



Michigan State University

Fiscal Office Update

December 8, 2020

Agenda

- Planning Letters
- CLO and UNTF salary increments
- Temporary FAS reduction true-ups
- All Funds Functional Report
- Planning Analytics application updates
- OCC/RBI Update
- FY21 budget update, FY22 preliminary planning

Annual Planning Process

- Provost initiated a consolidated planning process, consolidating Fall strategic/programmatic plans with programmatic budget requests, space planning, and TLE to align decision making
- Deans received College planning letters on Monday, November 30
 - Return date February 5, 2021
- Academic support units following a similar approach, release likely late this week
 - Likely submission date February 12, 2021
- Administrative unit process finalizing, likely leveraging similarly consolidated approach, anticipate release prior to holiday break
 - Likely submission data February 19 or 26

CLO & UNTF Raise Increments

- Allocations for CLO groups varied from 2.2% allocation, settled at 2.75% after Allocation Letters finalized (again)
- Will function similarly to previous years
- UNTF raise increments traditionally subsumed within broader FAS increment
- Lack of FY21 FAS increment necessitates UNTF subset
- Process similar to CLO, identifying appropriate base under review

CLO & UNTF Raise Increments

Illustration calculation of **Salary Increase and Annualization**

Employee Group	# of Months	Salaries	Salary Annualization based on 1% Salary Increase from previous fiscal year	Salary Increase based on 1% Salary Increase
Faculty	9	\$80,000	$\$80,000 \times .01 \times .1667$ (1.5 months)	$\$80,000 \times .01 \times .8333$ (7.5 months)
Professional (APA, APSA, Non Union, Nurse)	12	\$80,000	$\$80,000 \times .01 \times .25$ (3 months)	$\$80,000 \times .01 \times .75$ (9 months)
Clerical Technical	12	\$80,000	$\$80,000 \times .01 \times .75$ (9 months)	$\$80,000 \times .01 \times .25$ (3 months)

- Academic Year – Ten salary payments over 9 months from mid-Aug to mid-May
- Raises – Raises effective Oct 1
- Increase – 7.5 months from Oct 1 to May 15 for current FY. Factor $7.5/9 = .8333$
- Annualization – 1.5 months from mid-Aug to Sep 30 for subsequent FY. Factor $1.5/9 = .1667$

Temporary FAS Wage Reduction True-Up

Reasons considered for true-up in this cycle -

1. Individuals who signed offer letters prior to July 1 and started first-time at MSU on or after July 1
2. Non-Immigrant Visa Holders
3. Salary Differences of >\$25,000

(Excluded: Open / Committed FAS Budget)

True Up Report: FOs will be emailed their individual MAU report that includes -

- a. Overview of various actions / decisions -
 - Transact: OPB and MAU true up transactions
 - Hold Off: True up to be evaluated year end (various reasons)
 - Ineligible: Reduction not applied in July (various reasons) or salary differential < \$25,000
 - No Change: Reduction already applied in July.

Temporary FAS Wage Reduction True-Up

- b. OPB True Up Transactions Details
- c. Other Actions / Decisions Details
- d. Intra MAU True Up Transactions Details

True Up Processing: FAS reduction true up will be processed as follows:

- a. FY21 component initiated as an after-budget allocation, available for unit distribution in PAD
- b. FY22 component incorporated into FY22 Allocation Letters

Questions and Concerns:

- Year-end review of remaining outstanding items and other changes in the interim
 - Resolve Open budget questions
- Please hold all other questions and concerns until year-end

All-Funds Functional Budget (admin units)

- Previously completed; provides all-funds picture of the operating requirements and resources for a unit
- Identify and describe unit functions; could be beyond ORG/account architecture depending on unit approach
- Detail expenses across functions by fund; FTE, salary, labor, fringe (non-GF)
- Indicate revenue/fund sources for unbudgeted funds and accounts
- ORG/Acct level data pre-populated, unit focus on defining and assigning functions
- Being included as part of planning process for Academic Support and Administrative units

Planning Analytics Notes

- Budget Profiles
 - Will formalize planning process shortly
 - Working this cycle to assure comprehensive information for each account
 - Available for entry presently
 - Tentative submission date; January 29, 2020
- Spring Budget Planning
 - Included in consolidated planning documents
 - Available for unit entry
 - Training video available on OPB's website
- PAD
 - December Load December 29th. Please have Allocations done prior to December 23rd for Central Approval.
- BBR/SWA/BAC Opening Shortly

OCC/RBI

- Summer (US20) and Fall (FS20) OCC/RBI SCH reports available for unit review and use
- Modality adjustments for both terms require additional review prior to use
- Published “as-is” without attempting to “back-fit” data
- Revenue pass-throughs subject to cap as in previous cycles
- Please contact Lisa Rahall should you have unfunded instructional costs for summer term



FY22 Planning: Context & Environment

- Continuing uncertainty related to the Coronavirus pandemic creates a fluid and challenging planning environment
- FY21 budgeting included \$59M in diminished tuition, \$45M in appropriations reductions, and \$45M in faculty and staff salary and benefits concessions
 - At present, tuition reductions indicate approximately \$50M in lost resources and appropriations have been held flat, both reducing the need for one-time resource use also included in the FY21 budget
 - Expenditures exceed budget by \$15 million because CLO has not consented to salary reduction and one to one retirement match, off setting some of the improvements noted above
- Monitor spring enrollments trends and leading indicators for Fall 2021 entering class
- Broader financial headwinds from Residential & Hospitality Services, Athletics, and other auxiliary operations disruptions





Enrollment Update

- Currently, spring enrollments to date indicate approximately 1,100 fewer undergraduate enrollments
- Current fall enrollment metrics reflect an increase in undergraduate applications of approximately 9.8% with 35,000 applications received to date compared with 32,000 last year at this time – similarly Michigan, out of state and international applications are up 2.5%, 19.6% and 9.2% respectively
- Undergraduate admits currently approximate 20,400, 22% above the same period last year time – similarly Michigan, and out of state admits are up 15.5%, and 31.6% - international admits, very early in their enrollment cycle, trail the previous year by 66%

Number of Student Credit Hours and Students Enrolled- Historical



Student Level Code	Number of Students Enrolled		Number of Student Credit Hours	
	Spring 2020	Spring 2021	Spring 2020	Spring 2021
Grand Total	46,600	45,190	585,955	570,640
Undergrad	35,945	34,812	482,540	471,297
Graduate	6,577	6,588	41,772	41,998
Osteo Med.	1,227	1,178	22,909	22,188
Human Medicine	753	741	14,007	13,771
Law JD	681	619	9,577	8,548
Vet. Medicine	418	403	7,294	6,126
Grad. Cert.	330	331	3,256	3,326
Ag. Tech	348	273	3,064	2,451
Lifelong Grad	159	136	528	444
Lifelong UN	95	40	700	193
Law Advanced	66	69	300	298



State Appropriations Update

- FY21 appropriations flat, monitoring future period
- Current State of Michigan GFGP projections indicate year-over-year revenue contractions of -5.1% and -10.0% for 2020 and 2021 respectively; significant bounce-back in 2022
- Monitor Federal aid legislation for potential relief to state and local governments

	Actual		RSQE Forecast	
	2019	2020 ^P	2021	2022
General Fund General Purpose				
Personal income tax	7,252	6,798	5,982	6,487
(% change)	(-0.3)	(-6.3)	(-12.0)	(8.4)
Consumption taxes	2,328	2,381	2,287	2,352
(% change)	(0.1)	(2.3)	(-3.9)	(2.8)
Sales	1,288	1,343	1,285	1,345
Use	753	741	707	717
Other consumption	287	297	295	290
Business taxes	1,036	934	743	857
(% change)	(26.8)	(-9.8)	(-20.5)	(15.3)
MBT/SBT/Corporate income	699	524	326	432
Other business	337	410	417	425
Other GFGP taxes	122	113	132	140
GFGP tax revenue	10,739	10,226	9,144	9,836
(% change)	(1.5)	(-4.8)	(-10.6)	(7.6)
Nontax revenue	380	322	351	366
GFGP revenue	11,118	10,548	9,496	10,202
(% change)	(1.5)	(-5.1)	(-10.0)	(7.4)



FY22 Planning: Revenue Reset

	<u>FY21 BOT</u>	<u>FY21 Update</u>	<u>FY22 Base</u>	<u>Notes</u>
Appropriations	\$246M	\$289M	289M	Restores assumed 15% reduction to appropriations; State of Michigan revenues adequate to assure flat appropriations; Planning assumption flat for FY22
Tuition and Fees	\$1,018M	\$1,027M	\$1,027M	Assumes entering class consistent with Fall 2019, approximately 8,350: <ul style="list-style-type: none"> • Resident entering UG Students: 6,750 • Non-resident entering UG Students: 1,250 • International entering UG Students: 350 • Grad/Grad Professional: As planned
Investment Income Allocation	\$12M	\$12M	\$12M	Allocation from broader earnings of approximately \$100M
Indirect Cost Recovery & Other	\$80M	\$80M	\$80M	Primarily comprised of IDC revenue, budgeted portion based on prior year's performance; FY22 increment TBD
One Time Resources	\$90M	\$53M	TBD	Reduced need for one-time resources results from State appropriations adjustment, favorable enrollments, offset by unrealized CLO concessions; unused resources available for FY22 budget or other priorities; \$37M available for FY22
Total Revenues	\$1,446M	\$1,461M	\$1,408M	



FY22 Planning: Expenditure Reset

	<u>FY21 BOT</u>	<u>FY21 Update</u>	<u>FY22 Baseline</u>	<u>Notes</u>
Financial Aid	\$192M	\$192M	\$192M	May need incrementation to facilitate enrollment outcomes
Salary and Benefits	\$948M	\$948M	\$928M	Variances possible at unit level due to unit reductions, hiring chill and other factors; savings accrues at unit level and reviewed at year-end; FY22 base reduced to recognize FY21 reduction
Expenditure offsets	-\$45M	-\$30M	TBD	Unrealized CLO salary and benefits concessions
Graduate Assts./Students	\$65M	\$65M	\$65M	Allocated during unit budget planning, incorporated into FY21 operating budgets
Utilities	\$48M	\$48M	\$48M	Additional savings possible in augmented operating environment, savings typically credited to utilities reserve, available for one-time allocation
Supplies & Services/Operations	\$258M	\$258M	\$258M	Monitoring administrative fee; RHS & Athletics revenue environment may result in deficit at year-end (~\$1.5M)
Unit Reductions	-3% (\$20M)	-3% (\$20M)	TBD	Allocated during unit budget planning, incorporated into FY21 operating budgets
Total Expenditures	\$1,446M	\$1,461M	\$1,491M	

FY22 Planning: Potential Programmatic Investments

	<u>Amount</u>	
Address Initial Budgetary Gap	\$83.0M	Budgetary gap after modifying FY21 figures to exclude one-time solutions
Incremental Requirements	\$18.0M	CLO (trailing) 2.75% , GEU 2%, UNTF 2%, salary-driven benefits 2.5%, university operations 2%, new space \$1M; others (utilities, SS&E) may also require incrementation
Info. Tech. Services	\$3.0M	Completes \$27M recurring funding commitment
EVPHS	\$1.5M	Complete recurring funding need bridged in FY21
Academic Competitiveness	\$2.0M	Backfills FY21 request; additional resources as determined by President, Provost, and VPRGS
College of Law	Variable	Approximate FY21 operating deficit to be covered by College reserves, FY22 supplement to be determined through college planning with the Provost
Henry Ford Health System	Variable	Determine potential resource needs for emerging partnership with the Henry Ford Health System
Financial Aid	\$5.0M	Additional resources necessary to assure student targets and academic profile
Detroit Center	\$2.5M	Complete recurring funding need bridged in FY21
Olin Student Health	Up to \$9M	Up to \$9M, restore baseline funding for Olin Student Health Services; service review and bridge funding options evaluation ongoing; currently funded outside of budget through reserves
FAS Salary Increment	\$5M per 1%	Monitor peer and national trends to assure salaries competitive with peers; potential to administer portion or entire increment as market program; consider elimination of FAS wage and benefits concessions in FY22 budget solution prior to other salary programming

FY22 Planning: Budget Options

	<u>Amount</u>	<u>Notes</u>
+100 Resident UG (recurring)	\$1.5M	Assess student market and academic preparedness offsets per 100 additional students
+100 Domestic Out-of-State UG (recurring)	\$3.0M	Assess student market and academic preparedness offsets per 100 additional students
+100 International UG (recurring)	\$4.0M	Assess student market and academic preparedness offsets per 100 additional students
1% Resident UG Tuition (recurring)	\$5.0M	Competitive standing, legislative constraints, student price response, potential aid offset
1% DOS Resident UG Tuition (recurring)	\$1.4M	Competitive standing, student price response, potential aid offset
1% International UG Tuition (recurring)	\$1.4M	Competitive standing, student price response, potential aid offset
1% Graduate/Grad Prof Tuition (recurring)	\$2.2M	Grant impact, enrollment impact, other considerations
Investment Income Allocation (recurring)	Up to \$10M	Review investment earnings projections, cashflow/treasury planning to determine potential restoration of budgeted investment income
Unit Budget Reductions (recurring)	\$6.5M per 1%	Determine ability to differentiate reduction targets; may require one-time bridge funding
One-Time Resources (non-recurring)	Variable	Includes residual planned FY21 one-time resources and additional available resources; review investment earnings projections, cashflow/treasury planning to determine potential restoration of budgeted investment income
FAS Salary & Benefits Concessions (non-recurring)	Up to \$30M	Extend FAS salary and benefits concessions initiated in FY21, all or in part
CLO Salary & Benefits Concessions (non-recurring)	Up to \$15M	Incorporate concessions similar to those agreed to by Faculty & Academic Staff

Feedback, Questions, Reach Out, Next Meeting

- Questions, comments, ideas, gripes, free associations?
- Please feel free to be in touch with anyone in our office, we value your feedback and partnership – Teams best for me, email (usually) works
- Will plan to host other interactions every couple of months, more as budget planning comes to fruition:
 - ~December 1 ✓
 - ~February 1
 - ~April 1
 - ~May 1
 - ~June 1