Faculty Senate
Budget Discussion
January 14, 2020

Faculty perspective and input on FY21 budget planning
FY21 Budget Planning

Planning Challenges
- Appropriations trend
- Programmatic needs
- Enrollment
- Tuition revenue mix
- Investment income

Unavoidable Cost Increases
- Faculty recruitment/retention
- Coalition labor contracts
- Health care & fringe benefits
- Financial aid – need and incentive based
- Utilities and campus infrastructure
- Settlements and related costs

Reliance on Tuition
- Appropriations per student lags peers
- Investment income committed
- Declining international students
- IDC revitalizes research program
- While growing, endowment lags peers
**Budget Planning: Current status**

**State Appropriations**
- Michigan ranks 40th nationally for ten-year change (2009-2019) in state appropriations funding, -5.2%
- Funding at the national average of 12.2% would result in approximately $61M in additional funding for MSU

**Resource Availability**
- MSU appropriations lag the Big Ten and Carnegie average by approximately $2,000 per student, reflecting an overall resource deficit of over $90M when compared to peers

**Big Ten Residency**
- MSU exceeds the Big Ten average for resident undergraduate enrollment by 15%
- By mimicking the Big Ten average, MSU could generate over $80M in tuition & fee revenue annually from non-resident students

**Economic Outlook**
- Forecasted Federal revenues anticipated to increase 4.5% and 5.5% in FY20 and FY21
- Disposable income growth outpaces inflation estimate
**Sponsored Awards**

MSU sponsored awards exceed **$660M** annually, an increase of **57% over ten years** and **250% since 2000-01**

**R&D Expenditures**

MSU sponsored expenditures rank **32nd nationally and 7th in the Big Ten**, an increase of 6 and 3 place over three years

**Federal Awards**

Federal sponsored awards approximate **$470M**, an increase of **$230M over ten years**

**Research Per Faculty**

Sponsored awards per faculty member exceed **$335K**, an increase of approximately **67% over ten years**
Endowment
MSU total endowment market value exceeds $3B, 6th in the Big Ten

Endowment Performance
MSU outperforms the 1, 3, 5, and 10 year benchmark for investment returns
70% MSCI AWCI/ 30% Bgg BG Agg.

Donor Provided Aid
MSU lags the Big Ten average for donor provided financial aid by over $500 per student, equivalent to more than $23M in total resources

Annual Giving
MSU ranks 11th in the Big Ten for annual giving (2018 VSE data)
Recent capital campaign exceed giving goal, $1.8B, from over 250K donors
## Budget Planning: Revenue Considerations

<table>
<thead>
<tr>
<th>Budget Element</th>
<th>FY20 Base Amount</th>
<th>% of FY20 Budget</th>
<th>Influences</th>
<th>FY21 Planning Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriations</td>
<td>$292M</td>
<td>20%</td>
<td>• Political/legislative&lt;br&gt;• Funding model&lt;br&gt;• Tuition restraint</td>
<td>• Restore base for FY20 increment&lt;br&gt;• Monitor budget recommendation&lt;br&gt;• Funding model changes</td>
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<tr>
<td>Tuition and Fees</td>
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<tr>
<td>Resident UG</td>
<td>$500M</td>
<td>34%</td>
<td>• Class composition&lt;br&gt;• Market considerations&lt;br&gt;• Financial aid &amp; pricing&lt;br&gt;• Capacity &amp; resources</td>
<td>• State of Michigan population&lt;br&gt;• Demographics of UG class&lt;br&gt;• Program demand &amp; capacity&lt;br&gt;• Block tuition and related impact</td>
</tr>
<tr>
<td>Non-Resident UG</td>
<td>$325M</td>
<td>22%</td>
<td>• Class composition&lt;br&gt;• Market considerations&lt;br&gt;• Financial aid &amp; pricing&lt;br&gt;• Capacity &amp; resources</td>
<td>• Domestic out-of-state planning&lt;br&gt;• International student availability&lt;br&gt;• Competition for students&lt;br&gt;• Program demand and capacity</td>
</tr>
<tr>
<td>Graduate &amp; Graduate Professional</td>
<td>$245M</td>
<td>17%</td>
<td>• Rankings &amp; reputation&lt;br&gt;• Market for professional programs&lt;br&gt;• Pricing and debt loads&lt;br&gt;• Broader economy&lt;br&gt;• Modality</td>
<td>• Baseline target population&lt;br&gt;• Professional program cyclicality&lt;br&gt;• Incorporation of Law College&lt;br&gt;• Online program development&lt;br&gt;• GA funding</td>
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| **Indirect Cost Recovery** | $70M             | 5%               | • Awards and expenditures  
• Political/legislative (Fed)  
• Overhead rate  
• Incentive structure | • Federal budget outcomes  
• Research facilitation incentive model  
• Cost pressures from increasing startup and differential facilities needs |
| **Investment Income**    | $30M (budgeted)  | 2%               | • Earnings assumptions  
• Spending policy payout  
• Assets for investment  
• Reserve requirement | • Ongoing debt service commitments  
• Treasury management practices  
• Contingency planning for market downturn |
| **RBI/OCCI**             | $100M (incl. in tuition) | n.a.             | • Curriculum distribution  
• Incentive structure  
• Market for programs  
• Summer restoration | • Modify/extend policy for revenue-share  
• Focus on summer UG credit restoration  
• Develop online professional master’s programming |
| **PERF**                 | $6M (Reallocation pool) | n.a.             | • Recurring unit base budgets  
• Programmatic needs  
• Annual planning process | • Programmatic needs outpace resources  
• Prioritization of strategic initiatives |
## Budget Planning: Expense Considerations

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<tr>
<td>Financial Aid</td>
<td>$167M</td>
<td>12%</td>
<td>• Class composition &amp; need</td>
<td>• Waivers for non-resident enrollment</td>
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<tr>
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<td>• Debt and affordability</td>
<td>• Need-based programming mix</td>
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<td>• Incentive for NR students</td>
<td>• Graduate and professional schools</td>
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<td>Salary &amp; Raise</td>
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<tr>
<td>Faculty &amp; Academic Staff</td>
<td>$430M</td>
<td>30%</td>
<td>• Recruitment and retention</td>
<td>• Maintain/improve peer standing</td>
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<td></td>
<td>• Pay equity, compression</td>
<td>• Differentials for merit</td>
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<td></td>
<td>• Diversity initiatives</td>
<td>• Address equity issues in targeted areas</td>
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<tr>
<td>Support Staff (CLO groups)</td>
<td>$270M</td>
<td>19%</td>
<td>• Number and distribution</td>
<td>• Manage employee complement</td>
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<td></td>
<td>• Market-based assessment</td>
<td>• Differential within pool for merit</td>
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<td>• Relationship to health care cost increases</td>
<td>• Potential overtime legislation</td>
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<td>Graduate Assistants</td>
<td>$50M</td>
<td>3.5%</td>
<td>• Recruitment of acclaimed students</td>
<td>• Availability of funding</td>
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<td>• Research involvement</td>
<td>• Support from non-GF sources</td>
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<td></td>
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<td></td>
<td>• Source of funding</td>
<td>• Assure quality of class, maintain population</td>
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<td>• Diversity initiatives</td>
<td>• Funding guarantee for program durations</td>
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| Health Care    | $105M           | 7%               | • Plan design & cost-share  
                 |                 |                 | • Market conditions         
                 |                 |                 | • Retiree complement        
                 |                 |                 | • Services model (MSU HC, Inc.)  
| Other Benefits | $127M           | 9%               | • Tax policy  
                 |                 |                 | • Retirement match and participation  
| Utilities & Energy (includes abatement) | $52M | 4% | • Plant engineering  
|                 |                 |                 | • Commodities hedging  
|                 |                 |                 | • Capital investment  
|                 |                 |                 | • Renewable solutions  
| University Operations | $106M | 7% | • Functional inflation pressure – can be decision related  
| Supplies, Services, & Equipment | $150M | 10% | • Incremented annually  
|                 |                 |                 | • Programmatic needs vary  
|                 |                 |                 | • Specialty items influenced by unique cost pressures  

- Health Care:  
  - Plan design & cost-share  
  - Market conditions  
  - Retiree complement  
  - Services model (MSU HC, Inc.)  
  - Retiree provider agreement  
  - Increasing number of retirees  
  - Claims experience and management  
  - Legislative outlook

- Other Benefits:  
  - Tax policy  
  - Retirement match and participation  
  - Total employee complement  
  - Retirement investment options and management

- Utilities & Energy:  
  - Plant engineering  
  - Commodities hedging  
  - Capital investment  
  - Renewable solutions  
  - Campus demand offset by ECMs  
  - Plant optimization  
  - Active natural gas hedging  
  - Manage capital investments

- University Operations:  
  - Functional inflation pressure – can be decision related  
  - Control to available increment  
  - Monitor for differential needs

- Supplies, Services, & Equipment:  
  - Incremented annually  
  - Programmatic needs vary  
  - Specialty items influenced by unique cost pressures  
  - Control to available increment  
  - Monitor for differential needs  
  - Ongoing library acquisition needs
Ten Year Financial Framework

Academic Competitiveness

Technology Infrastructure

Financial Aid

Health Care

Critical Space Infrastructure

Power & Utilities

Capital Renewal