Planning Goal: Preserve and Advance MSU

- World class academic, research, and outreach programs
  - Locally relevant
  - Globally engaged
- Among the best research universities in the world
- Talented, high-performing, inclusive faculty and staff working effectively
- High performing, closely aligned, support programs
- Honor/reinvent land-grant traditions for 21st century
- Critical stewardship investments made on an ongoing basis
Financial Climate

- Abrupt loss of state appropriation support over next three years
  - Control expenditures
  - Grow alternative revenue sources (e.g. Advancement)
- Adjust to long-term fiscal realities of slowed revenue growth
  - Changes in practice
  - Changes in culture
State Revenue Estimates

$0.0  $1.0  $2.0  $3.0  $4.0  $5.0  $6.0  $7.0  $8.0  $9.0  $10.0


$8.9  $7.9  $6.9  $6.9  $6.9  $6.9  $6.9  $6.9

To be offset by stimulus proceeds  State stimulus plan submitted to Fed. Zero pledged  22% Reduction

$ in billions

22% Reduction
State stimulus plan submitted to Fed. Zero pledged
To be offset by stimulus proceeds

9/1/2009

9/1/2009
Percent Change in Appropriations

9/1/2009

Forecasted values in red
## Budget Primer

<table>
<thead>
<tr>
<th>Category</th>
<th>1% Value</th>
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</thead>
<tbody>
<tr>
<td>General Fund Appropriations</td>
<td>$2.9M</td>
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<tr>
<td>Tuition and Fee Revenue</td>
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</tr>
<tr>
<td>Other Revenue</td>
<td>$0.9M</td>
</tr>
<tr>
<td>Faculty &amp; Academic Staff</td>
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</tr>
<tr>
<td>Collective Bargaining Groups</td>
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</tr>
<tr>
<td>Graduate Assistants</td>
<td>$0.4M</td>
</tr>
<tr>
<td>Student Labor</td>
<td>$0.1M</td>
</tr>
<tr>
<td>Health Care</td>
<td>$0.7M</td>
</tr>
<tr>
<td>Other Benefits</td>
<td>$0.9M</td>
</tr>
<tr>
<td>Financial Aid</td>
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</tr>
<tr>
<td>Utilities</td>
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</tr>
<tr>
<td>Supplies &amp; Services</td>
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</tr>
<tr>
<td>Operations</td>
<td>$0.7M</td>
</tr>
<tr>
<td>Reductions</td>
<td>$4.0M</td>
</tr>
<tr>
<td>MAES Appropriations</td>
<td>$0.34M</td>
</tr>
<tr>
<td>MSUE Appropriations</td>
<td>$0.29M</td>
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</tbody>
</table>
## MSU Appropriations

<table>
<thead>
<tr>
<th>Experiment Station and Extension</th>
<th>Governor</th>
<th>House</th>
<th>Senate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>-50 Percent</td>
<td>2.5 Percent</td>
<td>-44 Percent</td>
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<tr>
<td>Stimulus</td>
<td>-0-</td>
<td>$2.0M</td>
<td>$27.8M</td>
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</table>
## FTE Counts

### MAES

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Appropriated</th>
<th>Other</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure System Faculty</td>
<td>135.8</td>
<td>12.7</td>
<td>148.6</td>
</tr>
<tr>
<td>Fixed Term Faculty</td>
<td>2.8</td>
<td>42.3</td>
<td>45.1</td>
</tr>
<tr>
<td>Continuing Staff</td>
<td>4.4</td>
<td>5.2</td>
<td>9.7</td>
</tr>
<tr>
<td>Fixed Term Staff</td>
<td>3.7</td>
<td>116.7</td>
<td>120.4</td>
</tr>
<tr>
<td>Graduate Assistant</td>
<td>5.3</td>
<td>138.9</td>
<td>144.3</td>
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<tr>
<td>Nonacademic Staff</td>
<td>132.3</td>
<td>135.7</td>
<td>268.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>284.4</strong></td>
<td><strong>451.6</strong></td>
<td><strong>736.0</strong></td>
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# FTE Counts

## MSUE

<table>
<thead>
<tr>
<th>Employee Type</th>
<th>Appropriated</th>
<th>Other</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure System Faculty</td>
<td>55.1</td>
<td>0.8</td>
<td>56.0</td>
</tr>
<tr>
<td>Fixed Term Faculty</td>
<td>2.6</td>
<td>0.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Continuing Staff</td>
<td>264.6</td>
<td>31.0</td>
<td>295.6</td>
</tr>
<tr>
<td>Fixed Term Staff</td>
<td>62.1</td>
<td>49.2</td>
<td>111.3</td>
</tr>
<tr>
<td>Graduate Assistant</td>
<td>2.3</td>
<td>4.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Nonacademic Staff</td>
<td>150.0</td>
<td>146.2</td>
<td>296.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>536.7</strong></td>
<td><strong>231.9</strong></td>
<td><strong>768.6</strong></td>
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MSU Budget Statistics

<table>
<thead>
<tr>
<th>Percent Composed of Salaries &amp; Fringe Benefits*</th>
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<tbody>
<tr>
<td>All Funds Expenditures                        56%</td>
</tr>
<tr>
<td>General Fund Expenditures                     73%</td>
</tr>
<tr>
<td>General Fund Operating Units                  91%</td>
</tr>
</tbody>
</table>

*Source: 2007-08 OFI and 2nd close financial records
Strategic Imperatives

• Hold to core values and identify which are constant
  • Quality, inclusion, connectivity
• Look to Boldness by Design for long-term direction
• Base priorities on anticipated societal needs, significant intellectual issues, and academic strengths
• Build upon MSU experience and reputation as an international university
• Remain competitive on key reputational measures
• Maintain or attain productivity measures comparable or better than peers
• In financial considerations, focus on issues with the most potential for addressing existing and long-term circumstances
Strategic Imperatives

- Use the 25 Boldness by Design indicators for decision making including:
  - Student faculty ratio – Preserve to 17 to 1
  - Graduation rates – Continued improvement
  - Research grants – Close gap with peers
  - National academy memberships – Work toward doubling current complement

- Utilize planning processes across campus to achieve outcomes
  - Short-term decisions must be sustainable and advance a long-term strategy
  - Reinforce use of evidence-based planning and decision making
  - Continue reliance on tested systems and processes for guiding MSU
  - Focus on issues with the most potential for solving problems
Global Design Principles

- Most design principles are previously existing policies or practices
- Currently being augmented to guide abrupt and gradual change necessary given the magnitude of current financial challenges
- Synthesis of previously used planning elements
- Guide sculpting process over next three to four years
- Institutional direction setting
- Changing culture and attitudes
- Reaffirm priority of academic mission
- Provide accountability mechanism to assess progress over time
Illustrative Global Design Principles

- Design principles focused in the following areas:
  - Students
  - Performance Expectations
  - Compensation
  - Health care
  - Academic enterprise
  - Outreach
  - Research
  - Student Support
  - Finance
  - Operations
Students

- Overall stable enrollment

- Sustain a talented, inclusive undergraduate student body
  - Reflective of Michigan’s population and economic mix
  - Non-resident proportion to reflect peers
  - Increased prominence of financial aid
    - Expanding need-based programs targeted to both high and moderate need students
    - Promoting geographic diversity
  - Comparable matriculation rates, time to degree calculations, and achievements of peer institutions
  - Educational outcomes and placement rates comparable by discipline to peer institutions
Students

- Graduate students
  - Incremental growth over time (Master’s, PhD)
    - High quality and exemplary rate of placement
    - Scaled to increasing research activity
    - High quality revenue generating professional masters’ programs, other certificate and post-baccalaureate programs
  - Graduate professional students
    - Anticipated growth as a result of fully populated programs in West and Southeast Michigan
Design Principles

Performance Expectations

• Expectation of excellence across the university
  • Increased productivity/quality expectations for all employees as well as major university functions, total FTE counts will necessarily be smaller
  • Expected to work smarter, fully utilizing technology, best practices in each functional area, and team approaches across traditional offices to accomplish critical tasks
  • Faculty expected to continue excellent teaching reputation and build research base and outreach performance
  • Promote tenure standards consistent with peer universities; continued use of post-tenure review
Performance Expectations

• Support staff classifications reviewed, increased training made available, use of performance assessment tools

• Work expectations examined to identify impediments to efficient operations that are inconsistent with practices of other employers in the functional area

• Streamline work process including review of numbers and assignments of administrators
Employees-Compensation

• Recruit and retain talented, inclusive university employee population

• Salary scale at market rates for all employees
  
  • Faculty compensation based on a national – international labor market (e.g. average of Big Ten)

  • Support staff compensation based on a local or regional labor market
Design Principles

Fringe Benefits — Health Care

• Restructure benefit programs to better reflect current financial circumstances at MSU, in mid-Michigan, and across higher education
  
  • Recognize the need for high-quality, cost effective health coverage, funded by employer and employee contributions, that addresses serious events and preventative care
  
  • Better incorporate national best practices in evidence-based medicine and health information systems
  
  • Bring design and eligibility for funded post-retirement health care in line with appropriate local and national peer groups
  
  • Integrate with MSU programs and practices where cost and quality are favorable
Design Principles

Fringe Benefits – Health Care

- Align incentives to better assure that employees, health providers and insurers all are incentivized to improve long-term health, while constraining cost
  
  - Consumer-based health care options
  - On-site employer-provided clinics
  - Employ health promotion and prevention options

- Trend toward individual responsibility for healthy behavior

- Trend toward controlled and predictable institutional rates of cost increases

- Reassess current budgeting techniques for fringe benefits
### Health Care Cost Comparisons

<table>
<thead>
<tr>
<th>Coverage Tier</th>
<th>MSU</th>
<th>Big Ten</th>
<th>Local Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Faculty</td>
<td>Staff</td>
<td>Average</td>
</tr>
<tr>
<td>Employee</td>
<td>$557 - $649</td>
<td>$0 - $92</td>
<td>$850</td>
</tr>
<tr>
<td>Employee + Spouse</td>
<td>$1,170 - $1,362</td>
<td>$0 - $192</td>
<td>$2,465</td>
</tr>
<tr>
<td>Employee + Child(ren)</td>
<td>$1,170 - $1,362</td>
<td>$0 - $192</td>
<td>$2,139</td>
</tr>
<tr>
<td>Employee + Family</td>
<td>$1,365 - $1,589</td>
<td>$0 - $224</td>
<td>$3,002</td>
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</table>

<table>
<thead>
<tr>
<th>Plan Component</th>
<th>MSU</th>
<th>State of Michigan</th>
<th>General Motors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>HMO</td>
<td>PPO</td>
</tr>
<tr>
<td>Premium Share - Employee</td>
<td>$0 - $92</td>
<td>$189 - $306</td>
<td>$619</td>
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<tr>
<td>Premium Share - Employee + Spouse</td>
<td>$0 - $192</td>
<td>$434 - $611</td>
<td>$1,238</td>
</tr>
<tr>
<td>Premium Share - Employee + Child(ren)</td>
<td>$0 - $192</td>
<td>$434 - $611</td>
<td>$1,238</td>
</tr>
<tr>
<td>Premium Share - Family</td>
<td>$0 - $224</td>
<td>$509 - $843</td>
<td>$1,735</td>
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<tr>
<td>Deductible</td>
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<td>$0</td>
<td>$300/$600</td>
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<tr>
<td>Out-of-Pocket Maximum</td>
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<td>None</td>
<td>$1,000/$2,000</td>
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<td>Hospital Inpatient</td>
<td>0%</td>
<td>0%</td>
<td>Subject to deductible</td>
</tr>
<tr>
<td>Outpatient Surgery</td>
<td>0%</td>
<td>0%</td>
<td>Subject to deductible</td>
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<td>Office Visit</td>
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<td>$15 copay</td>
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<tr>
<td>Generic Drug</td>
<td>$10 copay</td>
<td>$5 copay</td>
<td>$10 copay</td>
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<td>Formulary Brand Drug</td>
<td>$20 copay</td>
<td>$10 copay</td>
<td>$20 copay</td>
</tr>
<tr>
<td>Non-Formulary Brand Drug</td>
<td>$40 copay</td>
<td>$10 copay</td>
<td>$40 copay</td>
</tr>
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</table>
Academic Enterprise

- Quality, connectivity, and inclusion serve as values guiding change

- Some activities will grow in scale while others will be reduced or discontinued

- Leverage performance within projected resources across multiple dimensions:
  - Student learning
  - Reputational profile
  - Research productivity
  - Cost
  - Outreach impact

- Change curricular dynamics to increase value, flexibility, and productivity

- Increase emphasis on engaged learning, including undergraduate research, service learning and international experiences

- Solutions require innovative models as well as using the best of current practice

- Preserve flexibility to address emerging opportunities

- Lower barriers to interdisciplinary teaching and research collaborations

- Some activities will grow in scale while others will be reduced or discontinued
## Key Metrics
(Faculty-Based Research)

<table>
<thead>
<tr>
<th></th>
<th>FALL 2007 RANKED FACULTY FTE</th>
<th>ADMIN. BUDGET /SCH</th>
<th>SCH/RANKED FACULTY</th>
<th>2008 Tuition/Direct Inst. Costs</th>
<th>2008 TOTAL Grants - 3 YR AVG. PI Home</th>
<th>5 Year Percent CHG. GRANTS</th>
<th>TOTAL Grants/Ranked Faculty</th>
<th>% TOTAL INDIRECT COST RECOVERY (MTDC) FY**</th>
</tr>
</thead>
<tbody>
<tr>
<td>A&amp;L</td>
<td>288.7</td>
<td>159.9</td>
<td>626.0</td>
<td>194.4%</td>
<td>$1,377,772</td>
<td>106.6%</td>
<td>$4,773</td>
<td>16.9%</td>
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<tr>
<td>CNS</td>
<td>425.0</td>
<td>229.0</td>
<td>606.5</td>
<td>148.3%</td>
<td>$637,82,029</td>
<td>2.3%</td>
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<td>35.9%</td>
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<tr>
<td>CSS</td>
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<td>193.2</td>
<td>670.0</td>
<td>164.4%</td>
<td>$20,830,973</td>
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<td>$52,452</td>
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<td>371.7</td>
<td>223.2</td>
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<td>434.0</td>
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<td>$18,828,453</td>
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<td>$107,918</td>
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<td>609.9</td>
<td>311.1</td>
<td>61.3%</td>
<td>$25,640,468</td>
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<td>$163,596</td>
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<tr>
<td>MUSIC</td>
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<tr>
<td>RCAH</td>
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<td>648.8</td>
<td>189.6</td>
<td>48.3%*</td>
<td>$73,781</td>
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<td>614.7</td>
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<td>854.8</td>
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<td>COM</td>
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<td>489.8</td>
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<td>$11,758,031</td>
<td>-13.6%</td>
<td>$62,443</td>
<td>29.5%</td>
</tr>
</tbody>
</table>

*Limited to a 2-year student complement. Anticipating a minimum of 100% once a full 4-year complement is realized.

** Indirect cost recovery is determined by annual grant expenditures and distributed by administrative share of responsibility for the grant.
## Key Metrics
(Unit-Based Research)

<table>
<thead>
<tr>
<th></th>
<th>FALL 2007 RANKED FACULTY</th>
<th>ADMIN. BUDGET/ SCH</th>
<th>SCH/RANKED FACULTY</th>
<th>2008 TUITION/DIRECT INST. COSTS</th>
<th>2008 TOTAL GRANTS - 3 YR AVG. Grant</th>
<th>5 YEAR PERCENT CHG. GRANTS</th>
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<tbody>
<tr>
<td>A&amp;L</td>
<td>288.7</td>
<td>159.9</td>
<td>626.0</td>
<td>194.4%</td>
<td>$1,293,151</td>
<td>37.6%</td>
<td>$4,480</td>
<td>16.9%</td>
</tr>
<tr>
<td>CNS</td>
<td>425.0</td>
<td>229.0</td>
<td>606.5</td>
<td>148.3%</td>
<td>$49,498,625</td>
<td>-9.6%</td>
<td>$116,465</td>
<td>35.9%</td>
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<tr>
<td>CSS</td>
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<td>193.2</td>
<td>670.0</td>
<td>164.4%</td>
<td>$19,500,595</td>
<td>9.7%</td>
<td>$49,103</td>
<td>23.9%</td>
</tr>
<tr>
<td>ANR</td>
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<td>371.7</td>
<td>223.2</td>
<td>92.5%</td>
<td>$32,077,163</td>
<td>-24.8%</td>
<td>$88,347</td>
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</tr>
<tr>
<td>BUSINESS</td>
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<td>143.9%</td>
<td>$1,262,395</td>
<td>56.4%</td>
<td>$10,325</td>
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<td>$2,845,319</td>
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<td>$30,315</td>
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<td>352.3</td>
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<td>$18,092,811</td>
<td>66.8%</td>
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<td>EGR</td>
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<td>609.9</td>
<td>311.1</td>
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<td>$25,652,498</td>
<td>61.8%</td>
<td>$163,673</td>
<td>30.7%</td>
</tr>
<tr>
<td>MUSIC</td>
<td>72.9</td>
<td>537.5</td>
<td>190.5</td>
<td>65.0%</td>
<td>$5,011</td>
<td>-88.7%</td>
<td>$69</td>
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<tr>
<td>RCAH</td>
<td>11.0</td>
<td>648.8</td>
<td>189.6</td>
<td>48.3%*</td>
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*Limited to a 2-year student complement. Anticipating a minimum of 100% once a full 4-year complement is realized.

**Indirect cost recovery is determined by annual grant expenditures and distributed by administrative share of responsibility for the grant.
Research

• Increase expectation for research quality and productivity across the university

• Leverage performance across areas ranging from emerging to mature disciplines, assessing current as well as future contributions

• Facilitate the growth of interdisciplinary research agendas integrating social/behavioral and physical/biological disciplines

• As a comprehensive, international, research university built on land-grant traditions, continue to strengthen the liberal core in arts, humanities, social sciences while focusing on areas of traditional strength, opportunity, and need including:
  • Plant science
  • High energy & nuclear physics
  • Health/life sciences (basic/translational)
  • Food safety and security
  • Public humanities and creative arts
  • Energy/energy storage
  • Environmental sciences
  • Complex materials
  • Education and pedagogy
Research

• Policies and practice aligned to achieve sustainable external research funding model incorporating:
  • Faculty incentives
  • Research initiation expenses
  • Facilities investments and assignments
  • In-kind contributions
  • Support of graduate students

• Seek annual increases in federal, foundation and corporate research grant activity in dollars and rates of change sufficient to close gap with peer institutions

• Sustain administrative oversight while reducing regulatory costs
### Total Grants-3 Yr. Avg (Faculty-Based)

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### Total Grants-3 Yr. Avg (Unit-based)

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Outreach

Design Principles

• Leverage departmental expertise through seamless connections between university research and outreach

• Integrate focused MSU expertise into communities

• Activities derived from research strengths and based upon scholarly engagement

• Advance community focused education
Design Principles

Student Support

• Assure student and academic support functions (totaling over $25M) demonstrate measurable, positive outcomes

• Integrate programs across academic units, residence halls, and support services

• Build student and academic support programs upon a neighborhood concept (including academic, personal/social and health/medical)

• Use effective electronic technologies to build on the ways in which students interact with media

• Focus first-year experience on
  • Assisting students’ academic and social transition to university expectations
  • Beginning a process of stronger identification and affiliation with the university
Finance

• Utilize multi-year perspective to analyze financial circumstances

• Continue to rely only on recurring revenues to address recurring expenditures

• Rely on strategic management of university investments to realize consistent and predictable returns

• Manage financial resources conservatively, preserving appropriate levels of reserves and liquidity

• Incorporate known commitments into long-term plans including:
  • Just-in-time facilities maintenance schedule
  • Programmatic-related facility requirements
  • Project cash needs (e.g. F-RIB, EBSP)

• Preserve financial and personnel flexibility
Operations

- Attain lowest administrative/operating costs among peer institutions with similar systems and circumstances

- Continue to reduce utility costs to assure most efficient operation, emphasizing environmental sustainability wherever possible

- Improve financial control and operational effectiveness through implementation of new Financial - HR information system

- Prioritize Just-in-Time facility spending, balancing limited financial resources against deterioration and cost escalation if deferred

- Review academic support costs for potential savings, balance to assure that faculty activities constitute best, most productive use of time
Operations

- Optimize efficiency and effectiveness of services provided by MSU Health Team and Olin Student Health Center
- Improve economies of scale by leveraging volume, partnering and brokering
- Incorporate modern tools, including supply chain analysis, to control costs
- Develop service center models to assist in reducing costs and improving financial information
- Assure necessary compliance with governmental and other regulatory policies while controlling costs
Illustrative Metrics for Success

- Maintain/improve status among finest public research universities
- Improvement in institutional and programmatic rankings
- Research growth rate ahead of peers
- Advancement growth rate ahead of peers
- Preserve 17:1 student faculty ratio
- Moderated cost growth for health and utility expenditures in particular
- Reduce and redistribute human capital while building expertise and promoting inclusion
Tools
(Illustrative)

- Multi-year financial models
- Differential budget investment across areas of importance
- Annual strategic planning and program review
- Effective personnel policies that promote high performance and productivity
- Peer-driven benchmarking
- Review of budgets by sub-function
- Review efficiency and effectiveness
- Travel costing
- 2020 master plan
- JIT planning and analysis
- Financial and human resource information system
- Review of research centers, bureaus, and institutes
Recap

- Core values of quality, inclusion, and connectivity remain constant
- Boldness by Design provides the long-term framework for shaping future
- Continue reliance on tested systems and processes for guiding MSU
- Build upon planning base established by Provost Wilcox and VP Poston
- Sculpt university to maintain its status among the best research universities in the world while adjusting to long-term fiscal realities
- Changes primarily derived through unit and cross-unit planning, augmented by transparency, soliciting ideas, and formal consultation with faculty, staff, students, and community
- Process is both decentralized and integrated, began in 2008-09, and will continue over the next three years
- Uncertainty about the external environment and commitment to consultation coupled with the above factors in an iterative process that may seem “messy” at times
Communications

• Each member of our community is responsible to become an informed participant in this process

• Communication, commitment to our values, and the courage to make the decisions which will best position MSU for the future, will best assure our success

• Additional information at the LEAD session on September 17 and on the Web:

  shapingthefuture.msu.edu
  (available September 3)

  For Budget and Financial Background
  budget.msu.edu
Conclusions

• We are now asking much of a university community that already has experienced difficult times

• However, as stewards of a great university – serving as the link between past achievements and future promise – we are required to redouble our efforts

• I sincerely appreciate your engagement during this defining time and pledge my support to assure MSU continues as one of the finest universities in the world