2016-17 Budget Development
June 15, 2016
Investment in Intellectual Capital Necessary to sustain our state’s economic framework

- Existing appropriation to higher education lags inflation-adjusted 2011 appropriation by approximately $140M

- Michigan ranks 47th of 48 states reporting for 10-year change in appropriations, lags the national average for change by 25 percentage points

- Since 2007, State spending reduced for higher education, only major budgetary component to experience reduction

- Michigan ranks 32nd nationally for proportion of residents with a Bachelor’s, lags national median for per capita income and 7 year change in per capita income
Big Ten Appropriations Per Student

MSU lags the Big Ten average by over $3,775 per student, approximating $174 million in resources.

Big Ten Average: $9,186*

* Does not include Wayne State

Source: IPEDS 2014
Appropriations Overview

• Main campus operating appropriation increase 2.6%

• Tuition restraint provision caps resident increases to 4.2%

• Overall state appropriations increase by 2.9%, formula outcomes range from 2.4% to 4.5%

• MSU AgBioResearch and MSU Extension increase 2.3%, restored to unadjusted 2011 levels, but lag overall higher education increase of 2.9%

• An additional $0.5M non-recurring for DCPAH

• An additional $0.4M recurring and $0.5M non-recurring for Animal Initiative
Appropriations Support – Change since 2011

Of the institutions complying with tuition restraint provision, MSU lags 2011 formula appropriation by more than any state peer.

Collectively, the University Research Corridor institutions comprise over 85% of lost appropriations since 2011.

Institutions complying with tuition restraint provisions

Institutions in violation tuition restraint provisions (FY15 or FY16)
Cost Pressures

• Over ten years, MSU STEM credit hours increased by over 30%, related cost increases exceed $20 million

• State disinvestment in capital outlay and financial aid

• National regulation governing research and sponsored programs

• Change in Fair Labor Standards Act (FLSA) requirements concerning overtime work - Employees earning less than $47,476 must be paid over time for authorized work over 40 hours

• Major areas of concern include 282 Research Associates and 158 MSU Extension Specialists - Approximately $5 million necessary to increases salaries in these areas above Federal eligibility threshold of $47,476

• In lieu of salary increases, employee work schedules will be closely monitored, authorizing only the most essential overtime work

• IT support necessary to address escalating data needs, cyber-security, networking and other infrastructure
2015-16 Faculty Salaries

Big Ten average*: $116,373

MSU Rank in AAUP Big10 Institutions for Faculty Salary

<table>
<thead>
<tr>
<th>Rank</th>
<th>04-05</th>
<th>05-06</th>
<th>06-07</th>
<th>07-08</th>
<th>08-09</th>
<th>09-10</th>
<th>10-11</th>
<th>11-12</th>
<th>12-13</th>
<th>13-14</th>
<th>14-15</th>
<th>15-16²</th>
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</thead>
<tbody>
<tr>
<td>Professor</td>
<td>10</td>
<td>9</td>
<td>9</td>
<td>10</td>
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<td>9</td>
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<td>10</td>
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<tr>
<td>Associate Professor</td>
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<td>All Ranks Average</td>
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</tbody>
</table>

*Does not include Northwestern – average including Northwestern $119,365
1 Maryland has not responded to survey – data form 2014
2 Rankings overtime adjusted to include Rutgers and Maryland
Michigan State University
the most resident undergraduates in the State
Over 10,000 more than nearest peer

Source: HEIDI headcount 2015
MSU success indicators all improved over 10 years

↑ Six year graduation rate up 3 percent over 10 years

↑ Undergraduate retention approximates 91 percent, also improved

↑ Degrees/certificates up 1,200 over ten years, approximate 12,000 annually

↑ 93% of graduates employed or continue education within six months of graduation

↑ 92% of students rate their educational experience as good or excellent

↑ Total sponsored programs exceed $583M, an increase of 53% over the period

↑ Grant dollars per faculty member exceeds $277,000, an increase of 43%

↑ MSU benchmarks for net cost approximate national average, far exceed outcomes for graduation rate and salary upon completion
Sustained Access

Over ten years, MSU financial aid increments have outpaced resident undergraduate by 42 percentage points.
Sustained Access

MSU maintaining the proportion of students from families across income levels over time

Families with income of over $200,000 truncated for purposes of this analysis

Distribution represented in 2015 inflation adjusted dollars
Sustained Access
Less students graduating with debt than ten years ago
Over ten years, the proportion of students with debt has decreased from 56% to 45%, in stark contrast with the national average increasing to 69% from 57%

Avg. Student Debt (2014)
MSU lags the State and National average for average debt load by 11.3% and 9.8% respectively

Proportion with Debt (2014)
MSU lags the State and National average for proportion of students with debt by 17 and 24 percentage points respectively
Energy & Efficiency

• FY17 fuel and energy production expenditures anticipated to decline 5.5% or $3.5M, reflected in budget planning

• Budgetary increments for FY16 – FY18 acknowledge cost mitigation in natural gas market while preserving long-term flexibility and addressing infrastructure needs

Operational Fuel Expenditures
FY14-FY20

• Greenhouse gas emissions down 25% since 2010

• Energy consumption per capita reduced over 10 years
<table>
<thead>
<tr>
<th>Budget Item</th>
<th>2016-17 Proposal</th>
<th>2017-18 Pro-Forma</th>
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</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>2.6%</td>
<td>4%</td>
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<tr>
<td></td>
<td></td>
<td>Includes restoration</td>
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<tr>
<td>Tuition &amp; Fees</td>
<td>3.7% Res Lower Div</td>
<td>4.0% Res Lower Div</td>
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<tr>
<td></td>
<td>3.9% Res Upper Div</td>
<td>4.0% Res Upper Div</td>
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<td>4.2% Non-Res UG</td>
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<td>Financial Aid</td>
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<td>Faculty Salaries</td>
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<td>Competitive Programs</td>
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<td>Competitive Talent</td>
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<td>0.5% Provost Market</td>
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<tr>
<td></td>
<td>0.5% Special Retention</td>
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<td>Technology</td>
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<tr>
<td><strong>Total Budget</strong></td>
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