



**Faculty Senate  
Budget Discussion  
January 14, 2020**

*Faculty perspective and input on FY21 budget planning*

# FY21 Budget Planning

## Planning Challenges

- Appropriations trend
- Enrollment
- Programmatic needs
- 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



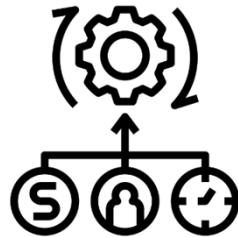
State Appropriations



Michigan ranks **40<sup>th</sup>** 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



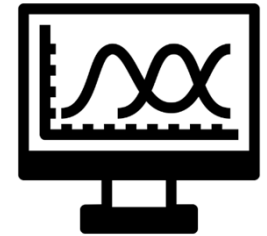
MSU sponsored expenditures rank **32<sup>nd</sup> nationally and 7<sup>th</sup> in the Big Ten**, an increase of 6 and 3 place over three years

### 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, **6<sup>th</sup> 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 11<sup>th</sup> 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

Budget Element	FY20 Base Amount	% of FY20 Budget	Influences	FY21 Planning Considerations
Appropriations	\$292M	20%	<ul style="list-style-type: none"> <li>Political/legislative</li> <li>Funding model</li> <li>Tuition restraint</li> </ul>	<ul style="list-style-type: none"> <li>Restore base for FY20 increment</li> <li>Monitor budget recommendation</li> <li>Funding model changes</li> </ul>
<b>Tuition and Fees</b>				
Resident UG	\$500M	34%	<ul style="list-style-type: none"> <li>Class composition</li> <li>Market considerations</li> <li>Financial aid &amp; pricing</li> <li>Capacity &amp; resources</li> </ul>	<ul style="list-style-type: none"> <li>State of Michigan population</li> <li>Demographics of UG class</li> <li>Program demand &amp; capacity</li> <li>Block tuition and related impact</li> </ul>
Non-Resident UG	\$325M	22%	<ul style="list-style-type: none"> <li>Class composition</li> <li>Market considerations</li> <li>Financial aid &amp; pricing</li> <li>Capacity &amp; resources</li> </ul>	<ul style="list-style-type: none"> <li>Domestic out-of-state planning</li> <li>International student availability</li> <li>Competition for students</li> <li>Program demand and capacity</li> </ul>
Graduate & Graduate Professional	\$245M	17%	<ul style="list-style-type: none"> <li>Rankings &amp; reputation</li> <li>Market for professional programs</li> <li>Pricing and debt loads</li> <li>Broader economy</li> <li>Modality</li> </ul>	<ul style="list-style-type: none"> <li>Baseline target population</li> <li>Professional program cyclicalities</li> <li>Incorporation of Law College</li> <li>Online program development</li> <li>GA funding</li> </ul>





## Budget Planning: Revenue Considerations

Budget Element	FY20 Base Amount	% of FY20 Budget	Influences	FY21 Planning Considerations
<b>Indirect Cost Recovery</b>	<b>\$70M</b>	<b>5%</b>	<ul style="list-style-type: none"> <li>Awards and expenditures</li> <li>Political/legislative (Fed)</li> <li>Overhead rate</li> <li>Incentive structure</li> </ul>	<ul style="list-style-type: none"> <li>Federal budget outcomes</li> <li>Research facilitation incentive model</li> <li>Cost pressures from increasing startup and differential facilities needs</li> </ul>
<b>Investment Income</b>	<b>\$30M</b> (budgeted)	<b>2%</b>	<ul style="list-style-type: none"> <li>Earnings assumptions</li> <li>Spending policy payout</li> <li>Assets for investment</li> <li>Reserve requirement</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing debt service commitments</li> <li>Treasury management practices</li> <li>Contingency planning for market downturn</li> </ul>
<b>RBI/OCCI</b> Revenue based initiatives, Off-campus credit instruction	<b>\$100M</b> (incl. in tuition)	<b>n.a.</b>	<ul style="list-style-type: none"> <li>Curriculum distribution</li> <li>Incentive structure</li> <li>Market for programs</li> <li>Summer restoration</li> </ul>	<ul style="list-style-type: none"> <li>Modify/extend policy for revenue-share</li> <li>Focus on summer UG credit restoration</li> <li>Develop online professional master's programming</li> </ul>
<b>PERF</b> Program Efficiency Reinvestment Fund	<b>\$6M</b> (Reallocation pool)	<b>n.a.</b>	<ul style="list-style-type: none"> <li>Recurring unit base budgets</li> <li>Programmatic needs</li> <li>Annual planning process</li> </ul>	<ul style="list-style-type: none"> <li>Programmatic needs outpace resources</li> <li>Prioritization of strategic initiatives</li> </ul>





## Budget Planning: Expense Considerations

Budget Element	FY20 Base Amount	% of FY20 Budget	Influences	FY21 Planning Considerations
Financial Aid	\$167M	12%	<ul style="list-style-type: none"> <li>Class composition &amp; need</li> <li>Debt and affordability</li> <li>Incentive for NR students</li> </ul>	<ul style="list-style-type: none"> <li>Waivers for non-resident enrollment</li> <li>Need-based programming mix</li> <li>Graduate and professional schools</li> </ul>
Salary & Raise				
Faculty & Academic Staff	\$430M	30%	<ul style="list-style-type: none"> <li>Recruitment and retention</li> <li>Pay equity, compression</li> <li>Diversity initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Maintain/improve peer standing</li> <li>Differentials for merit</li> <li>Address equity issues in targeted areas</li> </ul>
Support Staff (CLO groups)	\$270M	19%	<ul style="list-style-type: none"> <li>Number and distribution</li> <li>Market-based assessment</li> <li>Relationship to health care cost increases</li> </ul>	<ul style="list-style-type: none"> <li>Manage employee complement</li> <li>Differential within pool for merit</li> <li>Potential overtime legislation</li> </ul>
Graduate Assistants	\$50M	3.5%	<ul style="list-style-type: none"> <li>Recruitment of acclaimed students</li> <li>Research involvement</li> <li>Source of funding</li> <li>Diversity initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Availability of funding</li> <li>Support from non-GF sources</li> <li>Assure quality of class, maintain population</li> <li>Funding guarantee for program durations</li> </ul>






**Budget Planning: Expense Considerations**

Budget Element	FY20 Base Amount	% of FY20 Budget	Influences	FY21 Planning Considerations
Health Care	\$105M	7%	<ul style="list-style-type: none"> <li>Plan design &amp; cost-share</li> <li>Market conditions</li> <li>Retiree complement</li> <li>Services model (MSU HC, Inc.)</li> </ul>	<ul style="list-style-type: none"> <li>Retiree provider agreement</li> <li>Increasing number of retirees</li> <li>Claims experience and management</li> <li>Legislative outlook</li> </ul>
Other Benefits	\$127M	9%	<ul style="list-style-type: none"> <li>Tax policy</li> <li>Retirement match and participation</li> </ul>	<ul style="list-style-type: none"> <li>Total employee complement</li> <li>Retirement investment options and management</li> </ul>
Utilities & Energy (includes abatement)	\$52M	4%	<ul style="list-style-type: none"> <li>Plant engineering</li> <li>Commodities hedging</li> <li>Capital investment</li> <li>Renewable solutions</li> </ul>	<ul style="list-style-type: none"> <li>Campus demand offset by ECMs</li> <li>Plant optimization</li> <li>Active natural gas hedging</li> <li>Manage capital investments</li> </ul>
University Operations	\$106M	7%	<ul style="list-style-type: none"> <li>Functional inflation pressure – can be decision related</li> </ul>	<ul style="list-style-type: none"> <li>Control to available increment</li> <li>Monitor for differential needs</li> </ul>
Supplies, Services, & Equipment	\$150M	10%	<ul style="list-style-type: none"> <li>Incremented annually</li> <li>Programmatic needs vary</li> <li>Specialty items influenced by unique cost pressures</li> </ul>	<ul style="list-style-type: none"> <li>Control to available increment</li> <li>Monitor for differential needs</li> <li>Ongoing library acquisition needs</li> </ul>

# Ten Year Financial Framework

**Academic  
Competitiveness**



**Technology  
Infrastructure**



**Financial Aid**



**Health Care**



**Critical Space  
Infrastructure**



**Power & Utilities**



**Capital Renewal**

