,558	5.5%	51,615,696	15.9%
Subtotal	5,390,480,817	5,844,386,407	6,380,864,062	453,905,590	8.4%	536,477,655	9.2%
Less: Recharge Credits	(926,202,367)	(955,978,886)	(1,068,667,224)	(29,776,519)	3.2%	(112,688,338)	11.8%
Total Michigan Medicine	4,464,278,450	4,888,407,521	5,312,196,838	424,129,071	9.5%	423,789,317	8.7%

Patient Care in the 2018 and 2019 Audited Statements

Michigan Med per audited statements	2018	2019		UM Health Only:	2018	2019
Patient Care Revenues, Gross	4,567,491	4,982,758		Operating Revenues	434,611	472,905
Provision for bad debts	128,747	137,660		Operating Expenses	401,607	438,974
Net Patient care revenue	4,438,744	4,845,098		Difference	33,004	33,931
Bad Debt / Gross revenues	2.82%	2.76%		Operating Cash Flows	10,509	15,865
Patient Care Revenue	4,438.7	4,845.1		PER BUDGET:	2018	2019
Patient Care Expenses	4,349.2	4,661.5		Operating Revenues	412,797,000	452,872,000
Difference	89.5	183.6		Operating Expenses	424,879,000	454,486,000
Difference as % of Revenues	2.0%	3.8%		Difference	(12,082,000)	(1,614,000)
Total Budgeted Revenue	4,464,278	4,888,408				
Actual vs. Budget	(25,534)	(43,310)				
Percentage difference	-0.6%	-0.9%				

Estimates of the Losses from Patient Care Activities by the UM Administration

Mlive.com

May 5, 2020:

Citing significant financial losses from the lack of elective procedures and other suspensions of hospital services during the coronavirus crisis, Michigan

Medicine will furlough or lay off 1,400 employees, University and hospital officials project a loss of **\$230 million** in the 2019-2020 fiscal year and expect the losses to continue, they said in a May 5 news release.

Detroit Free Press

May 16, 2020

President Schissel:

"We emptied our hospitals of elective care and went from **90-95% capacity down to 60-65%.**"

3 Scenarios on Losses from Patient Care Revenue

Per UM Budget	2020
Total Michigan Medicine Revenues	5,290,346,774
Operating at 62.5% of capacity down from a normal 92.5% of capacity; now at 68% of typical total	68%
Loss of revenue (100% - 68%)	32%
Loss from March 15 to May 15, 2 months or 17% of the year	
Conservative estimate of 3 months (3/12=1/4 = 25%)	25%
Lose 32% of revenue for 25% of the year	8.1%
Expected Revenue Loss in Dollars = 8.1% * 5,290,346,774	428,947,036

	Worst Case	Mid-Level	Best Case
Percent Reduction in Expenses	50%	65%	75%
Revenue Reduction	428,947,036	428,947,036	428,947,036
Dollar Expense reduction	214,473,518	278,815,573	321,710,277
Net Estimated Loss on Patient Care	(214,473,518)	(150,131,463)	(107,236,759)

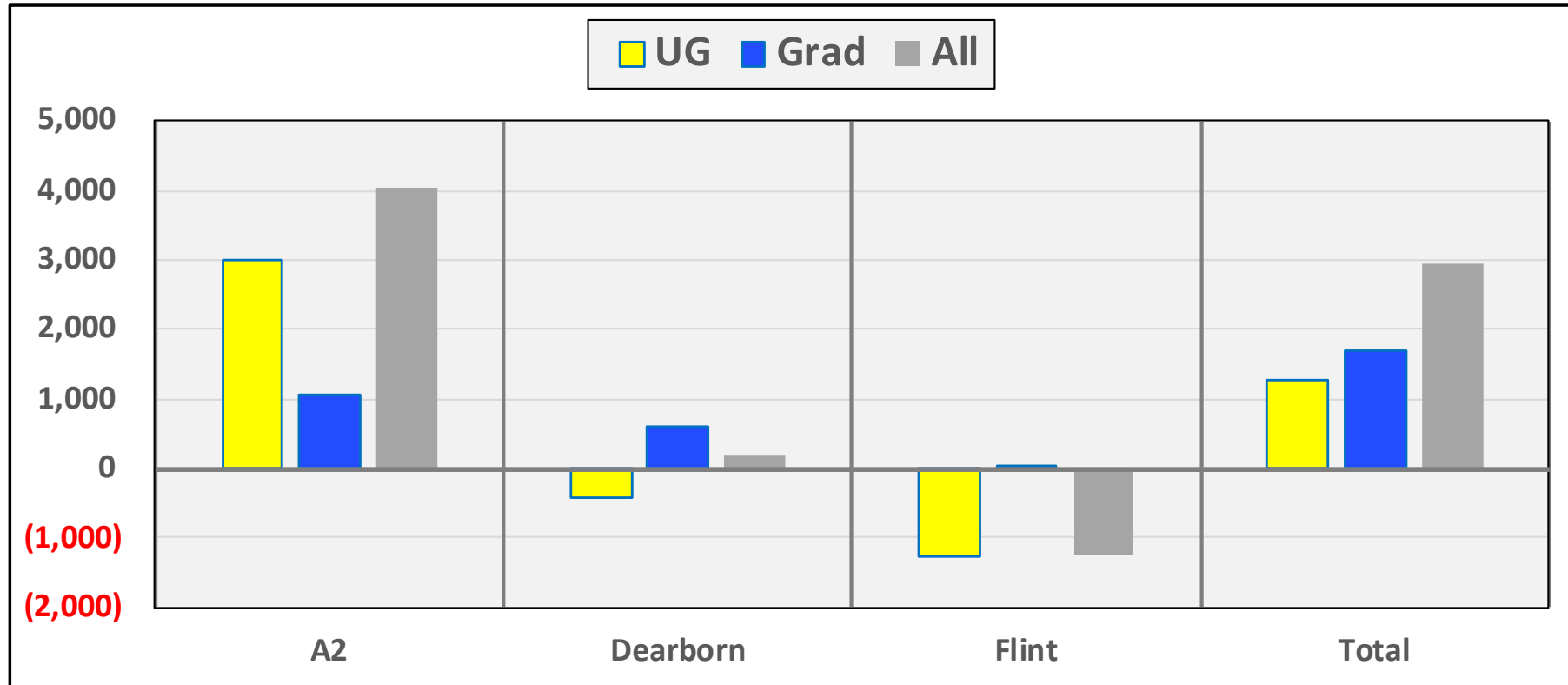
Enrollment By Campus

Source: https://obp.umich.edu/wp-content/uploads/pubdata/factsfigures/enrollment_umsystem_fall2015-2019.pdf

	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019	% Change
HC Enrollment	2014	2015	2016	2017	2018	2019	2020	2014 to 2020
A2 UG	28,283	28,395	28,312	28,983	29,821	30,318	31,266	10.5%
A2 Grad	15,427	15,230	15,339	15,735	16,181	16,398	16,468	6.7%
A2 Total	43,710	43,625	43,651	44,718	46,002	46,716	47,734	9.2%
Dearborn UG	7,334	7,184	7,218	7,141	7,141	7,185	6,914	-5.7%
Dearborn Grad	1,669	1,752	1,865	1,990	2,198	2,283	2,281	36.7%
Dearborn Total	9,003	8,936	9,083	9,131	9,339	9,468	9,195	2.1%
Flint UG	7,143	7,078	6,868	6,585	6,434	6,097	5,862	-17.9%
Flint Grad	1,412	1,496	1,602	1,459	1,402	1,435	1,435	1.6%
Flint Total	8,555	8,574	8,470	8,044	7,836	7,532	7,297	-14.7%
All Campus UG	42,760	42,657	42,398	42,709	43,396	43,600	44,042	3.0%
All Campus Grad	18,508	18,478	18,806	19,184	19,781	20,116	20,184	9.1%
All Campus Total	61,268	61,135	61,204	61,893	63,177	63,716	64,226	4.8%
% of Total:	2014	2015	2016	2017	2018	2019	2020	
A2	71.3%	71.4%	71.3%	72.3%	72.8%	73.3%	74.3%	
Dearborn	14.7%	14.6%	14.8%	14.8%	14.8%	14.9%	14.3%	
Flint	14.0%	14.0%	13.8%	13.0%	12.4%	11.8%	11.4%	

Long-Term # Change in Enrollment by Campus, 2014 to 2020

Source: UM OBP (Office of Budget and Planning)



	UG	Grad	All
A2	2,983	1,041	4,024
Dearborn	(420)	612	192
Flint	(1,281)	23	(1,258)
Total	1,282	1,676	2,958

Tuition and Fee Price

Source: UM OBP; IPEDS; US News and World Report

UG In-State Tuition and Fees	2014	2015	2016	2017	2018	2019	2020
A2	\$13,142	\$13,486	\$13,856	\$14,402	\$14,826	\$15,262	\$15,558
Dearborn	\$10,614	\$10,952	\$11,304	\$12,032	\$12,472	\$12,930	\$13,304
Flint	\$9,356	\$9,694	\$9,936	\$10,344	\$10,842	\$11,304	\$12,202
Dollar Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2014 to 2020
A2	\$344	\$370	\$546	\$424	\$436	\$296	\$2,416
Dearborn	\$338	\$352	\$728	\$440	\$458	\$374	\$2,690
Flint	\$338	\$242	\$408	\$498	\$462	\$898	\$2,846
Percentage Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2014 to 2020
A2	2.6%	2.7%	3.9%	2.9%	2.9%	1.9%	18.4%
Dearborn	3.2%	3.2%	6.4%	3.7%	3.7%	2.9%	25.3%
Flint	3.6%	2.5%	4.1%	4.8%	4.3%	7.9%	30.4%

Discount Rate for All Students on All Campuses

Source: Audited financial statements

	2014	2015	2016	2017	2018	2019
Tuition, Gross	1,405,309	1,458,576	1,502,202	1,616,575	1,726,033	1,812,466
Allowance	297,752	312,659	340,459	375,991	415,092	445,994
Tuition, Net	1,107,557	1,145,917	1,161,743	1,240,584	1,310,941	1,366,472
Discount Rate	21.2%	21.4%	22.7%	23.3%	24.0%	24.6%

Tuition and Fees, Gross – Allowances = Tuition and Fees Net

Discount rate:

Numerator = Allowances

Denominator = Tuition and Fees, Gross

**The administration will likely claim the rate is much higher,
as they tend to report the rate only for first-year students**

Discount Rate by Campus, 2018 per IPEDS

(Integrated Postsecondary Education Data System of the U.S. Dept. of Education)

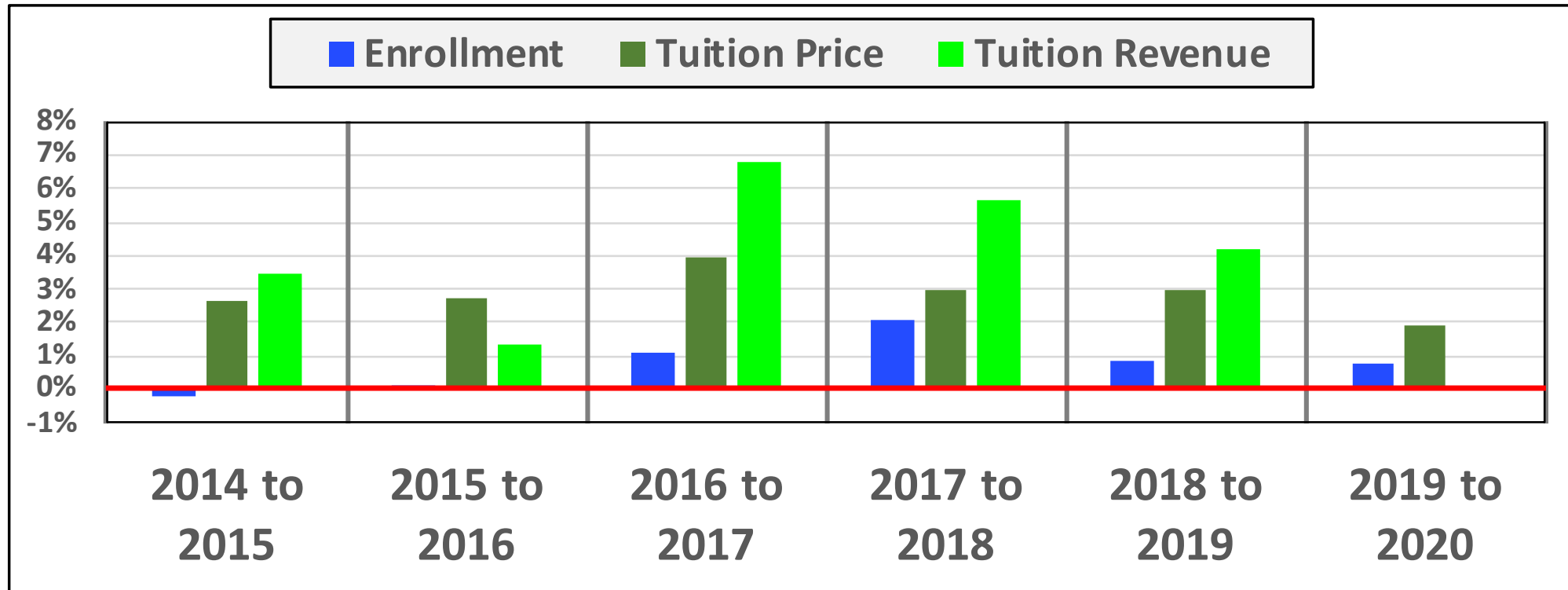
	Ann Arbor	Dearborn	Flint	Total
Tuition, Gross	1,516,218,000	121,716,000	88,099,000	1,726,033,000
Allowance	366,279,000	31,920,000	16,893,000	415,092,000
Tuition, Net	1,149,939,000	89,796,000	71,206,000	1,310,941,000
Discount Rate	24.2%	26.2%	19.2%	24.0%
% of Undergrads With Pell Grants	16%	44%	39%	No Data
2018-19 Tuition and Fees	\$15,262	\$12,930	\$11,304	

Pell, Discount, and Tuition of Big 10 Public Peers

Source: IPEDS

Institution Name	Discount Rate	Pell	In State UG Tuition and Fees, 2019	Non-Resident UG Tuition and Fees, 2019
UM Ann Arbor	24.0%	16%	\$15,262	\$49,350
Michigan State	14.6%	22%	\$14,460	\$39,766
Wisconsin	15.3%	14%	\$10,555	\$36,805
Indiana	19.2%	19%	\$10,681	\$35,456
Maryland	16.5%	19%	\$10,595	\$35,216
Penn State	10.9%	14%	\$18,454	\$34,858
UIUC	23.1%	23%	\$15,094	\$31,664
Rutgers-NB	21.0%	31%	\$14,974	\$31,282
Iowa	20.8%	20%	\$9,267	\$31,233
Ohio State	17.3%	20%	\$10,726	\$30,742
Minnesota	26.3%	19%	\$14,760	\$30,438
Purdue	12.1%	17%	\$9,992	\$28,794
Nebraska	28.0%	23%	\$9,242	\$25,038
Peer Average	18.8%	20.1%	\$12,400	\$32,608
UM vs. Peer Average	5.3%	-4.1%	\$2,862	\$16,742
UM Rank (of 13)	3	11	2	1

Annual % Changes to Enrollment, Tuition Price and Tuition Revenue



	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020
Enrollment	-0.2%	0.1%	1.1%	2.1%	0.9%	0.8%
Tuition Price	2.6%	2.7%	3.9%	2.9%	2.9%	1.9%
Tuition Revenue	3.5%	1.4%	6.8%	5.7%	4.2%	

Estimated Losses to Tuition Revenue

	2019 Budget	2020 Budget	% Change
Tuition, Gross	1,815,787,424	1,921,000,952	5.8%
Allowance	446,683,706	480,250,238	7.5%
Tuition, Net	1,369,103,718	1,440,750,714	5.2%
Discount Rate	24.6%	25.0%	
Fall 2020 (Fiscal 2021)	Worst Case	Most Likely	Best Case
Enrollment Decline	20%	10%	5%
Tuition, Gross Change	(384,200,190)	(192,100,095)	(96,050,048)
Discount Rate	27.0%	26.0%	25.0%
Allowance Change	(103,734,051)	(49,946,025)	(24,012,512)
Tuition Net, Change	(280,466,139)	(142,154,070)	(72,037,536)

Though there are a lot of international students, most of them are still in the U.S. per Inside Higher Education, 5/26/2020; there still is exposure on this issue, given 12% of UM students are international

It is hard to see enrollment going down more than 20%

Budgeted Other Revenues (Housing, Athletics, Parking, Commons)

Budgeted Revenues	2019 Budget	2020 Budget	\$ Change	% Change
Student Housing/Dining	154,497,000	158,430,000	3,933,000	2.5%
Athletics	175,097,000	184,230,000	9,133,000	5.2%
Parking	30,967,203	31,349,132	381,929	1.2%
League, Union, Commons	23,359,799	25,682,126	2,322,327	9.9%
Total	383,921,002	399,691,258	15,770,256	4.1%
Budgeted Expenditures	2019 Budget	2020 Budget	\$ Change	% Change
Student Housing/Dining	154,497,000	158,430,000	3,933,000	2.5%
Athletics	174,297,000	185,510,000	11,213,000	6.4%
Parking	31,881,542	34,409,128	2,527,586	7.9%
League, Union, Commons	23,359,799	25,682,126	2,322,327	9.9%
Total	384,035,341	404,031,254	19,995,913	5.2%
Forecasted Margin	2019 Budget	2020 Budget		
Student Housing/Dining	0	0		
Athletics	800,000	-1,280,000		
Parking	-914,339	-3,059,996		
League, Union, Commons	0	0		
Total	-114,339	-4,339,996		

Estimated Losses to Other Revenues (Housing, Athletics, Parking, Commons)

2020 Reductions:	Worst Case	Most Likely	Best Case
Percent Reduction	15%	10%	5%
Net Reduction	10.0%	6.7%	3.3%
Student Housing/Dining	(15,841,416)	(10,560,944)	(5,280,472)
Athletics	(18,549,145)	(12,366,097)	(6,183,048)
Parking	(3,440,569)	(2,293,712)	(1,146,856)
League, Union, Commons	(2,567,956)	(1,711,971)	(855,985)
Total	(40,399,085)	(26,932,723)	(13,466,362)
2021 Reductions:	Worst Case	Most Likely	Best Case
Percent Reduction	20%	10%	5%
Net Reduction	13.3%	6.7%	3.3%
Student Housing/Dining	(21,121,888)	(10,560,944)	(5,280,472)
Athletics	(24,732,193)	(12,366,097)	(6,183,048)
Parking	(4,587,425)	(2,293,712)	(1,146,856)
League, Union, Commons	(3,423,941)	(1,711,971)	(855,985)
Total	(53,865,447)	(26,932,723)	(13,466,362)
Combined 2020 and 2021	(94,264,532)	(53,865,447)	(26,932,723)

Assume that 2/3 or reduced revenues are alleviated by reduced expenses

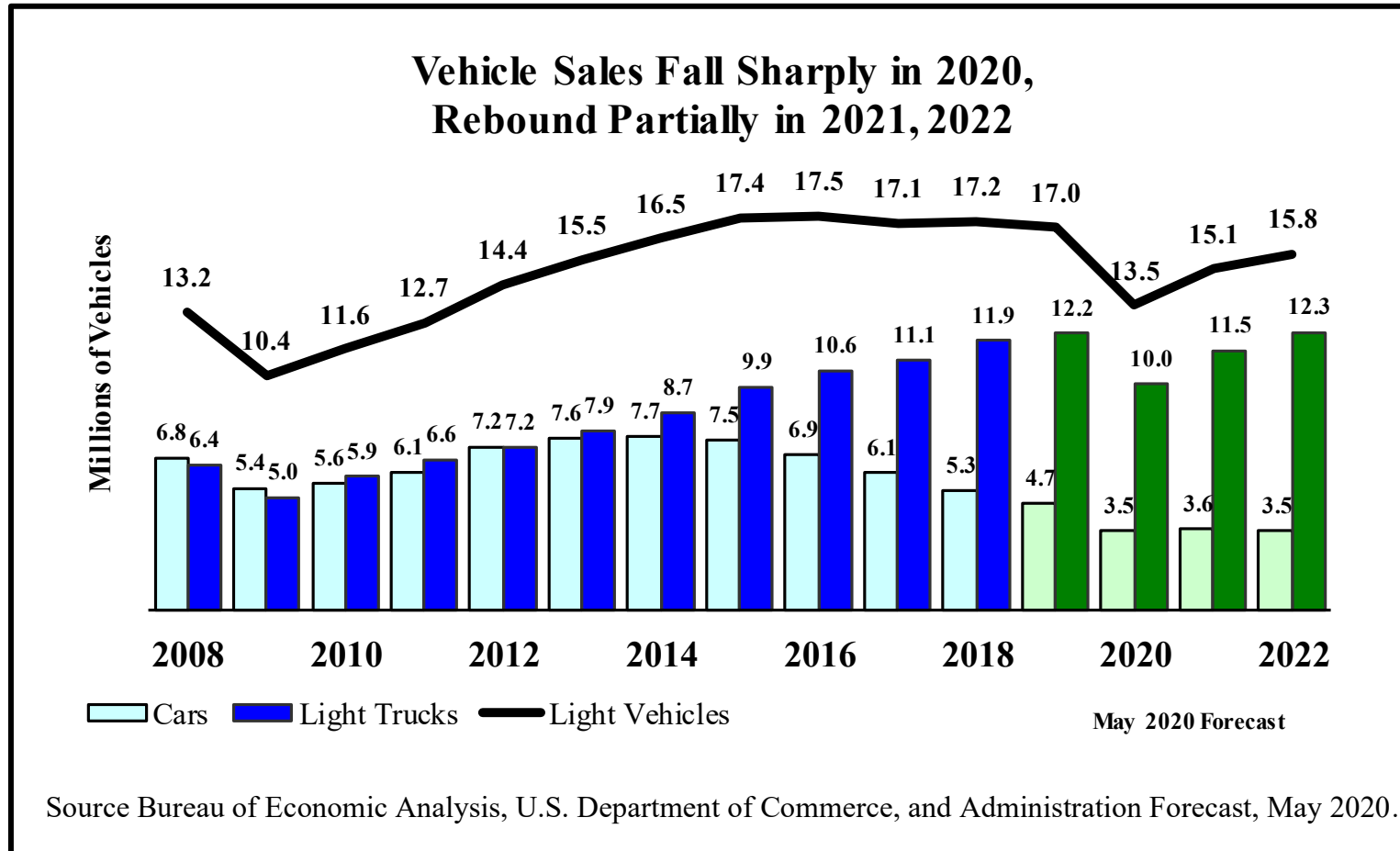
Michigan House Fiscal Agency Consensus Revenue Agreement, May 15, 2020

- **Real gross domestic product (GDP) is predicted to**
 - decrease 5.8% in calendar year (CY) 2020,
 - then increase 3.0% in CY 2021, and
 - increase 3.4% in CY 2022.
- **Consensus Estimates of GF/GP and SAF**
 - Relative to FY 2018-19, net GF/GP and SAF revenue is estimated to decrease \$2,963.3 million or **12.0% in FY 2019-20**,
 - increase \$754.7 million or 3.5% in FY 2020-21,
 - increase \$1,610.5 million or 7.2% in FY 2021-22.

Change in GDP for 2021 and 2022

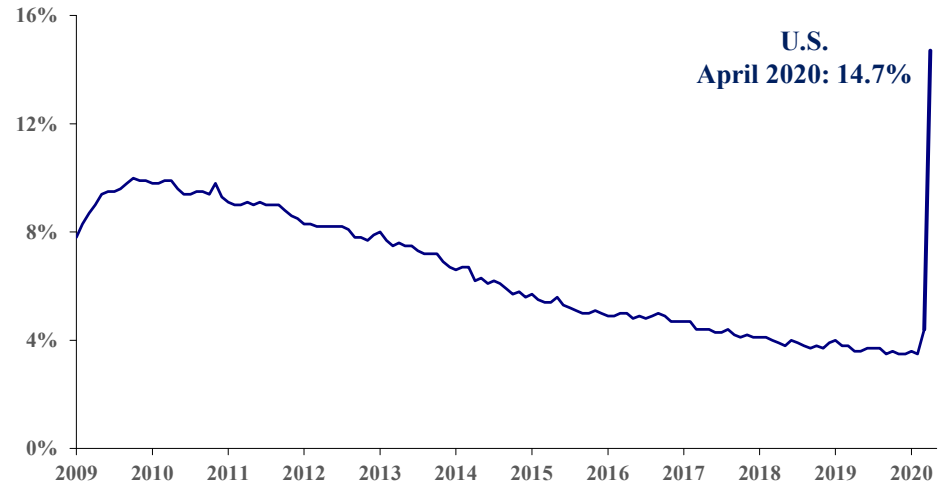


Change In Auto Sales

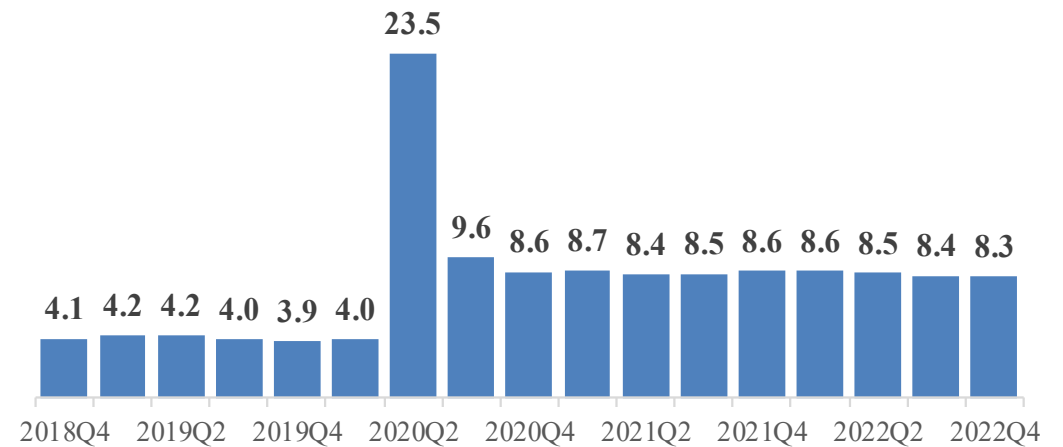


Big Changes to Unemployment

U.S. Unemployment Rate Soars to Record High



State Unemployment Rate Soars in 2020Q2 Remains Well Above Pre-Pandemic Levels



Estimated Losses from the State Appropriation by Campus

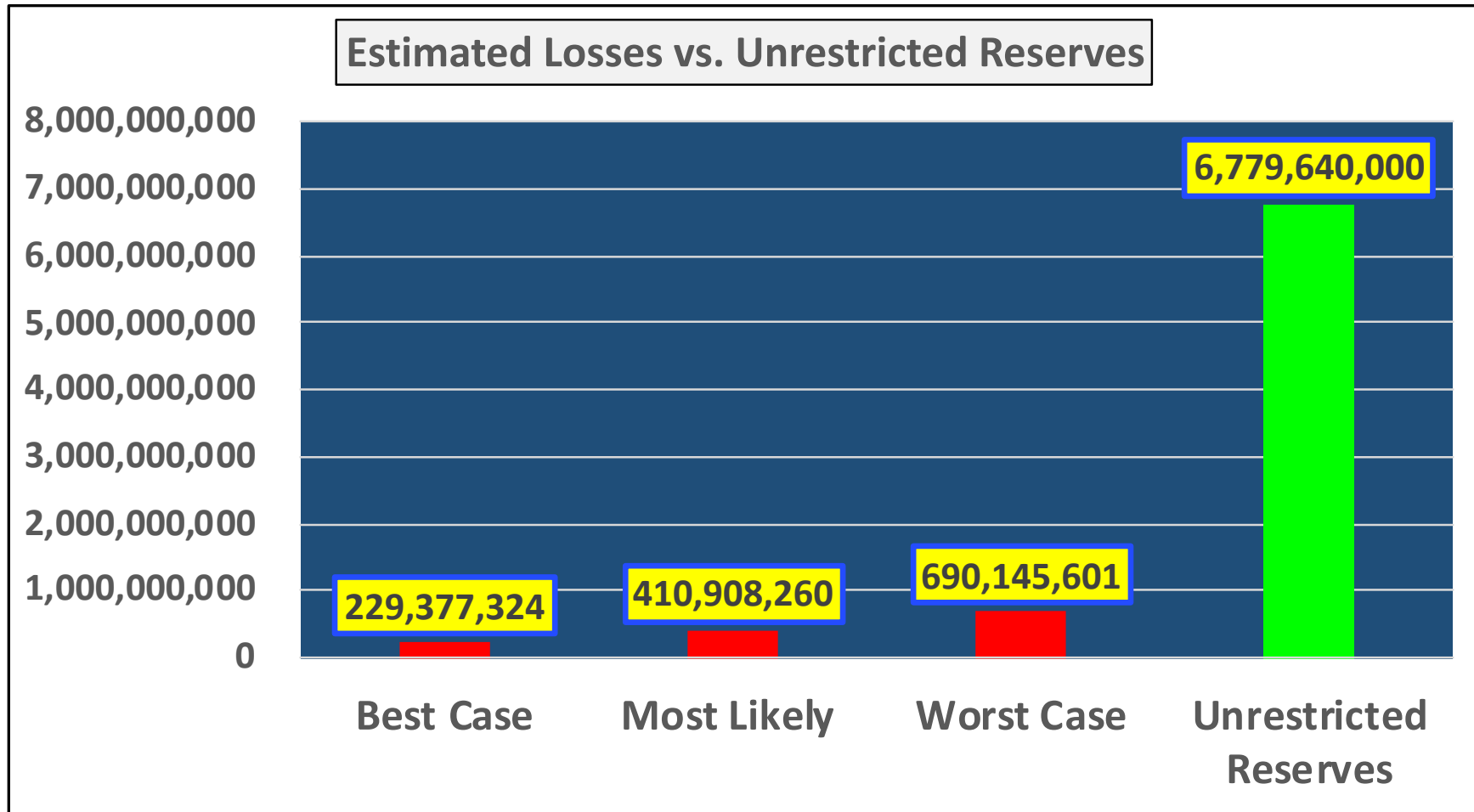
In Thousands	2020	2021	\$ Change	% Change
Ann Arbor	322,773,600	330,822,900	8,049,300	2.5%
Dearborn	26,327,200	26,981,400	654,200	2.5%
Flint	23,893,200	24,483,600	590,400	2.5%
Total	372,994,000.0	382,287,900	9,293,900	2.5%
2020 Loss	Worst Case	Most Likely	Best Case	
	12%	10%	5%	
Ann Arbor	38,732,832	32,277,360	16,138,680	
Dearborn	3,159,264	2,632,720	1,316,360	
Flint	2,867,184	2,389,320	1,194,660	
Total	44,759,280	37,299,400	18,649,700	
2021 Loss	Worst Case	Most Likely	Best Case	
	20%	12%	6%	
Ann Arbor	64,554,720	39,698,748	19,849,374	
Dearborn	5,265,440	3,237,768	1,618,884	
Flint	4,778,640	2,938,032	1,469,016	
Total	74,598,800	45,874,548	22,937,274	
Combined 2020 and 2021	Worst Case	Most Likely	Best Case	
Ann Arbor	103,287,552	71,976,108	35,988,054	
Dearborn	8,424,704	5,870,488	2,935,244	
Flint	7,645,824	5,327,352	2,663,676	
Total	(119,358,080)	(83,173,948)	(41,586,974)	

Final Estimates of Losses and Mitigation

SUMMARY of LOSSES	Worst Case	Most Likely	Best Case
Patient Care	(214,473,518)	(150,131,463)	(107,236,759)
Tuition Revenue	(280,466,139)	(142,154,070)	(72,037,536)
Other Auxiliary	(94,264,532)	(53,865,447)	(26,932,723)
State Appropriation	(119,358,080)	(83,173,948)	(41,586,974)
Total Estimated Losses	(708,562,269)	(429,324,928)	(247,793,992)
CARES Act Mitigation (does not include any hospital mitigation)	18,416,668	18,416,668	18,416,668
Net Estimated Losses	(690,145,601)	(410,908,260)	(229,377,324)

- UM Administration predicted losses of \$400 million to \$1 billion
- This does not include any mitigation from furloughs

Graph of Estimated Losses and Reserves



Examination of Spending Priorities of the UM Administration

2019 Expense Distribution

Source: Audited financial statements

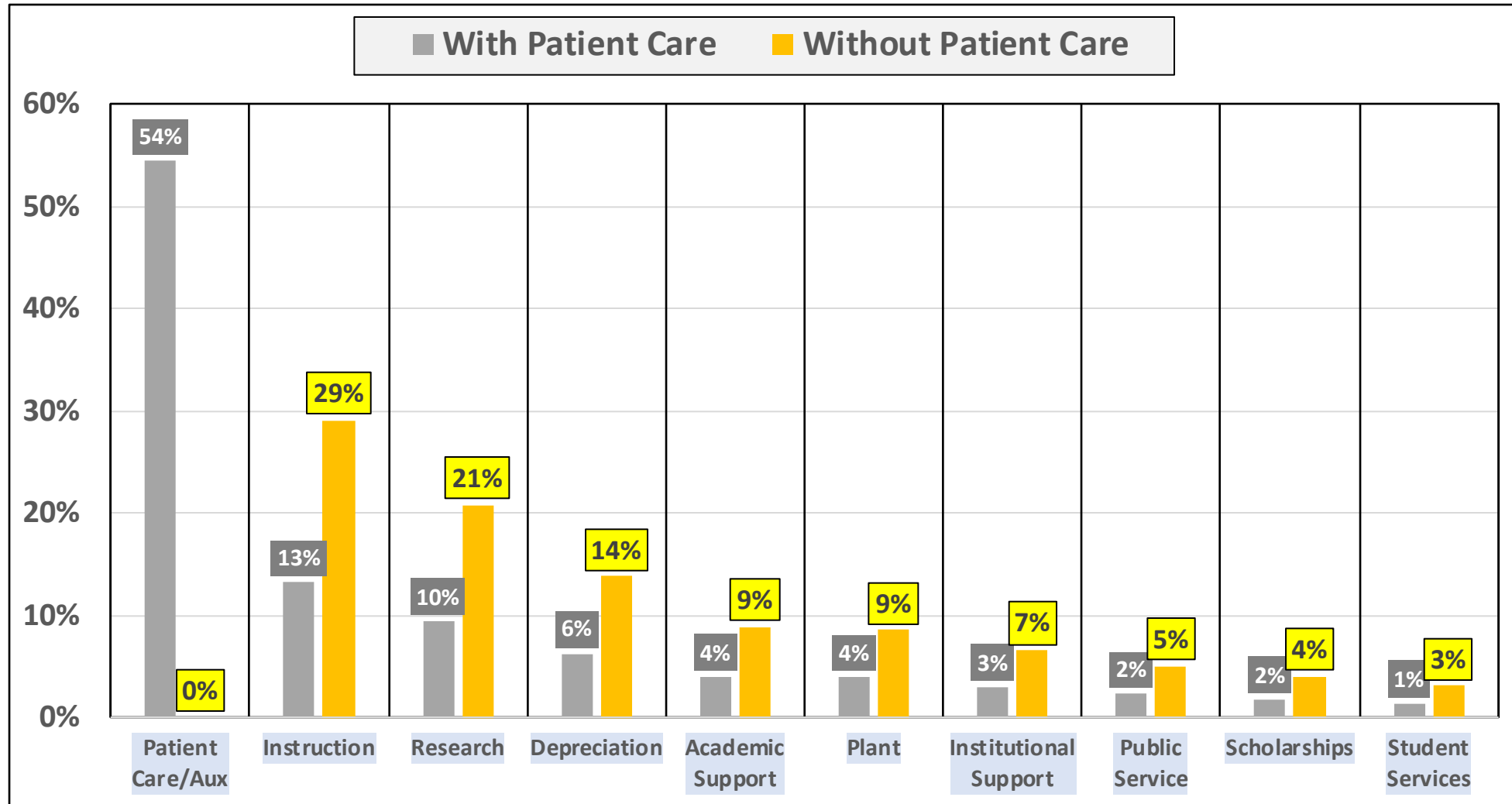
2019 Per Audit	W/Med	W/O Med	W/Med	W/O Med
Patient Care/Aux	4,912,705	0	54%	0%
Instruction	1,195,168	1,195,168	13%	29%
Research	857,578	857,578	10%	21%
Depreciation	567,857	567,857	6%	14%
Academic Support	366,076	366,076	4%	9%
Plant	351,577	351,577	4%	9%
Institutional Support	271,971	271,971	3%	7%
Public Service	208,717	208,717	2%	5%
Scholarships	164,428	164,428	2%	4%
Student Services	128,963	128,963	1%	3%
Total Operating Expenses	9,025,040	4,112,335	100%	100%

Institutional support is pure upper-level administration

Academic support, public service, and student services have both administrative and non-administrative personnel

2019 Expense Distribution Graphically

Source: Audited financial statements



Another Breakdown of Expenses per Audited Statements

Per Audit	2014	2015	2016	2017	2018	2019
Comp and Benefits	4,150,848	4,330,909	4,627,415	5,064,422	5,431,392	5,768,951
Supplies and Services	1,618,549	1,735,922	1,891,519	2,164,018	2,402,592	2,523,804
Depreciation	124,465	132,758	132,228	143,932	156,738	164,428
Scholarships	96,434	104,056	109,879	111,960	117,278	128,963
Total Operating Expenses	5,990,296	6,303,645	6,761,041	7,484,332	8,108,000	8,586,146
% of Total	2014	2015	2016	2017	2018	2019
Comp and Benefits	69.3%	68.7%	68.4%	67.7%	67.0%	67.2%
Supplies and Services	27.0%	27.5%	28.0%	28.9%	29.6%	29.4%
Depreciation	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%
Scholarships	1.6%	1.7%	1.6%	1.5%	1.4%	1.5%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Take out depreciation	2014	2015	2016	2017	2018	2019
Comp and Benefits	4,150,848	4,330,909	4,627,415	5,064,422	5,431,392	5,768,951
Supplies and Services	1,618,549	1,735,922	1,891,519	2,164,018	2,402,592	2,523,804
Scholarships	96,434	104,056	109,879	111,960	117,278	128,963
Total Operating Expenses	5,865,831	6,170,887	6,628,813	7,340,400	7,951,262	8,421,718
% of Total	2014	2015	2016	2017	2018	2019
Comp and Benefits	70.8%	70.2%	69.8%	69.0%	68.3%	68.5%
Supplies and Services	27.6%	28.1%	28.5%	29.5%	30.2%	30.0%
Scholarships	1.6%	1.7%	1.7%	1.5%	1.5%	1.5%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Compensation and benefits are 67.2% of total expenses with depreciation, and 68.5% without depreciation

The percent to compensation and benefits has declined some over time; more is being spent on supplies and services, but no more on scholarships

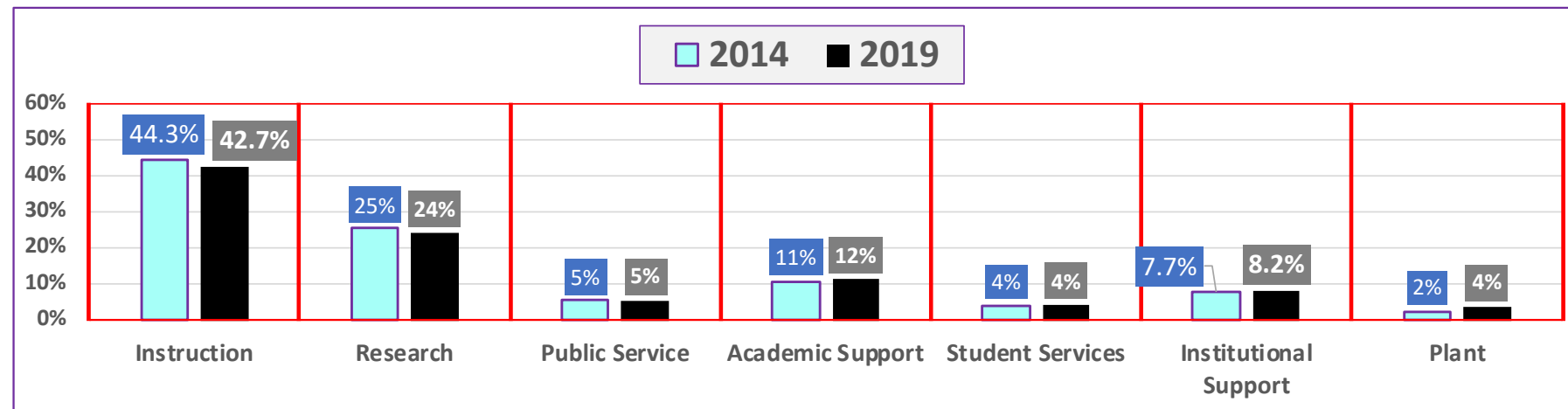
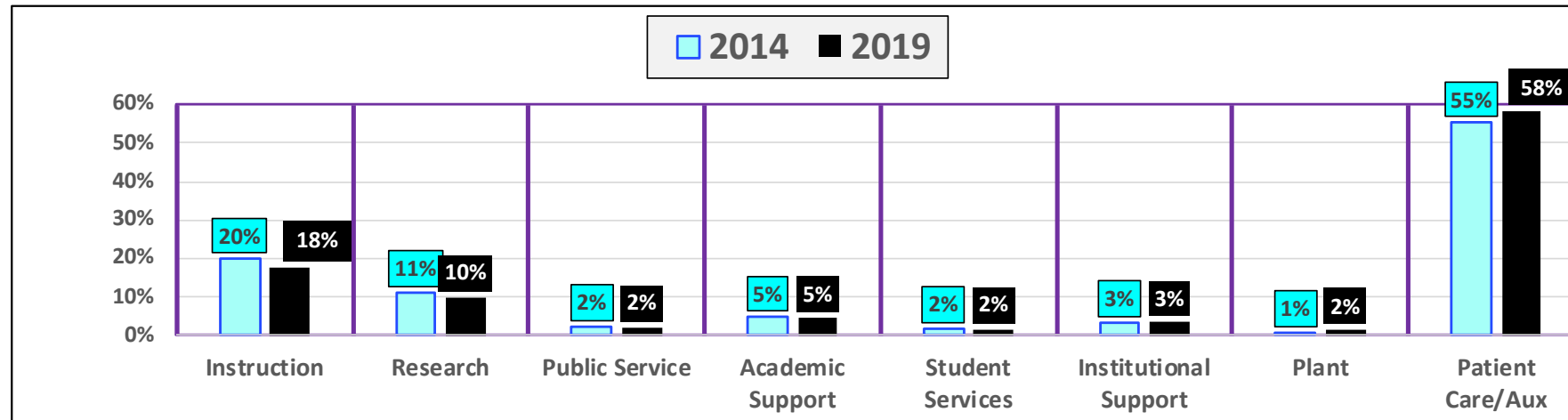
Compensation plus Benefits component of different functions

Source: Notes to audited financial statements

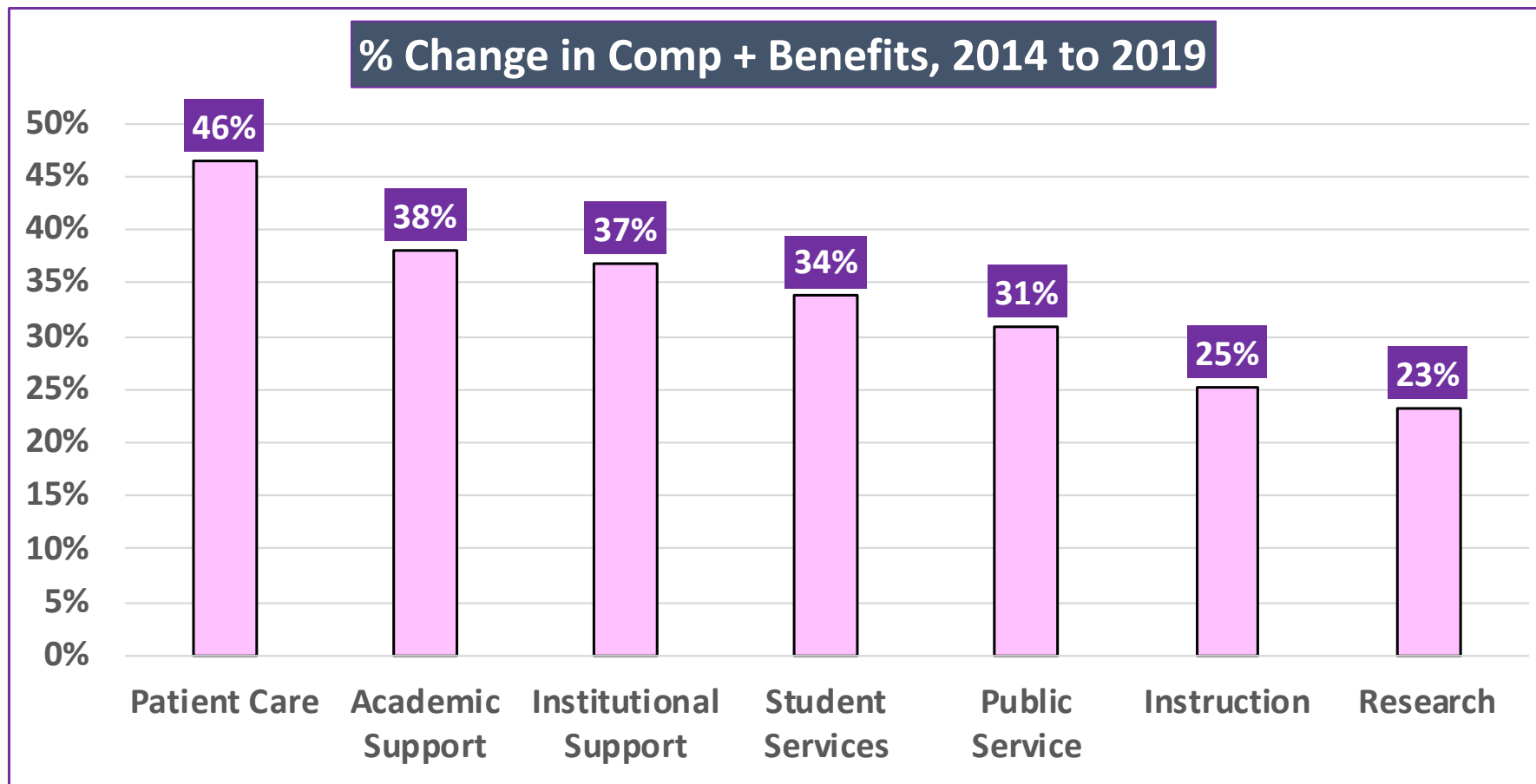
Per Audit - Comp/Ben	2014	2015	2016	2017	2018	2019
Instruction	823,611	844,505	891,703	939,548	1,000,388	1,031,768
Research	472,939	469,871	494,907	538,613	555,853	583,018
Public Service	101,342	128,604	117,025	120,755	129,675	132,685
Academic Support	201,436	207,878	224,841	237,819	255,641	278,109
Student Services	74,893	79,609	84,728	87,885	89,762	100,220
Institutional Support	143,768	161,661	172,634	181,106	185,801	196,839
Plant	42,915	35,588	37,018	40,575	53,337	92,387
Patient Care/Aux	2,289,944	2,403,193	2,604,559	2,918,121	3,160,935	3,353,925
Total	4,150,848	4,330,909	4,627,415	5,064,422	5,431,392	5,768,951

Distribution of Compensation + benefits component of expenses, 2014 to 2019, with and without patient care

Source: audited financial statements



Long-Term Percentage Change in Compensation and Benefits Component of Main Expenses, 2014 to 2019 per Audit



Campus Detail: Percent of Salaries-Only Going to Each Function

per IPEDS, 2018 (Integrated Postsecondary Education Data System of the U.S. Dept. of Education)

2018	Ann Arbor	Dearborn	Flint	Total
Instruction	36.2%	58.6%	58.8%	37.9%
Research	23.2%	3.1%	1.1%	21.6%
Instruction + Research	59.4%	61.7%	59.8%	59.5%
Institutional Support	7.1%	11.9%	14.8%	7.6%
Public Service	5.4%	1.4%	5.6%	5.2%
Academic Support	9.8%	14.2%	9.6%	10.0%
Student Services	3.2%	8.7%	6.7%	3.5%
Auxiliary	15.1%	2.1%	3.5%	14.2%
Total	100.0%	100.0%	100.0%	100.0%
Institutional Support Salaries	125,120,000	9,353,000	9,924,000	144,397,000
Hospital Salaries	1,754,174,000	0	0	1,754,174,000
Total Salaries	3,929,364,000	78,290,000	67,211,000	4,074,865,000
Total - Hospital	2,175,190,000	78,290,000	67,211,000	2,320,691,000

For 2018, Flint's 14.8%:
 Numerator = 9,924,000
 Denominator = 67,211,000

2018 is the latest year we have data, and earlier years are not comparable

Dearborn Number of Full-Time Employees, 2015 vs. 2019 per IPEDS

Dearborn	2015	2019	# Change	% Change
Total Instructional Staff	329	355	26	7.9%
Research	0	3	3	
Librarians & Academic Affairs	82	109	27	32.9%
Management	86	107	21	24.4%
Business and Financial Ops	83	92	9	10.8%
Computer Engineer; Science	35	45	10	28.6%
Legal, Arts, Sports, Media	4	6	2	50.0%
Healthcare	3	4	1	33.3%
Service	36	37	1	2.8%
Office and Admin Support	86	75	(11)	-12.8%
Maintenance	15	16	1	6.7%
Transportation	5	6	1	20.0%
Total Non-Instructional Staff	435	500	65	14.9%

Flint Number of Full-Time Employees, 2015 vs. 2019 per IPEDS

Flint	2015	2019	# Change	% Change
Total Instructional Staff	300	299	(1)	-0.3%
Librarians & Academic Affairs	85	98	13	15.3%
Management	77	81	4	5.2%
Business and Financial Ops	77	88	11	14.3%
Computer Engineer; Science	50	46	(4)	-8.0%
Legal, Arts, Sports, Media	14	11	(3)	-21.4%
Healthcare	9	5	(4)	-44.4%
Service	50	61	11	22.0%
Office and Admin Support	104	84	(20)	-19.2%
Maintenance	14	18	4	28.6%
Transportation	8	7	(1)	-12.5%
Total Non-Instructional Staff	488	499	11	2.3%

Ann Arbor Number of Full-Time Employees, 2015 vs. 2019 per IPEDS

Ann Arbor	2015	2019	# Change	% Change
Total Instructional Staff	3,506	3,884	378	10.8%
Librarians & Academic Affairs	920	1,115	195	21.2%
Management	1,237	1,349	112	9.1%
Business and Financial Ops	1,620	1,990	370	22.8%
Computer Engineer; Science	2,094	2,262	168	8.0%
Legal, Arts, Sports, Media	472	521	49	10.4%
Healthcare	207	238	31	15.0%
Service	1,226	1,365	139	11.3%
Office and Admin Support	1,561	1,614	53	3.4%
Maintenance	686	704	18	2.6%
Transportation	186	196	10	5.4%
Total Non-Instructional Staff	10,209	11,354	1,145	11.2%

Changes in Number and Salaries of Management Employees at All 3 Campuses, 2015 vs. 2019 per IPEDS

Total Salary Outlays	2015	2019	\$ Change	% Change
Ann Arbor	\$153,498,302	\$180,987,055	\$27,488,753	17.9%
Dearborn	\$9,119,437	\$13,833,229	\$4,713,792	51.7%
Flint	\$8,035,725	\$9,214,606	\$1,178,881	14.7%
TOTALS	\$170,653,464	\$204,034,890	\$33,381,426	19.6%
Number of Employees	2015	2019	# Change	% Change
Ann Arbor	1,237	1,349	112	9.1%
Dearborn	86	107	21	24.4%
Flint	77	81	4	5.2%
TOTALS	1,400	1,537	137	9.8%
Average Salaries	2015	2019	\$ Change	% Change
Ann Arbor	\$124,089	\$134,164	\$10,075	8.1%
Dearborn	\$106,040	\$129,283	\$23,243	21.9%
Flint	\$104,360	\$113,761	\$9,401	9.0%
TOTALS	\$121,895	\$132,749	\$10,853	8.9%

Significant increase in the number of management employees at all three campuses

Significant increases in the total dollars and average salaries paid to management employees at all 3 campuses

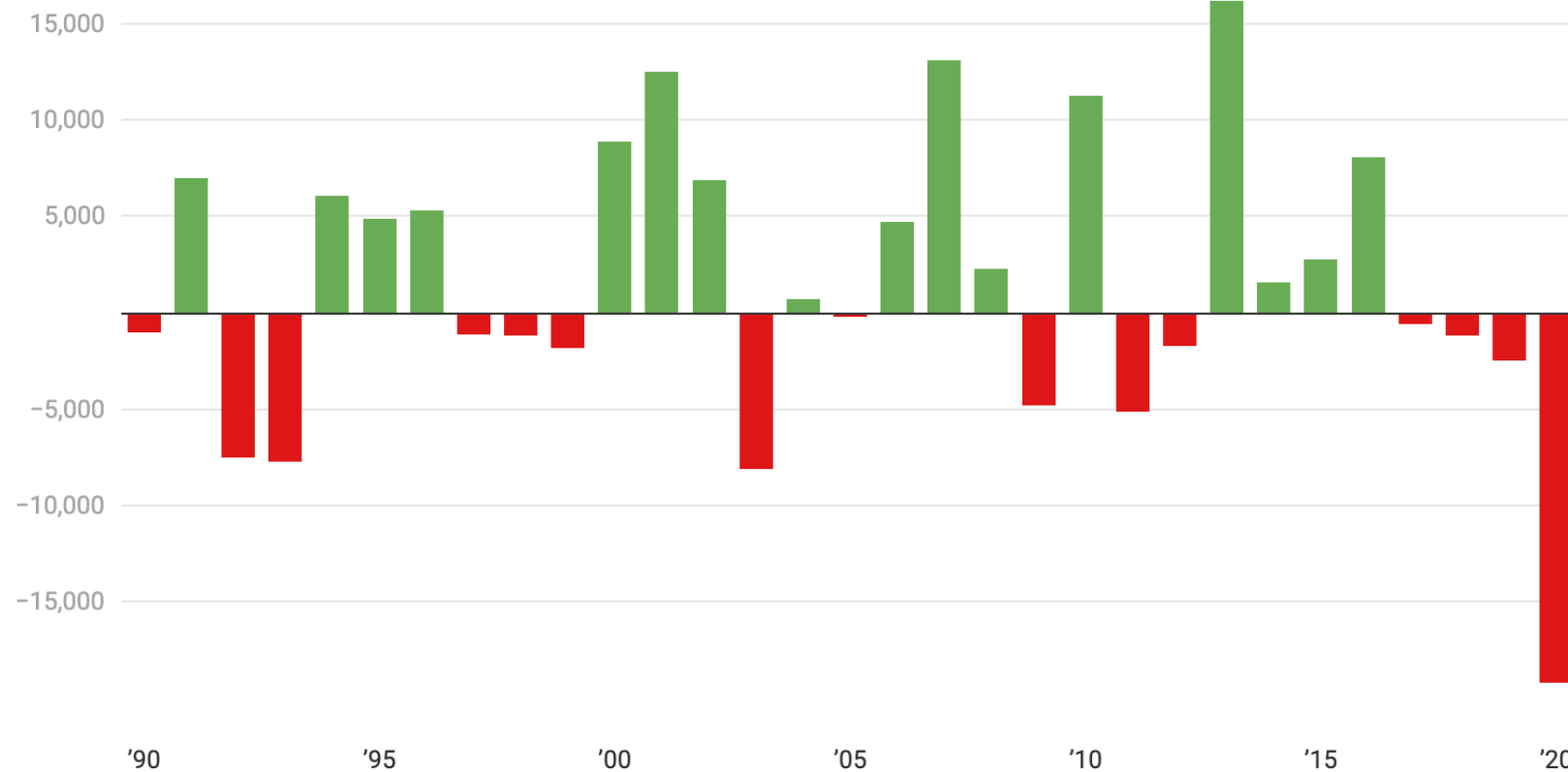
**Coronavirus Reactions of
Other Universities in
Michigan, the Big Ten,
and Other Institutions
Around the Country**

Furloughs and Layoffs, Compiled by the Chronicle of Higher Education, May 27, 2020 (Michigan and Big 10 Institutions Only)

Institution	State	Action	No. of affected workers	Type of workers affected
Michigan State	MI	Furlough	91	Other Staff; Unspecified
Eastern Michigan	MI	Furlough	~200	Administrators; Other Staff
Michigan Tech	MI	Furlough	119	Unspecified
Western Michigan	MI	Temporary layoff	240	Other Staff
Rutgers	NJ	Unspecified	Not available	Unspecified
Penn State	PA	Furlough	~2000	Unspecified
Northwestern	IL	Furlough	250	Unspecified
Nebraska System Office	NE	Permanent Layoff	20	Other Staff
Wisconsin	WI	Furlough	Not available	Unspecified

Employment Plummet

Each year's February-to-March change in the number of workers employed by colleges.



The employee count for March 2020 is preliminary and may be revised. All figures are seasonally adjusted. The work-force estimates charted above are the sums of employee counts in two distinct industries: colleges, universities, and professional schools, as well as junior colleges. To avoid methodological complications, The Chronicle did not factor into its analysis employee estimates associated with other industries grouped within the educational-services sector (NAICS: 61).

Chart: Dan Bauman • Source: U.S. Bureau of Labor Statistics • [Get the data](#) • Created with [Datawrapper](#)

Faculty Cuts Begin, With Warnings of More to Come

Chronicle of Higher Education, May 15, 2020

- The top brass's message was clear: When talking about the instructors who won't be reappointed, at least for now, department chairs at the **University of Massachusetts at Boston** should stick to the script.
- “Never slip and call this a layoff,” reads a Monday talking-points memo from the provost's office, obtained by *The Chronicle*. Similarly, “do not speak of this notice as a kind of ‘pink slip.’”
- City University of New York colleges have begun announcing plans to remove hundreds of adjunct positions, [according to the CUNY faculty and staff union](#); **Rep. Alexandria Ocasio-Cortez** stood in solidarity with the union, saying in a statement that “austerity is not the answer.”

National Response

- **20% Enrollment Decline for Fall 2020 Is Now Part of the Landscape Inside Higher Education, April 29, 2020**
 - Projection comes from SimpsonScarborough a higher education research and marketing company.
 - All their clients are administrations, **including UM**
- **The Coronavirus Enrollment Crash**
 - **Chronicle of Higher Education, May 7, 2020**
 - From the article: What do colleges and dinosaurs have in common? The risk of extinction.

George Washington and Northwestern Responses

- **George Washington, Northwestern Address Budget Shortfalls**

- **May 11, 4:20 p.m.** George Washington University is projecting losses related to the coronavirus pandemic ranging from \$100 million to \$300 million over the upcoming fiscal year that starts July 1
- The chair of the university's Board of Trustees, Grace Speights, said it would not be prudent to use funds from GW's endowment, valued at \$1.78 billion in 2019, to offset the losses. Thomas J. LeBlanc, the university's president, said administrators are considering options for reducing expenses including pay or benefit reductions, early retirement options, furloughs, layoffs, reorganizations, consolidations and reductions in travel, training, and other expenses.

- **Northwestern**

- As of 2019 had an \$11.1 billion endowment, said that it was projecting a roughly \$90 million shortfall for the current fiscal year.
- Northwestern said it would temporarily increase the rate at which it draws from the endowment.
- The university also said it would furlough 250 staff members "who are unable to substantially perform their duties remotely or who support areas with significantly reduced workloads in the wake of the pandemic,"
- Suspend contributions to faculty and staff members' retirement accounts, and enact pay cuts for senior leaders.

Inside Higher Education Update, 5/10/2020

- **West Virginia University furloughs**

- The *Pittsburgh Post-Gazette* [reported](#) that the approximately 875 employees being furloughed include groundskeepers, custodial workers, clerical workers, as well as “various campus service workers.”
- WVU has about 6,000 full-time employees.

- **Furlough, Job Cut Plan Approved for University System of Georgia.**

- The system is working with its 26 colleges and universities to develop a new spending plan for the 2021 that would feature a **14 percent reduction** from the current fiscal year. Georgia's tax revenues dropped by roughly \$1 billion in April.
- Most faculty and staff members would be required to take either 4 or 8 furlough days under the plan, depending on their salary. Those with the largest base salaries will be required to take 16 furlough days, **the equivalent of a 6.2 percent pay cut.**
- The system chancellor and all presidents will take a **10 percent pay cut**, which includes 26 furlough days.

Fall 2020?

- **What's It Going to Take?**

- Inside Higher Education, May 18, 2020
- Colleges face a host of daunting considerations, beyond testing for coronavirus infection, when it comes to reopening.
- Two important questions:
 - What will it take for colleges to reopen responsibly as long as there is no vaccine or treatment for COVID-19 –
 - How realistic is it that colleges can put measures in place by fall?

- **The Case Against Reopening**

- Chronicle of Higher Education, May 14, 2020
- Opinion piece by *Stan Yoshinobu, Professor of Math at Cal Poly San Luis Obispo*
- We all want to be back on campus. But when it comes to plans for the fall, there's only one right decision.

Some Fall 2020 Plans

- **California State U. System Will Conduct Most Fall Classes Online**
 - **May 12, 2020**
 - Chancellor Timothy P. White told California State trustees that it would be **irresponsible** to bring the system's nearly 500,000 students back to its 23 campuses in the fall.
 - Even if fall classes started in person, White said, they would very likely have to be scaled back in the event of a second wave. He said planning for online instruction now "preserves as many options for as many students as possible."
- **Purdue University** is forging ahead with plans to reopen for face-to-face instruction come fall, despite **faculty concerns** about that timeline
 - Give faculty a choice on how to teach
 - Move larger classes to spring term
 - Hybrid classes
- **President Trump**, in a Fox News virtual town hall on May 4, said he wants K-12 schools and universities to reopen in September.

Fall 2020 Plans of Michigan and Big 10 Institutions

Source: Chronicle of Higher Education, May 27, 2020

Institution	State	Plan		Institution	State	Plan
Michigan State	MI	Considering a range of scenarios		Ohio State	OH	Considering a range of scenarios
Central Michigan	MI	Planning for in-person		Wisconsin	WI	Considering a range of scenarios
Eastern Michigan	MI	Planning for in-person		Rutgers	NJ	Considering a range of scenarios
Michigan Tech	MI	Planning for in-person		Indiana	IN	Considering a range of scenarios
Northern Michigan	MI	Planning for in-person		Purdue	IN	Planning for in-person
UM	MI	Planning for in-person		Illinois	IL	Planning for in-person
Western Michigan	MI	Planning for in-person		Iowa	IA	Planning for in-person
Wayne State	MI	Planning for online		Nebraska	NE	Planning for in-person
Oakland	MI	Proposing a hybrid model		Northwestern	IL	Proposing a hybrid model
				Maryland	MD	Proposing a hybrid model
				Minnesota	MN	Waiting to decide
				Penn State	PA	Waiting to decide

Summary of What Can Be Done From a Financial Standpoint

There will be a decline in revenues, led by patient care and enrollment

The issues are:

- Can the decline be alleviated?
- What steps should be taken?

Management Solutions we have seen:

- Hiring freezes
- Furloughs
- Layoffs

Other Strategies:

- Use **reserves** – this situation is **EXACTLY** what reserves are designed to be used for – unexpected decrease in revenue/increase in expenses
- **Reduce upper-level management spending**
- **Borrow – UM has a medium level of debt and rates are low - the Regents just authorized the borrowing of \$1 billion**
- Work together to do everything possible to **enhance the student experience**, even in a remote environment