

Budget and Planning Overview

UNIVERSITY COUNCIL

Budget Update

- Preliminary 2014-15 Budget Guidelines approved by the Board of Trustees in June 2013
- Planning continues to refine and confirm budget variables for 2014-15
- Longer term analysis ongoing to define budget variable trends for 2015-16 and beyond

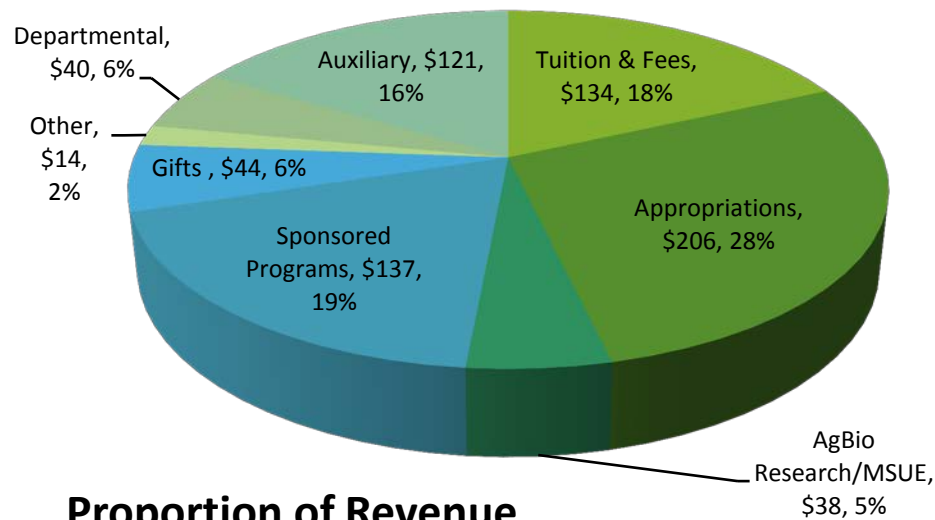
Budget Planning – Pro forma

Budget Item	2013-14 Prelim BOT Appd	2013-14 Final BOT Appd	2014-15 Preliminary BOT Appd
State Appropriations	0%	1.82%	2%
Tuition & Fees	4.0%	1.9% Lower Div 3.6% Upper Div	3.0% Lower Div 3.0% Upper Div
Financial Aid	4.5%	4.5%	4.0%
Graduate Assistants	2.0%	2.0%	2.0%
Faculty Salaries	2.0%*	2.25%**	2.0%*
Utilities	4.0%	4.0%	4.0%***
Health Care	5.0%	1.5%	5.0%
Academic Competitiveness		\$2.0	\$2.0
Balance	\$0	\$0	\$0

Revenues

University Revenues

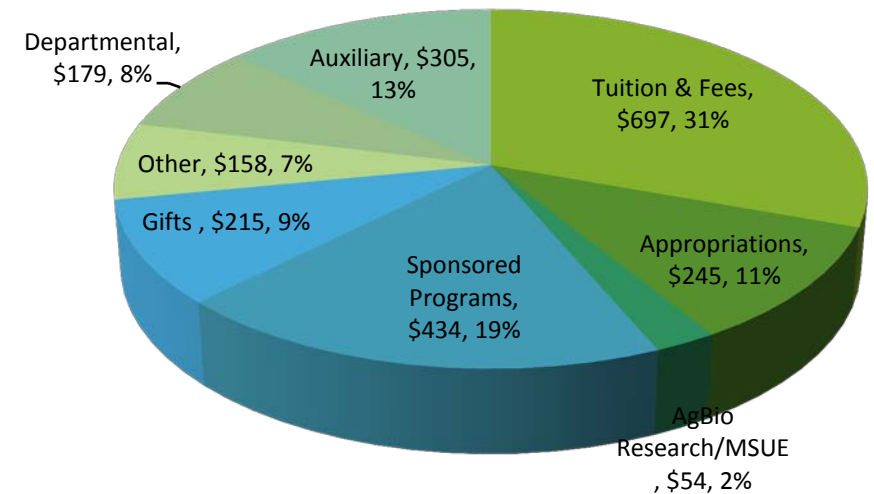
1989-1990 All Funds Revenue - \$734M



Proportion of Revenue

- Appropriations – 28%
- Sponsored Program – 19%
- Tuition– 18%
- Auxiliary – 16%
- Gifts – 6%

2012-13 All Funds Revenue - \$2.3B



Proportion of Revenue

- Tuition – 31%
- Sponsored Program – 19%
- Auxiliary – 13%
- Appropriations – 11%
- Gifts – 9%

Appropriation Trends

- Appropriations down 15% over last decade
- State appropriations approximate 20% of general fund budget
- Recent cycles have yielded modest increases ~1-2%
- Future year increases anticipated given consistent funding model formulations and state economic performance
- Current state economic indicators anticipate a 2.9% increase to GF/GP in 2014 and 4.4% in fiscal 2015

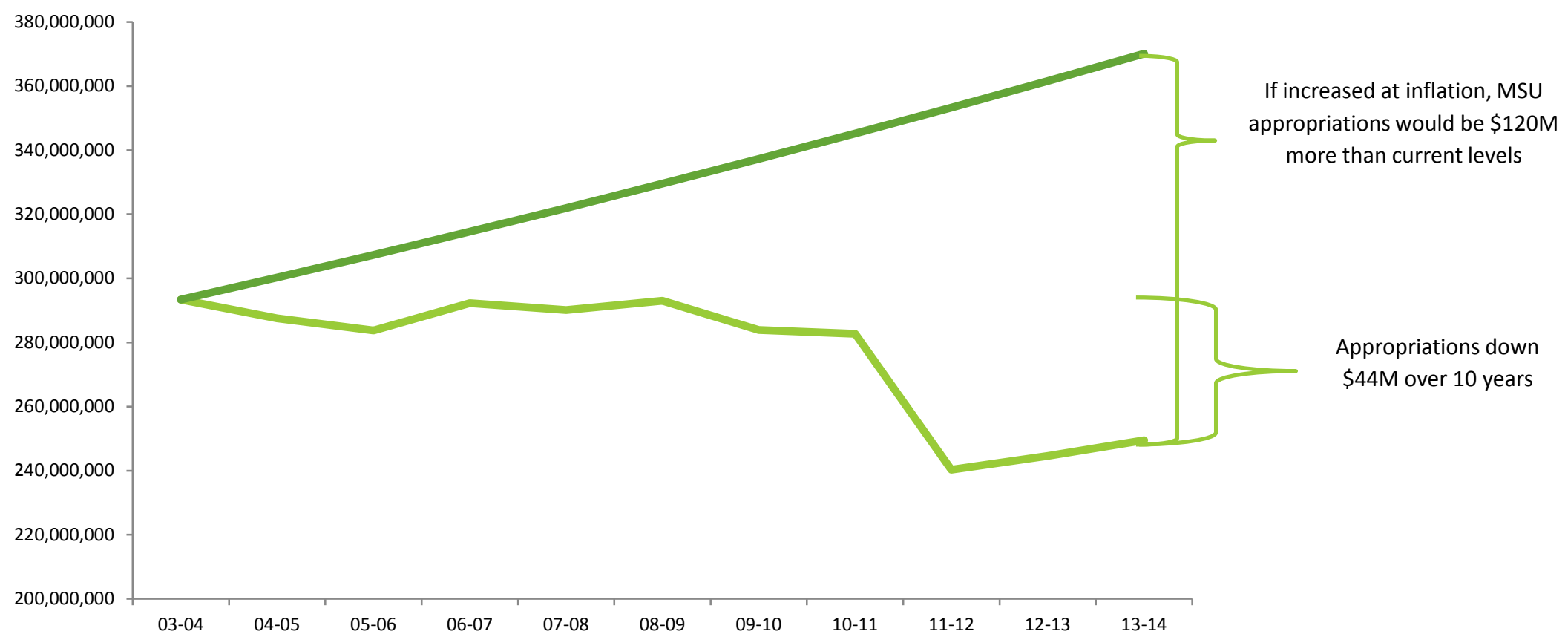
State of the State

- Manufacturing job growth leads all states
- Added 221,00 private-sector jobs over 3 years
- Per capita income growth tied first in Great Lakes states
- Out migration trend halted, population up for first time since 2003-04
- Make Michigan a leader in STEM fields

Performance Funding Model

- Continuation of Business Leaders for Michigan metrics and scaling
 - Undergraduate critical skills degrees
 - R&D Expenditures
 - Graduation rate
 - Institutional Support as % of Core Expenses
 - Total undergrad FYES (scaling)
- Continuation of tuition restraint provisions for resident undergraduate students, particularly in the context of incremental state support
- Need to address variance in per FTE funding among State's research universities

Appropriations History



Appropriation: “What if” Analysis

- Pro-forma FY15 MSU Budget projected a \$17M revenue increase from a combination of Appropriations at 2% (\$2.5M X 2) and Resident Undergrad Tuition at 3% (\$4M X 3)

Alternatives

- A 5% appropriation increase and tuition capped at 1% balances the proposal
 - Caps at 2% and 3% would provide additional resources of \$4M and \$8M, respectively
- A 4% appropriation increase and tuition capped at 1.75% balances the proposal.
 - Caps at 2% and 3% would provide additional resources of \$1M and \$5M respectively

MSU Revenues:

MSU planning requires \$17M from two sources

		Resident Undergraduate Tuition and Fees: 1% = \$3.95M										
		0%	0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
State Appropriations: 1% = \$2.5M	0%	\$0	\$2	\$4	\$6	\$8	\$10	\$12	\$14	\$16	\$18	\$20
	0.50%	\$1	\$3	\$5	\$7	\$9	\$11	\$13	\$15	\$17	\$19	\$21
	1.00%	\$3	\$4	\$6	\$8	\$10	\$12	\$14	\$16	\$18	\$20	\$22
	1.50%	\$4	\$6	\$8	\$10	\$12	\$14	\$16	\$18	\$20	\$22	\$24
	2.00%	\$5	\$7	\$9	\$11	\$13	\$15	\$17	\$19	\$21	\$23	\$25
	2.50%	\$6	\$8	\$10	\$12	\$14	\$16	\$18	\$20	\$22	\$24	\$26
	3.00%	\$8	\$9	\$11	\$13	\$15	\$17	\$19	\$21	\$23	\$25	\$27
	3.50%	\$9	\$11	\$13	\$15	\$17	\$19	\$21	\$23	\$25	\$27	\$29
	4.00%	\$10	\$12	\$14	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30
	4.50%	\$11	\$13	\$15	\$17	\$19	\$21	\$23	\$25	\$27	\$29	\$31
	5.00%	\$13	\$14	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30	\$32
	5.50%	\$14	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30	\$32	\$34
	6.00%	\$15	\$17	\$19	\$21	\$23	\$25	\$27	\$29	\$31	\$33	\$35
	6.50%	\$16	\$18	\$20	\$22	\$24	\$26	\$28	\$30	\$32	\$34	\$36
	7.00%	\$18	\$19	\$21	\$23	\$25	\$27	\$29	\$31	\$33	\$35	\$37
	7.50%	\$19	\$21	\$23	\$25	\$27	\$29	\$31	\$33	\$35	\$37	\$39
	8.00%	\$20	\$22	\$24	\$26	\$28	\$30	\$32	\$34	\$36	\$38	\$40

Tuition and Fee Considerations

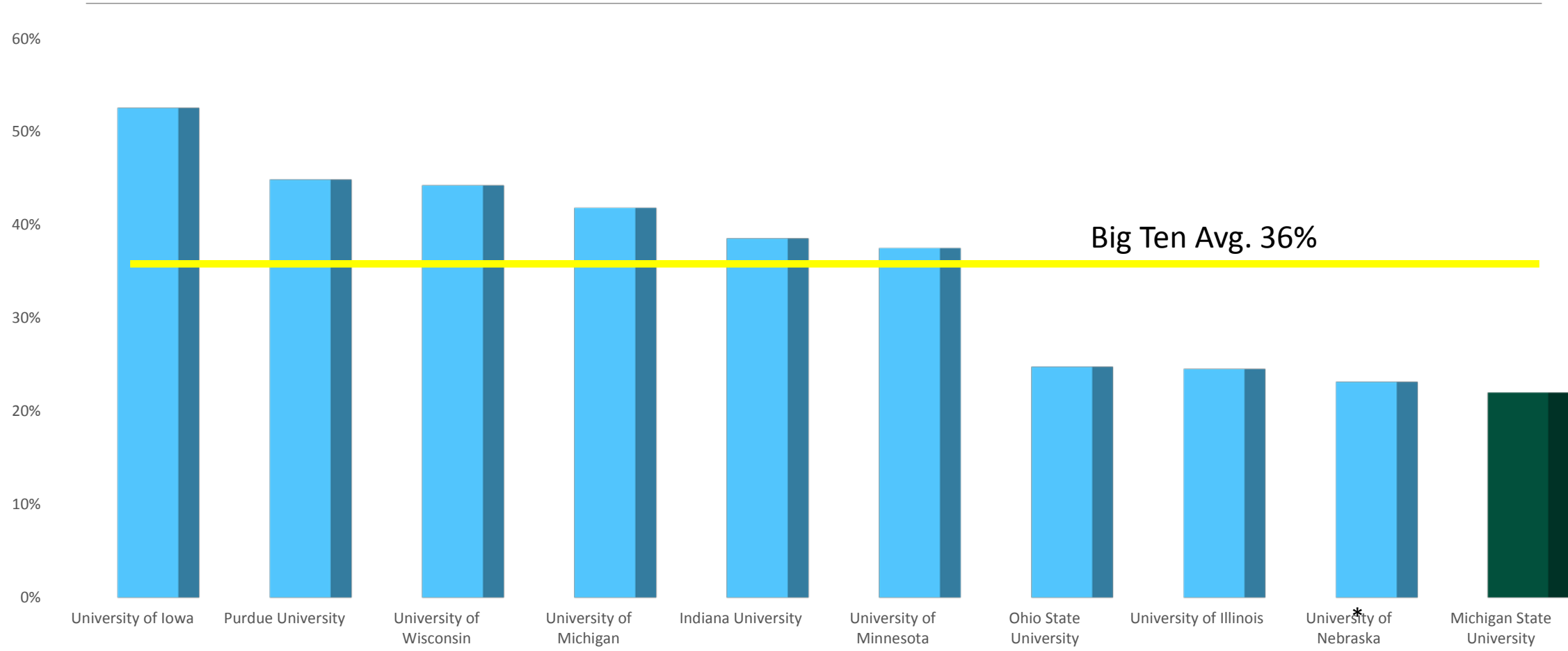
- Constrained ability to increase tuition and fee rates
- Public sensitivity to non-resident student mix
- Peer standing across dimensions
 - Resident/NR tuition rates
 - Residency mix
 - Structure

Big Ten Resources per Student

	State		Tuition &		Total	
	<u>Appropriation</u>	<u>Ranking</u>	<u>Fees</u>	<u>Ranking</u>	<u>Approp & Tuition</u>	<u>Ranking</u>
Michigan	\$7,683	6	\$24,956	1	\$32,639	1
Minnesota	\$12,578	1	\$16,286	4	\$28,864	2
Indiana	\$6,213	9	\$18,281	2	\$24,494	3
Illinois	\$6,806	7	\$17,271	3	\$24,077	4
Purdue	\$7,960	4	\$15,918	5	\$23,879	5
Ohio State	\$7,954	5	\$15,773	6	\$23,727	6
Iowa	\$8,699	3	\$14,721	8	\$23,420	7
Michigan State	\$6,449	8	\$15,132	7	\$21,581	8
Wisconsin	\$10,690	2	\$10,741	9	\$21,431	9
Nebraska	\$5,066	10	\$7,162	10	\$12,228	10

Source: IPEDS 2010-11. Net of AES/CES component

Estimated Big Ten Non-Resident Undergraduate Enrollment %



Big Ten Resident Tuition & Cost of Attendance

MSU ranks 7th in the Big Ten for resident tuition and fees and 8th cost of attendance

Resident Tuition & Fees

Northwestern University	\$45,527
Penn State University	\$16,992
University of Illinois	\$15,258
University of Michigan	\$13,997
University of Minnesota	\$13,618
Rutgers University	\$13,465
Michigan State University	\$12,863
University of Wisconsin	\$10,609
Indiana University	\$10,208
Ohio State University	\$10,010
Purdue University	\$ 9,900
University of Maryland	\$ 9,161
University of Iowa	\$ 8,061
University of Nebraska	\$ 7,984

Resident Cost of Attendance

Northwestern University	\$63,193
Penn State University	\$33,580
Rutgers University	\$29,770
University of Illinois	\$29,594
University of Michigan	\$27,095
Ohio State University	\$25,452
University of Minnesota	\$25,124
Michigan State University	\$24,751
University of Wisconsin	\$24,144
Indiana University	\$23,832
University of Maryland	\$23,733
Purdue University	\$23,468
University of Nebraska	\$21,700
University of Iowa	\$20,691

Big Ten Non-Resident Tuition & Cost of Attendance

MSU ranks 3rd in the Big Ten for non-resident tuition and fees and 3rd cost of attendance

Non-Resident Tuition & Fees

Northwestern University	\$	45,527
University of Michigan	\$	41,811
Michigan State University	\$	33,750
Indiana University	\$	32,350
University of Illinois	\$	29,640
Penn State University	\$	29,566
Purdue University	\$	28,702
University of Maryland	\$	28,347
Rutgers University	\$	27,184
University of Iowa	\$	26,931
University of Wisconsin	\$	26,863
Ohio State University	\$	25,726
University of Nebraska	\$	20,734
University of Minnesota	\$	19,868

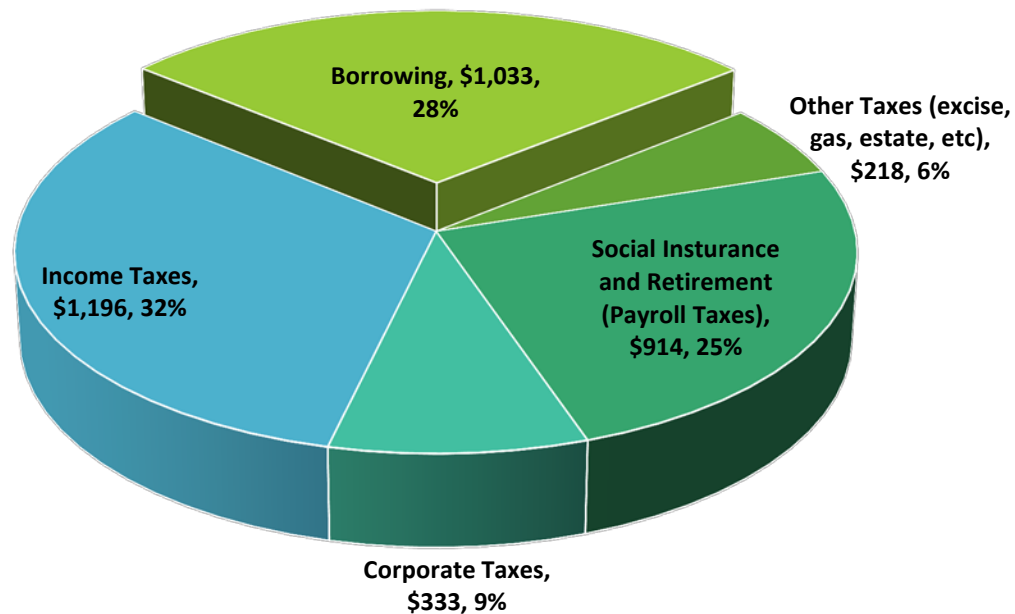
Non-Resident Cost of Attendance

Northwestern University	\$63,193
University of Michigan	\$54,909
Michigan State University	\$46,292
Penn State University	\$46,154
Indiana University	\$45,974
University of Illinois	\$43,976
Rutgers University	\$43,490
University of Maryland	\$42,919
Purdue University	\$42,480
Ohio State University	\$41,816
University of Wisconsin	\$41,034
University of Iowa	\$39,561
University of Nebraska	\$34,450
University of Minnesota	\$31,374

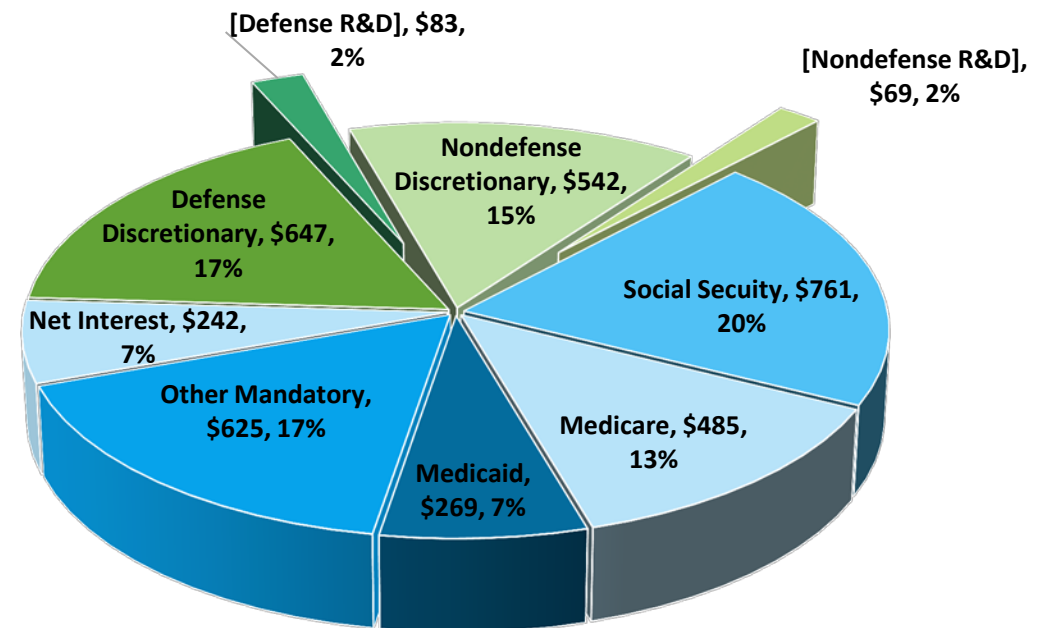
In addition, MSU international students are assessed a \$500 per semester fee

2012 Federal Budget Sources and Uses

Total Federal Budget Sources: \$3.7T



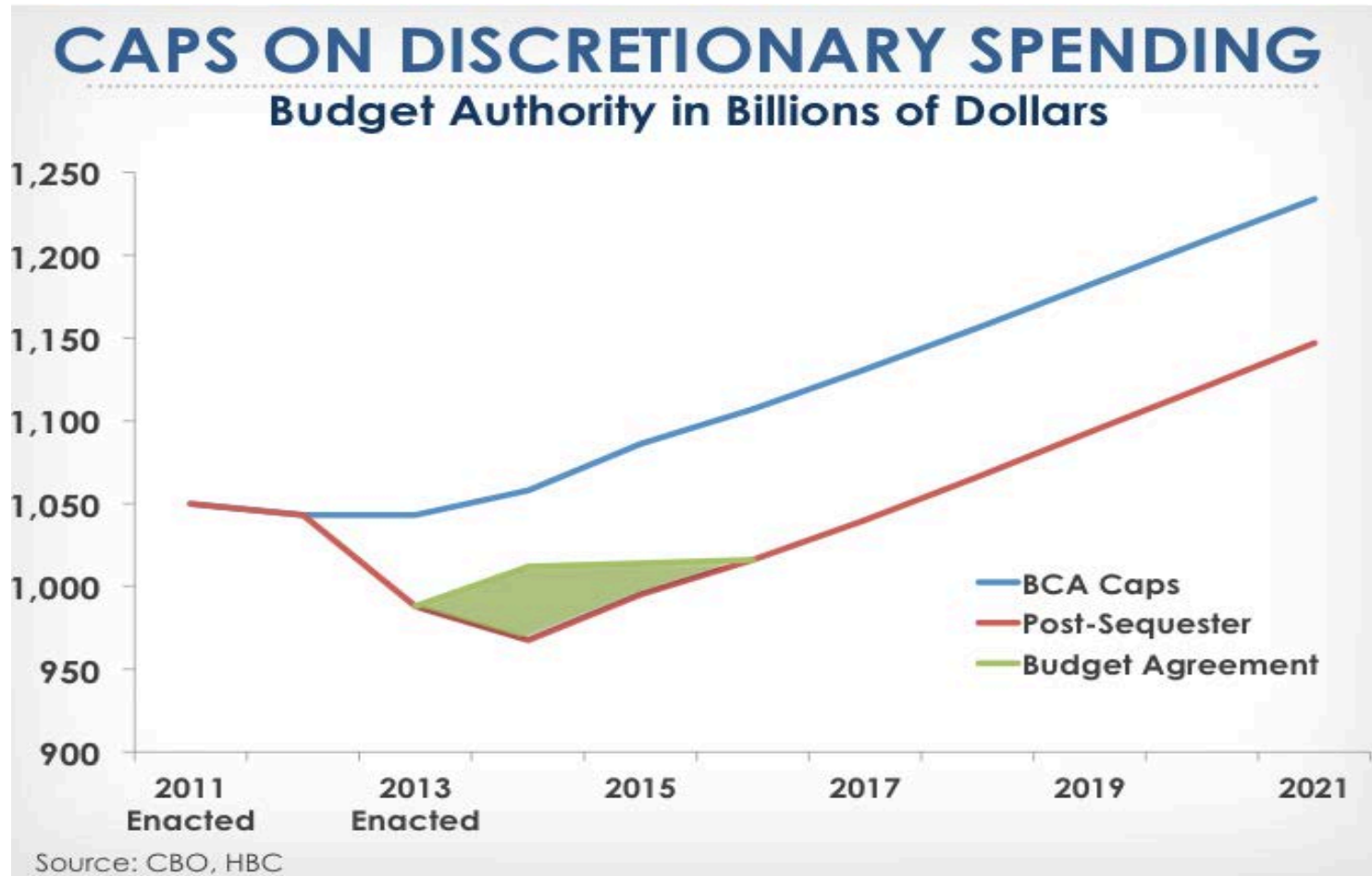
Total Federal Budget Uses: \$3.7T



Status Update

- FY14 Omnibus Appropriations legislation for entire federal government passed the House of Representatives by a vote of 359-67 on January 15.
- Senate passed the Omnibus on January 16 by a vote of 72-26.
- Omnibus funds all federal agencies, such as USDA and the National Science Foundation, through the end of September 2014.
- Some relief from sequestration provided for FY14 and FY15 in the 2013 Bipartisan Agreement Act
 - Sequestration cap lifted by \$63 billion (\$45 billion in FY14 and \$18 billion in FY15).
 - Sequestration Cuts remain in place from FY16 to FY20.

Federal Discretionary Spending



Federal Budget Request: Research

<i>Agency</i>	<i>FY12 Appropriation</i>	<i>Adjusted FY12 Appropriation (Inflated to FY14)</i>	<i>FINAL FY14 APPROPRIATION</i>	<i>Difference: FY14 to Adjusted FY12</i>
<i>National Science Foundation</i>	\$7.03 B	\$7.46 B	\$7.2 B	-\$0.26 B
<i>USDA</i>				
Hatch Act	\$236 m	\$250.4 m	\$243.7 m	-\$6.7 m
Smith Lever	\$294 m	\$311.9 m	\$300 m	-\$11.9 m
Ag & Food Research Institute	\$265 m	\$281.1	\$316	\$35.9 m

Federal Budget Request: Research

<i>Agency</i>	<i>FY12 Appropriation</i>	<i>Adjusted FY12 Appropriation (Inflated to FY14)</i>	<i>FINAL FY14 APPROPRIATION</i>	<i>Difference: FY14 to Adjusted FY12</i>
<i>NIH</i>	\$30.7 B	\$32.6 B	\$29.9	-\$2.7 B
<i>DOD Basic Research</i>	\$2.11 B	\$2.2 B	\$2.17 B	-\$0.03 B
<i>Energy</i>				
Office of Science	\$4.87 B	\$5.17 B	\$5.07B	-\$0.10 B
ARPA-E	\$275 m	\$291.7 m	\$280 m	-11.7 m
<i>Education</i>				
Institute of Education Sciences	\$593.7 m	\$629.9 m	\$576.9 m	-\$53 m

FRIB

\$55 Million for FRIB

Pell Grants

Funded at last year's level of \$22.8 billion.

Increased mandatory spending will bump up the maximum award next year by \$85 to \$5,730.

Number of recipients is expected to increase from 9.1 million to 9.3 million.

Graduate Programs

Department of Education

- Graduate Assistance in Areas of National Need (GAANN) and Javits Fellowship funded \$29.3 million – the same level as last year.

NSF

- EHR/Division of Graduate Education - \$846 million (\$13 million more than FY13)
- EHR/Alliances for Graduate Education - \$7.84 million (the same as last year)

Next Steps

Department of Education

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NSF

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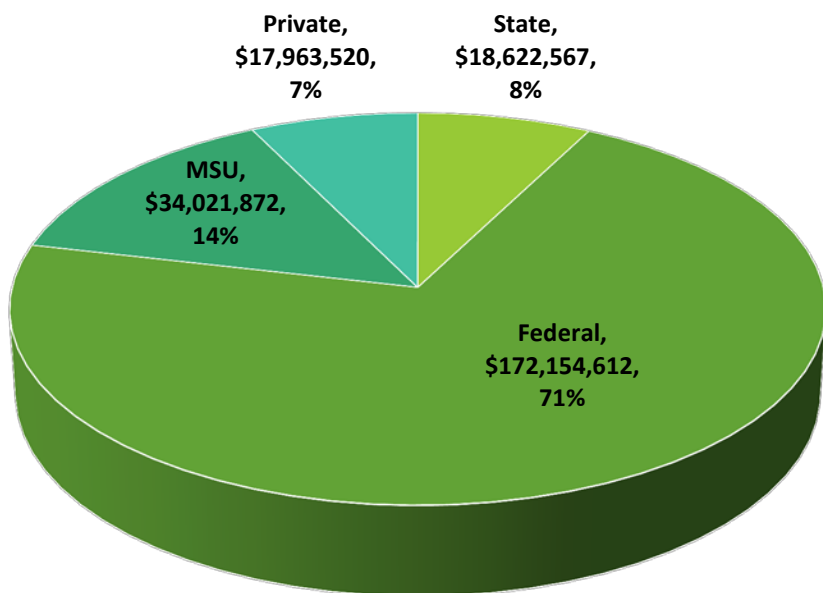
Expenses

Expense Considerations

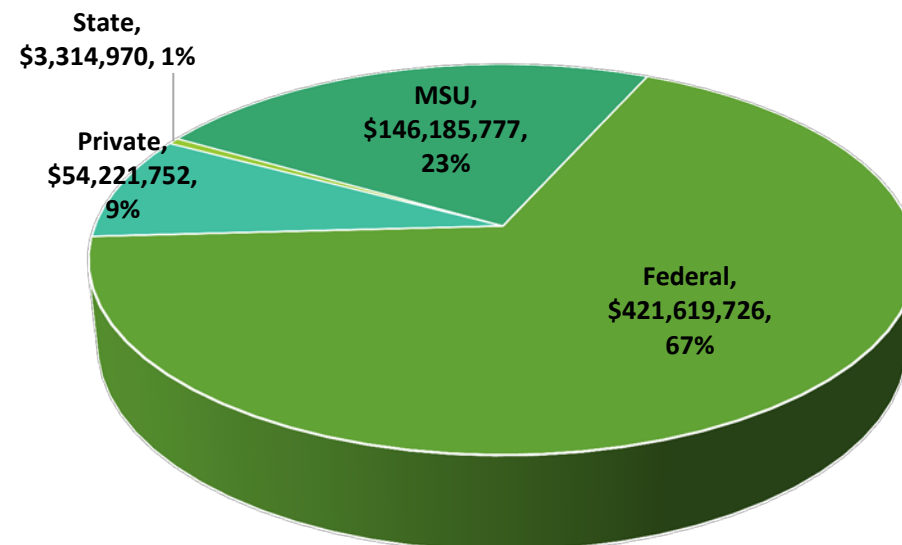
- Financial Aid – Federal budget funding of high-need students, distribution of family income, appropriate discounting
- Faculty salaries – Peer monitoring salary/compensation; Big Ten ranging upward
- Coalition salaries – Per contract
- Health Care – ACA impact and planning, continuation of 5% cost cap
- Utilities – Continuation of energy transition plan, commodities monitoring
- Research – Federal budget impact on grants and contracts

Total Student Assistance

2001-02 Student Assistance - \$242M

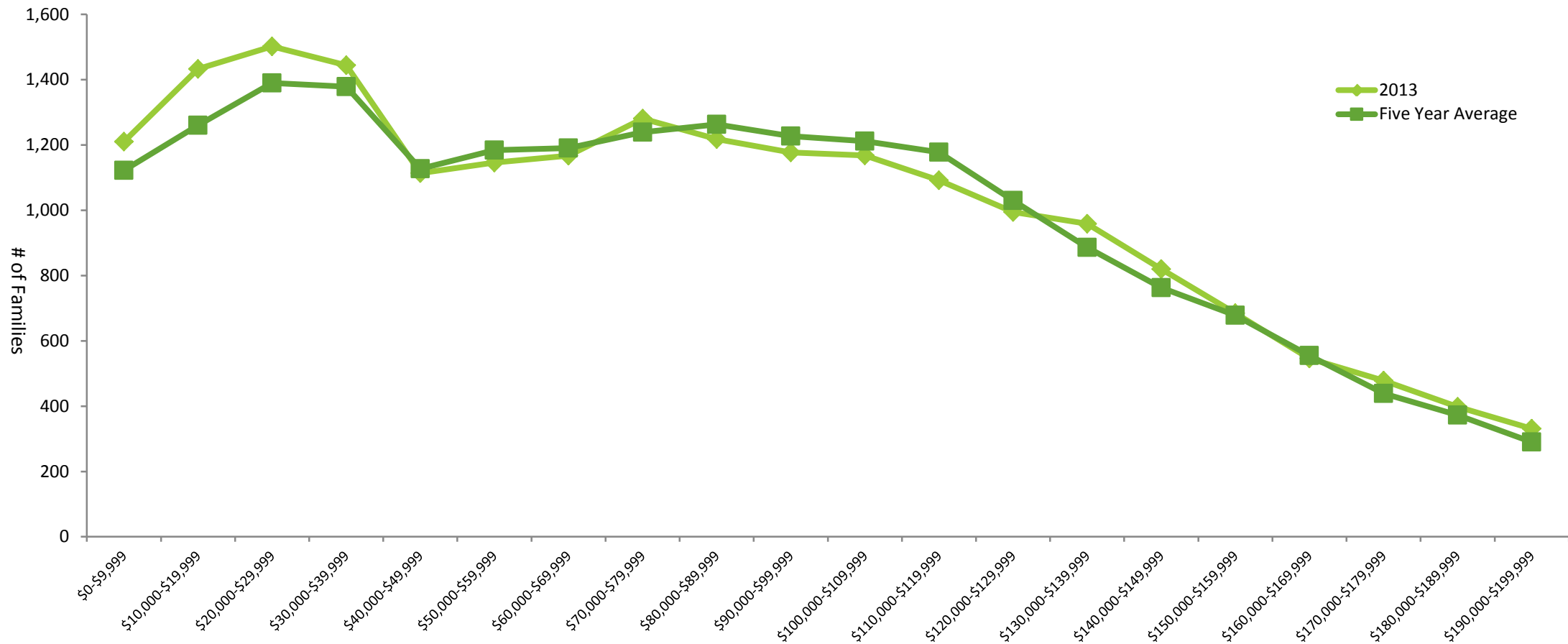


2012-13 Student Assistance - \$625.3M



Over the last five years, MSU has increased financial aid by 50% over the last five years, more than 2 times the increase to resident undergraduate tuition rates

Family Income Distribution

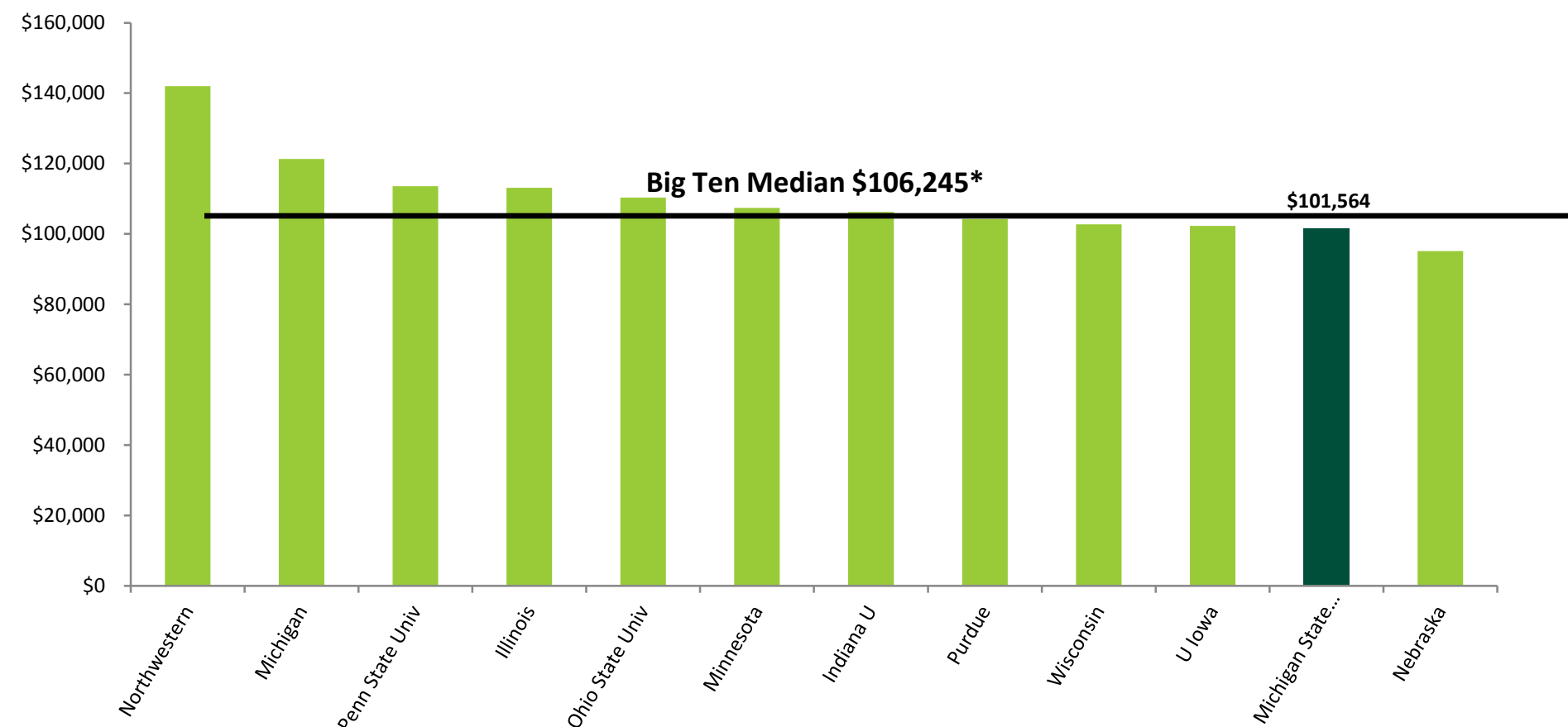


Significant Affordable Care Act Provisions

Element	Timing	MSU Implications	MSU Costs	Employee Relations
Cost Drivers: Shared responsibility fees, individual insurance mandate, expanded eligibility for MSU plans	FY15	Increased costs due to wider eligibility	Est. \$2.3M-\$6.1M 2%-5% annual increase	Mitigate employee cost-sharing
Transitional Reinsurance Fee (Temporary levy on employer group health plans)	FY15	Assessed for FY15-FY16	\$2.0M -\$2.5M 2%-2.5% increase Fee ranges between \$60-\$100 per member	Mitigate employee cost-sharing
Excise tax on “Cadillac” plans 40% tax applied to plans valued above \$10,200 (individual) and \$27,500 (family)	FY19	MSU exposure a function of cost increases	@6% annual growth, \$175K @8% growth, \$1.6M	Mitigate employee cost-sharing

Other Notes: Other provisions include W-2 reporting, group health plan fees, preventative care additions, revised flex spending limits, auto enrollment, and employer access to state exchange. In total, anticipated cost increases of \$0.3M to \$0.4M are anticipated.

2012-13 Big Ten Faculty Salaries



*Median does not include Northwestern