

LEadership and ADministrator Workshop

**A Conversation with
Dr. Lou Anna K. Simon**

February 8, 2011

Continue to build value, documented by benchmarks

- MSU systematically reviews the outcome of numerous benchmarks and related data. Key institutional metrics are noted below. All contribute to maintaining MSU's status as one of the top 100 research institutions in the world
 - Operates among the **lowest** total tuition and fees and appropriation per student in the Big Ten (currently next to last)
 - Current student faculty ratio: 16-1, approximates the **Big Ten average**
 - **1st or 2nd** in the Big Ten for proportion of expenses related to instruction, research, and public service
 - **5th** in the Big Ten for total faculty compensation and averages **5th** in the Big Ten for total graduate assistant compensation

- **Student Accomplishments:**
 - Entering class GPA of 3.6 (up 3.7 percent over ten years)
 - Entering class GRE score of 25.4 (up 6.3 percent over ten years)
 - Persistence between freshmen and sophomore years of 91 percent (up 4 percentage points over ten years)
 - Graduation rate of 77 percent (up 13 percentage points over ten years)
- **Research Accomplishments**
 - \$495M in total awards for 2009-10, up \$90M from previous year including approximately \$36M in ARRA sponsored awards
- **Second to last** in the Big Ten for number of students per employee
- **Top 6 percentile** nationally for endowment performance over 10 years
- **Lowest** total unit cost for energy in the Big Ten
- **Most efficient** in the Big Ten for custodial, maintenance, and grounds staffing

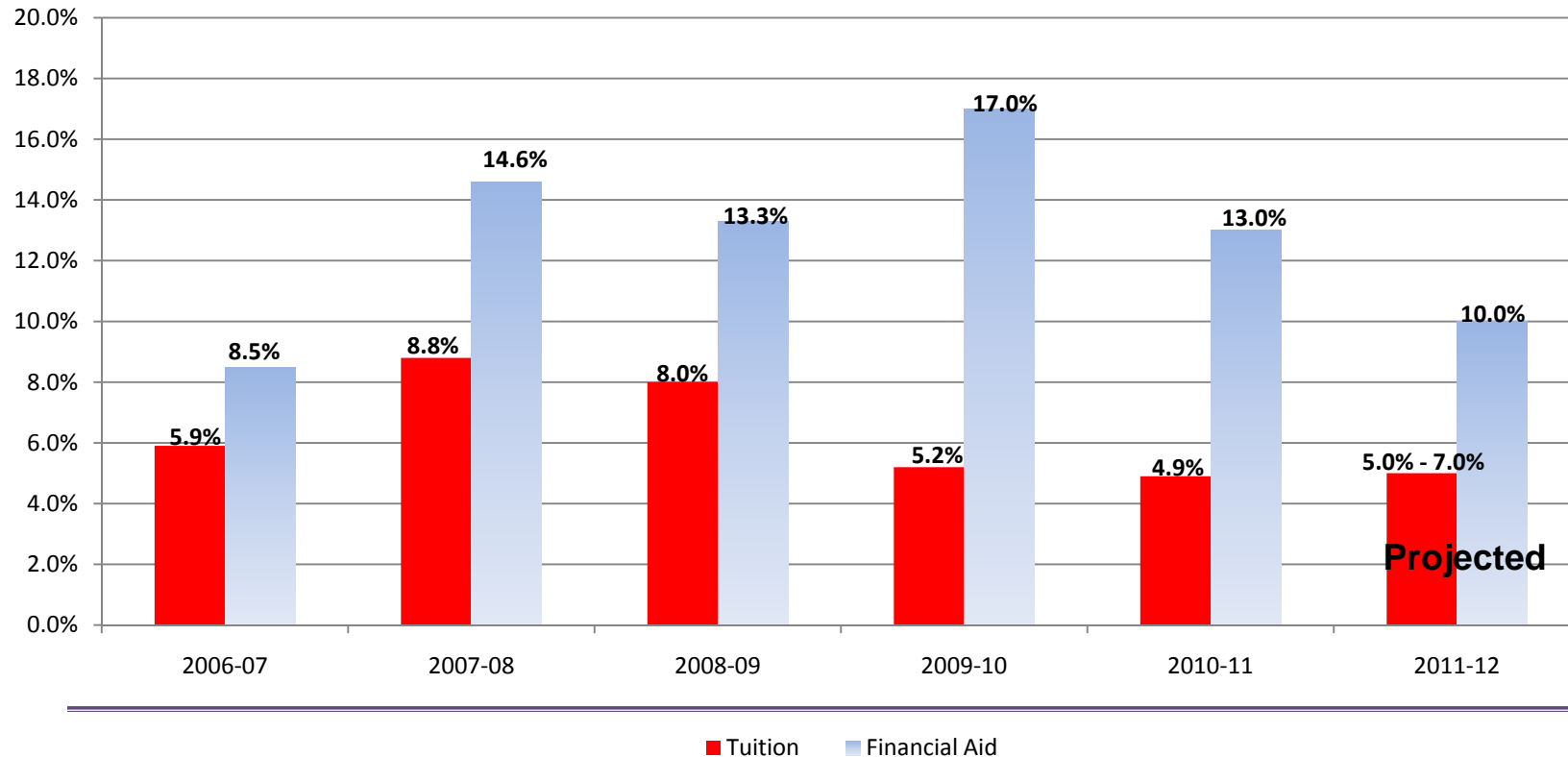
Cost Containment

- Reduced health care costs by 10 percent; imposed a 5 percent cap on annual funded increases
- Discontinued funded post retirement health care for all new employees
- Initiated comprehensive review of campus academic programs, proposals include consolidations as well as discontinuations
- Maintained the long-term economic mix of our undergraduate population through financial aid, despite economic circumstances

Continued emphasis on programs contributing to State's economy

- Restructured MSUE and MAES
- Initiated MSU Technologies, MSU Business Connect, MSU Product Center, and MSU BioEconomy Network
- Health and Science sector – Recent expansion to Grand Rapids and Southeast Michigan – additional partnerships throughout the state
- F-RIB - \$600M world-unique facility sponsored by the Department of Energy - \$60M annual operating contract once operational
- University Research Corridor – Composed of Michigan's 3 research universities – URC contributes approximately \$15B/year to the state's economy

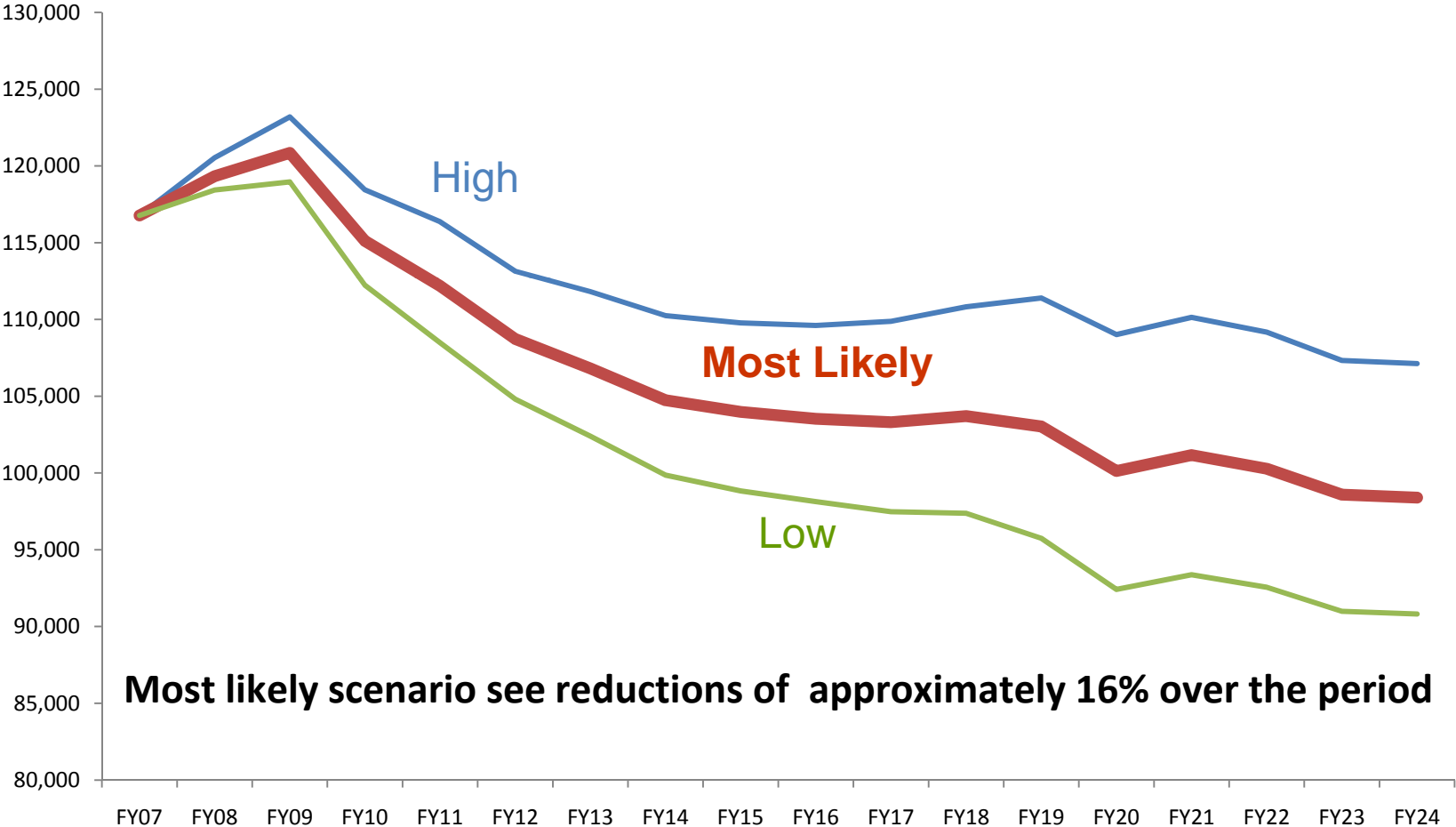
Responsible Stewardship of Enrollment, Tuition/Fees and Financial Aid



1% Tuition = \$6.0M 1% Financial Aid = \$0.83M

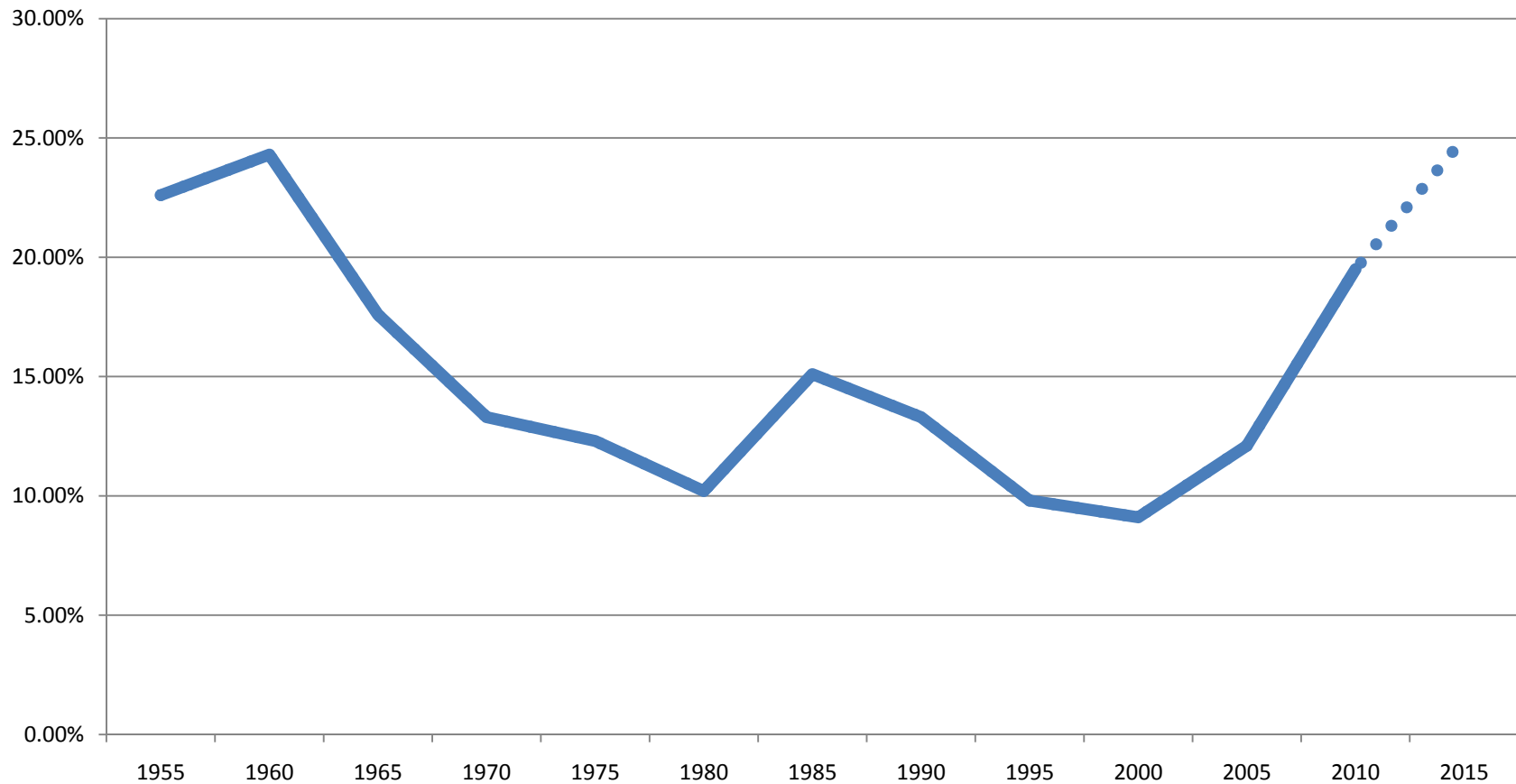
- MSU continues to outpace tuition adjustments with increases to financial aid
- 2010-11 the second of a two-year plan to grow financial aid by over 30%
- Financial aid amounts address continuation of current University programming

Projected Michigan 12th Grade Enrollment



Most likely scenario see reductions of approximately 16% over the period

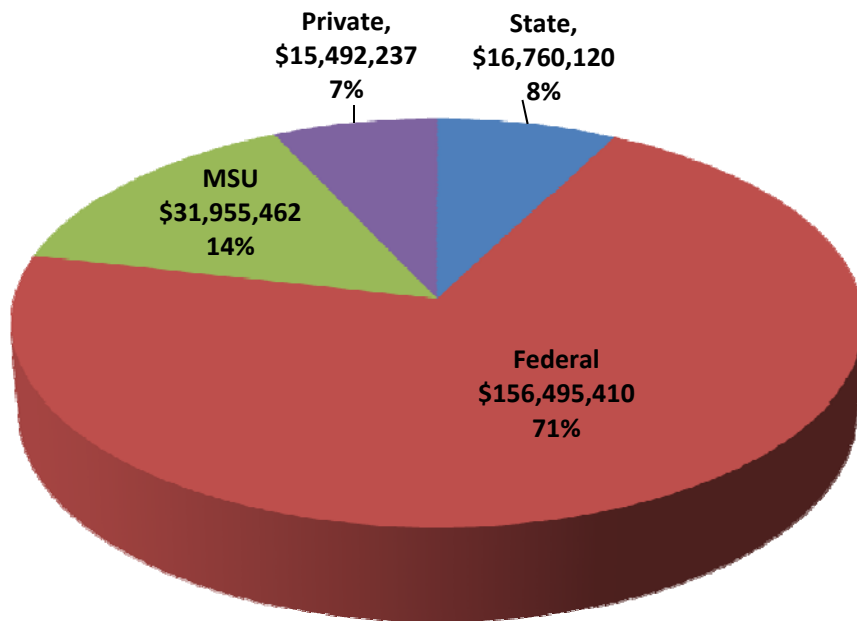
MSU Entering Class Percentage of Non-Resident Enrollment



Entering Class

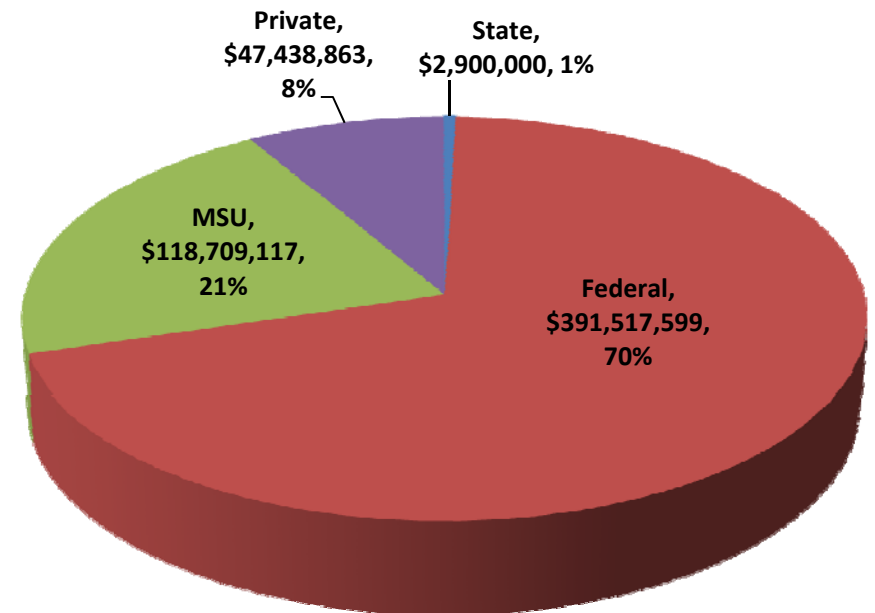
	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Entering Class	6,299	6,234	6,873	7,206
GPA	3.19	3.28	3.48	3.61
ACT	22.1	22.6	23.9	25.4
Honors College Academic Scholars			8.9%	9.2%
Women	3,389	3,329	3,854	3,840
Non-Michigan	8.90%	11.20%	9.1%	19.5%

MSU Student Assistance



2000-01

Total Assistance: \$221M

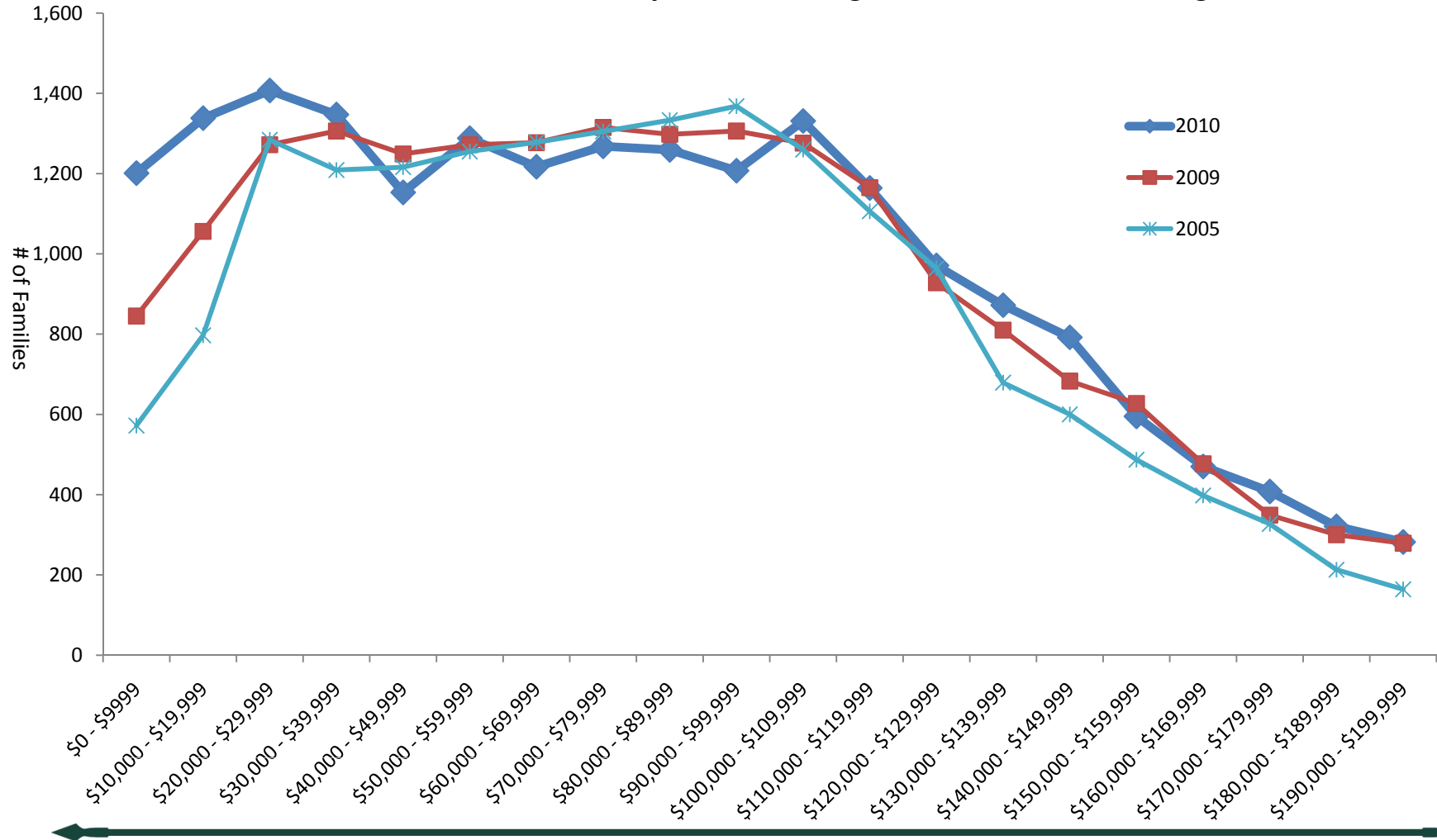


2009-10

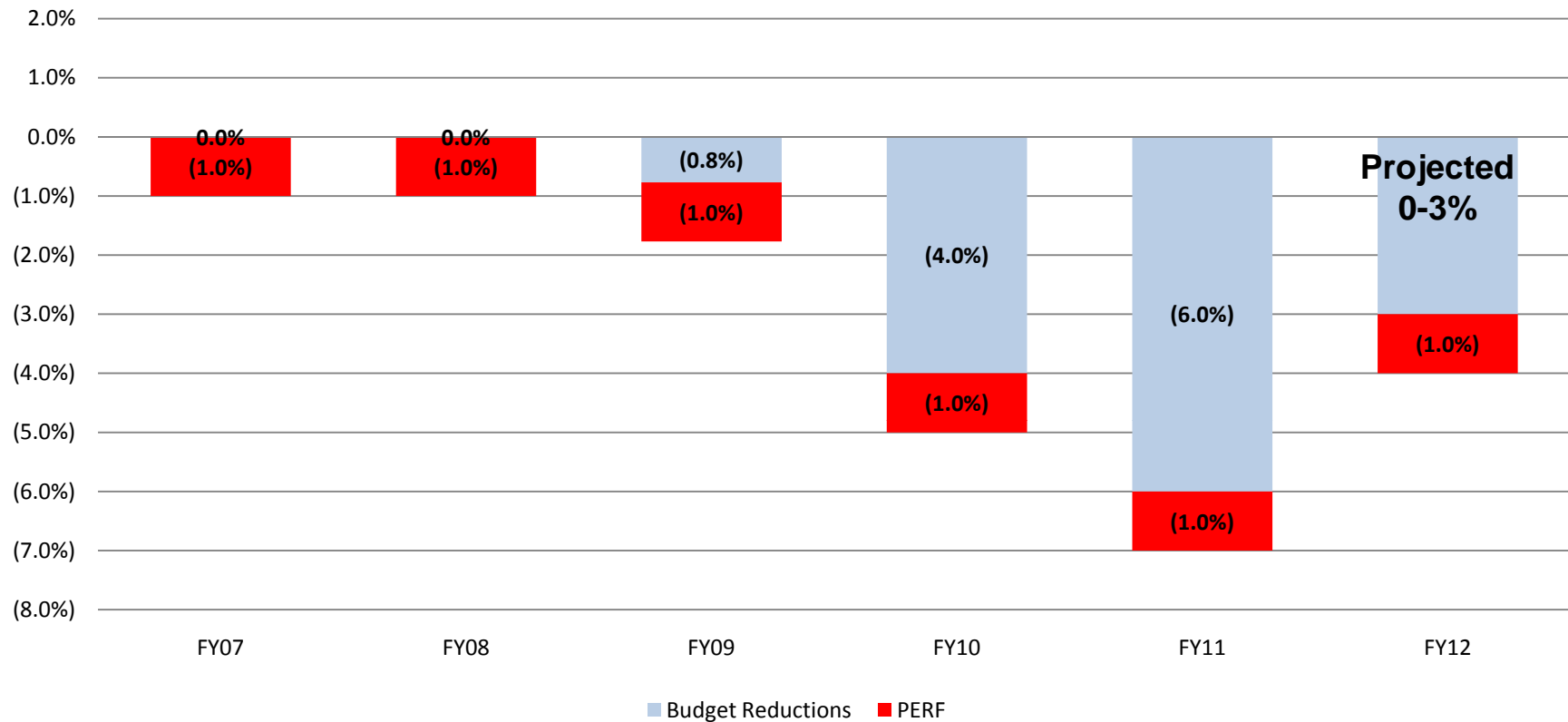
Total Assistance: \$582M

Financial Aid

Distribution of MSU Family Income Among Financial Aid Filers making less than \$200K



Budget Reductions



1% PERF and Reduction = \$5.0M

- Provost and VPFO differentiating reductions amongst units to further the reshaping efforts
- Reduction levels for 2011-12 preliminarily established between 0% and 3.0% based on declining state support
- Timing of reductions shifts across years depending on appropriations outcomes

Faculty and Staff FTE

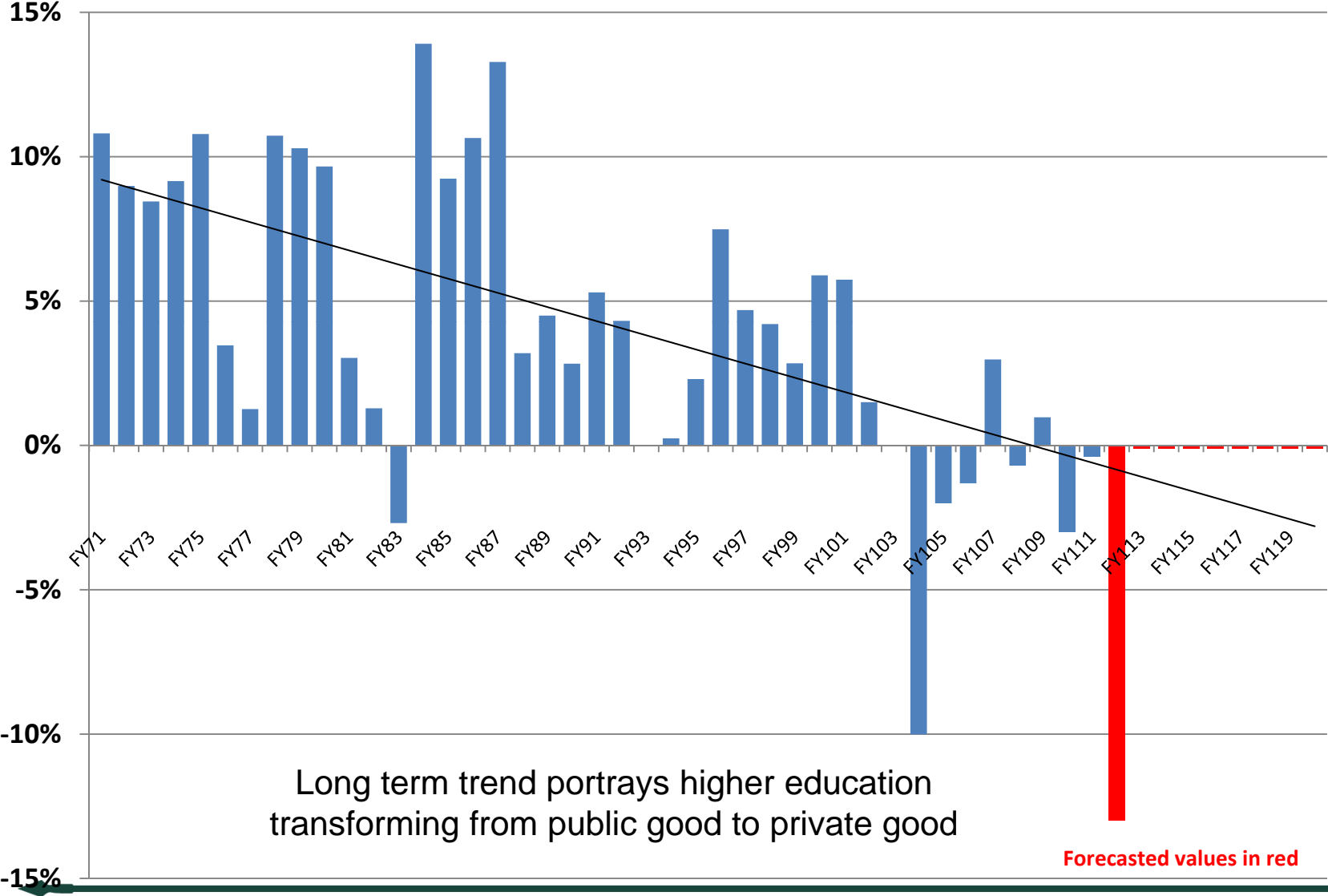
	Tenure System Faculty	Fixed Term Faculty	Continuing Staff	Fixed Term Staff	Graduate Assistants	Nonacademic Staff	Total FTE
2008	1,896	618	601	476	904	3,385	7,881
2009	1,931	619	590	448	814	3,394	7,795
2010	1,897	591	569	390	793	3,320	7,560
Change	1	-27	-32	-86	-111	-65	-321

GF, MAES, MSUE

2011-12 State Budget Resources

- 2010-11 state budget relied on \$1.4B in one-time resources
- One time resources will not be available for the 2011-12 period, creating a structural deficit in the range of 12-18%
- Statutory reduction in state income tax estimated at approximately \$125M
- Proposed reductions to corporate tax revenues of approximately \$1.5B without increases to other revenue sources would further the existing structural deficit
- Based on state GF budget of approximately \$8.5B
- Potential balance of \$0.4B in state School Aid Fund

State Appropriations History



2010 -11 MSU Budget Variable

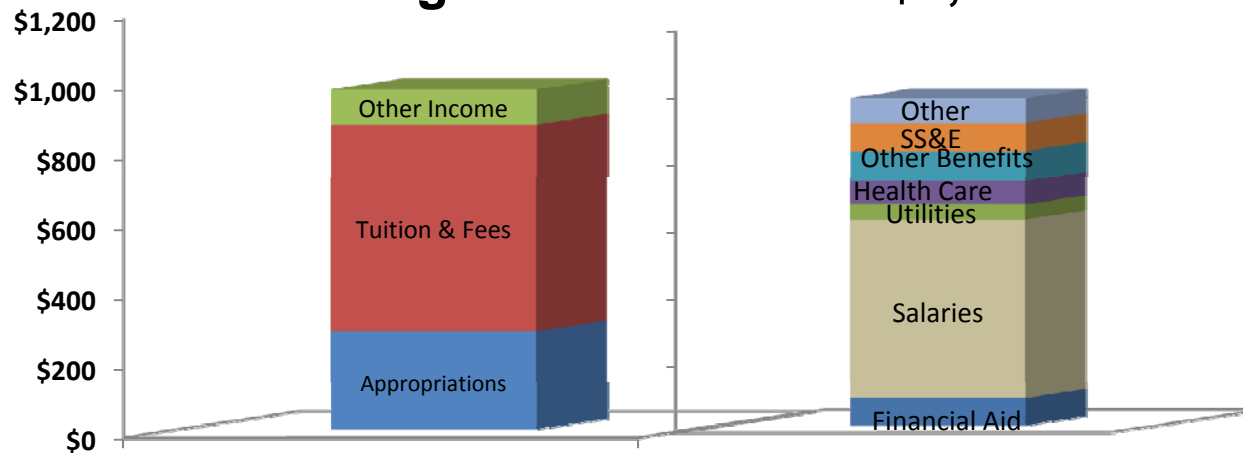
Revenue Inputs

Appropriation	-0.40%
Tuition & Fees	2.50%

Expense Inputs

Financial Aid	13.00%
University Salaries	0.00%
Health Care	-5.00%
Other Benefits	3.00%
Utilities	5.00%
Budget Reduction	-6.00%

Budget Established at \$1,018.4M



2011 -12 MSU Budget Planning

FACULTY SALARIES -- 1.5%
S&S -- 2.0%

UTILITIES -- 5.0%
FINANCIAL AID -- 10.0%

OTHERS PER CONTRACT
HEALTH CARE -- 5.0%

With current expenditure and appropriation projections approximately \$47M is necessary to balance the 2011-12 budet

Tuition Target

APPROPRIATIONS

	0.0%	1.0%	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%
-20.0%	(\$67)	(\$60)	(\$54)	(\$47)	(\$40)	(\$34)	(\$27)	(\$21)	(\$14)	(\$7)	(\$1)
-17.0%	(\$58)	(\$52)	(\$45)	(\$38)	(\$32)	(\$25)	(\$19)	(\$12)	(\$5)	\$1	\$8
-15.0%	(\$53)	(\$46)	(\$39)	(\$33)	(\$26)	(\$20)	(\$13)	(\$6)	\$0	\$7	\$13
-13.0%	(\$47)	(\$40)	(\$34)	(\$27)	(\$20)	(\$14)	(\$7)	(\$1)	\$6	\$13	\$19
-10.0%	(\$38)	(\$32)	(\$25)	(\$19)	(\$12)	(\$5)	\$1	\$8	\$14	\$21	\$28
-7.0%	(\$30)	(\$23)	(\$17)	(\$10)	(\$3)	\$3	\$10	\$16	\$23	\$30	\$36
-5.0%	(\$24)	(\$18)	(\$11)	(\$4)	\$2	\$9	\$15	\$22	\$29	\$35	\$42
-3.0%	(\$19)	(\$12)	(\$5)	\$1	\$8	\$14	\$21	\$28	\$34	\$41	\$47
-1.0%	(\$13)	(\$6)	\$0	\$7	\$14	\$20	\$27	\$33	\$40	\$47	\$53

1% Approp = \$2.84M 1% Tuition = \$5.6M 1% Reduction = \$4.8M 1% Fin Aid = \$0.94M 1% Inv Inc = \$0.30M 17
1% Fac Sal = \$2.60M 1% Other Sal = \$2.75M 1% S&S = \$0.86M 1% Utilities = \$0.5M 1% Health = \$0.67M

MSU Financial Framework

- An updated ten year analysis of eight critical university areas requiring long-term support because of current state and federal financial circumstances
- The eight categories are:
 - Just-in-Time Facilities Renewal
 - Administrative Computing (EBSP, EBSP Transition, Research Administration, SIS)
 - Specialized Research Space
 - Financial Aid
 - Health Care
 - F-RIB
 - Academic Quality
 - Energy/Other Regulatory Issues
- Anticipate \$70M in recurring needs over ten years without considering energy costs

Resources Available

State Appropriations

- In a period of significant contraction
- Long-term, no rebound anticipated

Tuition & Fee Rates

- Increased elasticity
- Student profile

Numbers of Students

- Resident/non-resident

Development

- Economic conditions

Research Contracts

- Federal budget circumstances
- Multi-year freeze on spending
- Reduce spending to 2008 levels

Investment Income

- Economic conditions