

Michigan State University’s (MSU) commitment to academic excellence results in its ranking in the top 100 universities in the world. It provides internationally competitive undergraduate and graduate education, research, and outreach for the benefit of Michigan, the country, and the world.

Whether by assisting in the creation of jobs for thousands of people, attracting funding for research that can change and even save lives, or simply enhancing contributions to the coffers of the state of Michigan because its alumni earn high-end salaries, Michigan State University’s economic impact of approximately \$4.1 billion is essential to Michigan’s current and future growth.

Through “Shaping the Future” MSU positions itself to continue to affect major societal issues such as food security, the environment, health and education. We strive to sustain our land-grant mission of access to all who have the potential to succeed, prepare students to be part of a highly talented workforce, and provide cutting-edge research and outreach.

In order to assure that MSU remains a best value for students and other stakeholders, the university has undertaken a number of reductions that are critical to positioning ourselves for the future. Those reductions include \$50 million in cuts; moratoria placed upon or elimination of more than 40 academic programs; 350 fewer employees; trimmed benefit programs; and forgone salary increases.

Despite the reductions, MSU continues to provide a competitive student-faculty ratio and preserve existing programmatic strengths. Other strengths we maintain and improve upon are curricular innovations; the hiring of faculty who can seed inno-

vation; global on-line program initiatives; strategic expansion of our medical colleges’ programs; restructuring of the student services model, including the implementation of campus neighborhoods; investment in selected research themes; increase in federal funding; and energy conservation and sustainability.

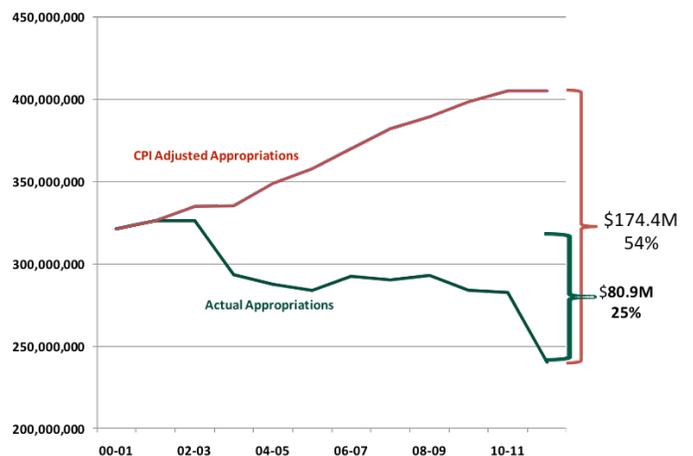
MSU continues to fulfill its obligations as a responsible, long-term steward of not only the university’s resources of people, programs and facilities, but also the state of Michigan’s. If MSU were to enroll the same proportion of non-resident students on average that other Big Ten schools enroll, the university would have experienced an additional \$85 million in additional revenue.

The 2011-12 state budget imposed a 15 percent reduction to higher education appropriations, resulting in reductions to MSU appropriations of 25 percent since 2000-01, representing a loss of over \$330 million in operational resources over 12



Appropriations \$174M Behind Inflation Since 2000-01

Graphic 1



years. For 2011-12, if annual appropriations had remained constant, MSU appropriations would be approximately \$81 million higher and if appropriations had kept pace with the rate of inflation over the period state appropriations would be approximately \$175 million higher. (See *Graphic 1*) Over the last five years, Michigan ranks 48th among the states in changes to appropriations, and currently trails national appropriation per-student levels by 18 percent.

Across the country, other colleges and universities face similar financial pressures, as do the families of our students. At such times it isn't unusual for people to question the value of higher education.

However, a majority of college graduates, 86 percent, said college was a good investment for them personally. Graduates estimated they earn about \$20,000 more per year as a result of having earned a degree, a figure that matches 2010 U. S. Census Bureau estimates of the actual earnings differential.

At MSU, 90 percent of graduating seniors who responded last year to the National Survey of Student Engagement rated their educational experience as good or excellent, and an equal proportion said they would attend MSU if they had to do it over again. Ninety-six percent of seniors affirmed that MSU provides support for student success.

State appropriations reductions and the broader economic downturn have impacted MSU over the course of the past three years. The "Shaping the Future" initiative challenged MSU to re-conceptualize every aspect of the organization in order to maintain its status as one of the world's leading institutions while adapting to the new economic reality.

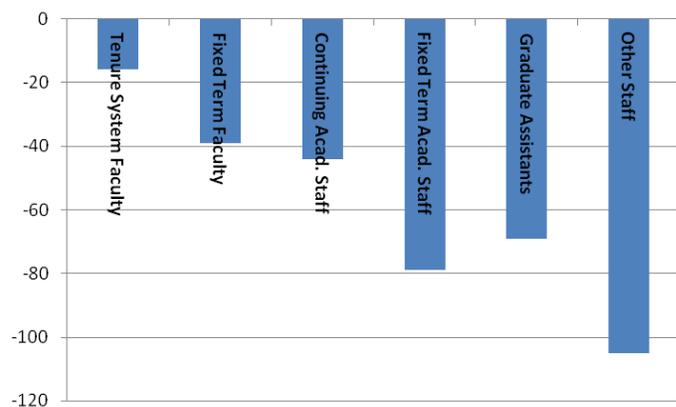
Planning efforts resulted in significant changes to the academic enterprise, student services, employee compensation and benefits, purchasing

and business processes, as well as many others. In addition to maintaining approximately 100 open salary lines, MSU has cut more than 350 full-time equivalent positions over the last two years, while working to maintain quality in each institutional function. (See *Graphic 2*)



Reduced Funding Forced Elimination of 350 MSU Employees Over Two Years

Graphic 2



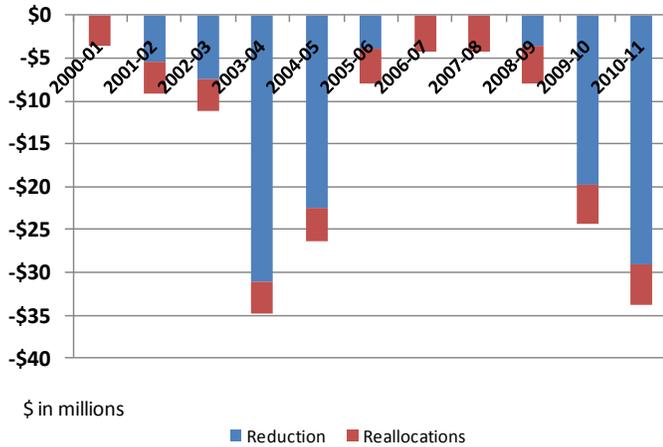
Beyond the immediate impact of the recent economic downturn, MSU has imposed operating reductions of approximately \$123 million since 2000-01. In addition to targeted reductions, MSU imposes a 1 percent funding reduction annually on all units in order to encourage operating efficiency and to create resources to invest in new institutional initiatives. (See *Graphic 3*)

As part of its ongoing operations, MSU systematically reviews the outcome of numerous benchmarks and related data. Today MSU operations are supported by among the lowest total tuition and appropriations per student ratios in the Big Ten.

Yet despite constrained resources, MSU maintains its status as one of the top 100 universities in the

MSU Reduces Operating Budgets by \$123M Since 2000-01

Graphic 3



world by focusing its resources where they count, consistently ranking first or second in the Big Ten for proportion of expenditures dedicated to instruction, research, and public service. As a result, MSU is able to approximate the average Big Ten student to faculty ratio of 16-1.

MSU faculty salaries — ranking 10th of 12 Big Ten institutions (See Graphic 4) — are being closely monitored to be sure we are able to attract and retain talented faculty. MSU is also committed to talented staff, working to assure sustainable compensation costs that are reflective of the regional market.

All regular MSU employees agreed to: Forgo one cycle of wage adjustments, reductions in health care costs of 10 percent, cap funded subsequent increases at 5 percent through 2014 and will no longer provide funded post retirement health care benefits to new employees. These reductions add to challenges created by already constrained salary levels.

MSU with the participation of faculty and staff initiated a variety of changes to health care programs

over the last ten years that resulted in cost increases below the national average 7 times, with rate increases approximately 3 percent lower than the blended national average each year.

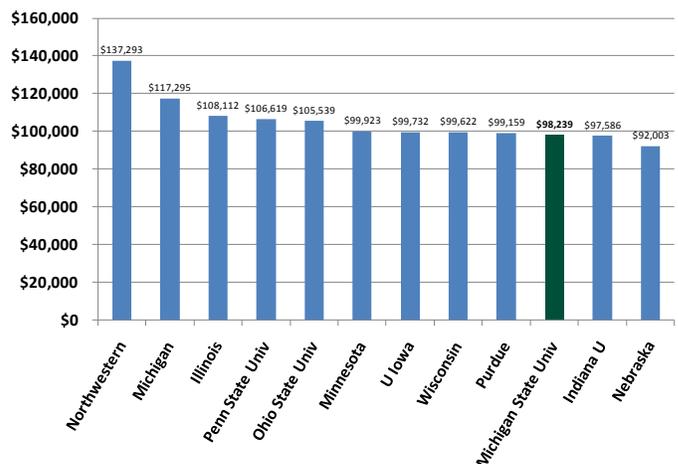
MSU maximizes resources in support areas and is one of the most efficient institutions in the Big Ten for custodial, maintenance, and grounds staff. Additionally, as a result of a commitment to sustainability and efficiency, MSU has the lowest total unit cost for energy in the Big Ten and was recently named as one of the nation’s most sustainable campuses.

MSU’s strategic focus and resource allocations continue to reap rewards academically. MSU has 27 academic programs ranked in the top 20 nationally. Four graduate programs are rated number one in their respective disciplines.

MSU’s six year graduation rate of 77 percent improved 13 percent over 10 years and consistently outperforms *U.S. News & World Report* expectations by approximately 10 percent annually. Additionally, MSU’s entering class has improved in

MSU Faculty Salaries Lag Big Ten Average

Graphic 4

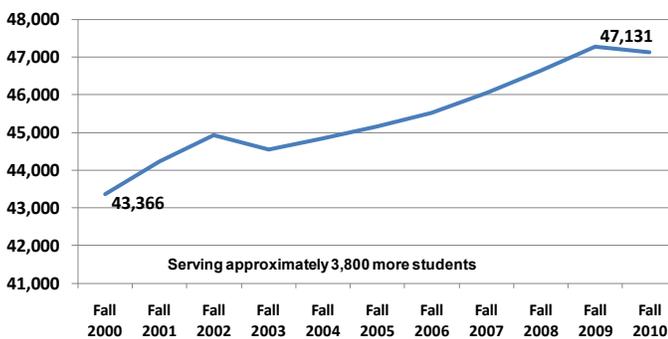


GPA, ACT scores, and freshman persistence rate over 10 years.

In accordance with long-term trends, MSU enrolls 17 percent of all Michigan public university students, with 77 percent of all students and 84 percent of undergraduates coming from Michigan. MSU recognizes the duty it has to maintain access to a world-class education and dedicated more than \$93 million in the 2010-11 budget to financial aid and is serving 3,800 more students than 10 years ago. (See *Graphic 5*)

MSU Serving 3,800 More Students

Graphic 5



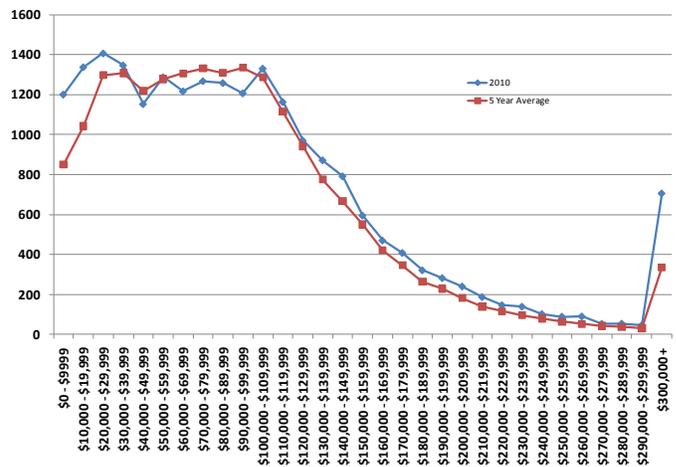
Three quarters of MSU students come from families with incomes of less than \$125,000. Not surprisingly, 74 percent of MSU students receive some form of financial aid. MSU is also one of only two Big Ten institutions to maintain its population of Pell-eligible students over the decade, with 24 percent of undergraduates receiving a Pell grant.

In addition to high-need students, MSU carefully monitors the distribution of its student family income and focuses significant aid resources at the students with family income just above Pell levels. (See *Graphic 6*)

MSU's current budget recommendations for 2011-12 suggest a 10 percent increase to general fund

MSU Preserves Student Access

Graphic 6



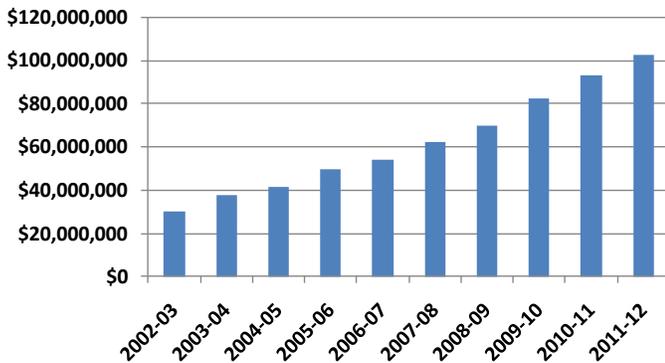
financial aid. This planned increase completes an unprecedented three-year, 40 percent investment in access that will result in over \$100 million of general fund resources dedicated to financial aid (See *Graphic 7*)

To ensure that MSU's programmatic offerings are reflective of a world-class institution, a comprehensive and ongoing academic review process assesses each program at least once every seven years. When programs experience low enrollment, redundant programmatic offerings, lack of coherence with overall mission, or poor organizational fit, it is possible that they may be recommended for discontinuation. MSU has recommended 106 programs for moratoria on admissions since 1999, an average of 10 per year. This assessment process serves to assure that MSU continues to evolve in a direction that is consistent with the discovery and transmission of tomorrow's knowledge.

MSU continues to be a leader in creating knowledge for the 21st century, receiving \$495 million in research and other contractual support in 2009-10. This represents a 90 percent growth over 2000-

MSU's Investment in Financial Aid Grew 300% Over Decade

Graphic 7



01 (See Graphic 8). Research and scholarly work of this magnitude has a significant impact on the state economy, both in expenditures and in jobs. MSU actively pursues economic growth through programs across the university. Examples include the MSU Center for Community and Economic Development, which provides training and consulting services to communities around the state.

In partnership with MSU, the Prima Civitas Foundation has recently expanded its “networks of networks” concept state-wide. More locally, MSU continues its support of the Lansing Economic Area Partnership dedicated to revitalizing business in the capital city area.

Since 2004, the MSU Product Center for Agriculture and Natural Resources has helped 1,000 Michigan entrepreneurs create some 164 businesses, generate \$300 million in annual sales, and create or retain 747 jobs. These numbers do not include the \$615 million DOE Facility for Rare Isotope Beams project, which is now only getting underway. This project is anticipated to generate over \$1 billion in economic activity over its duration.

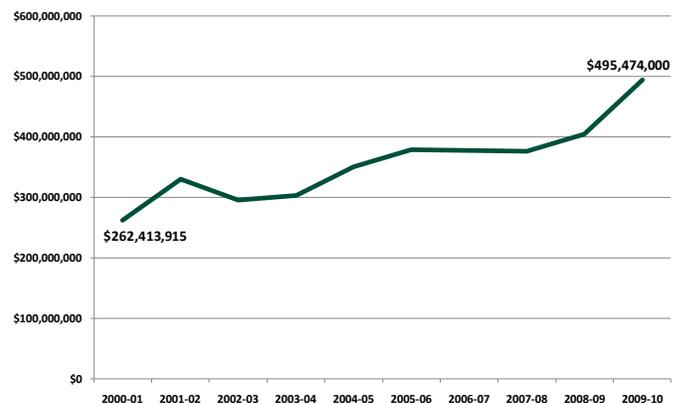
Budget planning over the 2009-10 through 2012-13 period anticipated substantial state operating reductions (See Graphic 9). In fact, operating appropriations were cut by 15 percent for FY12 and by 25 percent over the decade. Additionally, state capital outlay support has diminished from approximately \$169 million over the 1990’s to approximately \$20 million dollars over the past ten years. Over the past three years, annual State scholarship allocations to MSU students diminished by approximately \$16 million per year.

MSU initiated planning for this change early, at the beginning of the period. Operating expenditures were reduced by 10 percent or by approximately \$50 million, resulting in employee counts decreasing by 350 people over the past two years. Health care expenditures were reduced by 10 percent in FY11, funded future increases were capped at 5 percent, and retiree health benefits eliminated for new employees. All regular employees gave up one year of salary increases.

Tuition in FY11 increased by 4.9 percent, half of the increase was suspended for the Fall and Spring semesters only, to provide students and families time to plan. For FY12 tuition is proposed to increase

Research Funds Up 90% in Ten Years

Graphic 8



MSU Budget Planning

Graphic 9

Budget Item	2009-10	2010-11	2011-12*	2012-13
State Appropriations	-3.1%	-0.4%	-15%	0.0%
Tuition & Fees	5.2%	5.0%	6.9%	5.0%
Financial Aid	17%	13%	10%	5.5%
Graduate Assistants	2.75%	2.5%	0%	2.0%
Faculty Salaries	2.0%	0%**	2.0%***	2.0%***
Utilities	5.0%	5.0%	5.0%	8.0%
Health Care	5.0%	-5.0%	5.0%	5.0%
Reductions	-4.0%	-6.0%	-0.5%	0.0%

by 6.9 percent, approximately 4.7 percent for operations and remainder to diminish further cuts. To preserve access, financial aid budgets have increased by 30 percent over the past two years and are proposed to increase by an additional 10 percent in FY12.

The newly reorganized and streamlined MSU Extension and MSU AgBioResearch are positioned to build upon their roles as key economic partners for the state. MSU Extension targets state-wide economic impact and has been tasked to focus on delivering knowledge for Michigan's 21st century priorities, which include agriculture and agribusiness, child and youth development, greening

of Michigan, and health and nutrition. MSU AgBioResearch has re-centered its operation around five principal research thrusts to focus on key areas of discovery pertinent to the bio-economy.

Each entity is faced with an appropriations reduction of 15 percent. While this loss of state support is alarming in and of itself, state appropriations are particularly important to each of these organizations in order to assure maximum federal matches for research and operations.

Detailed budget development guidelines for 2011-12 and 2012-13 follow.