

2008-09 Budget Development Update

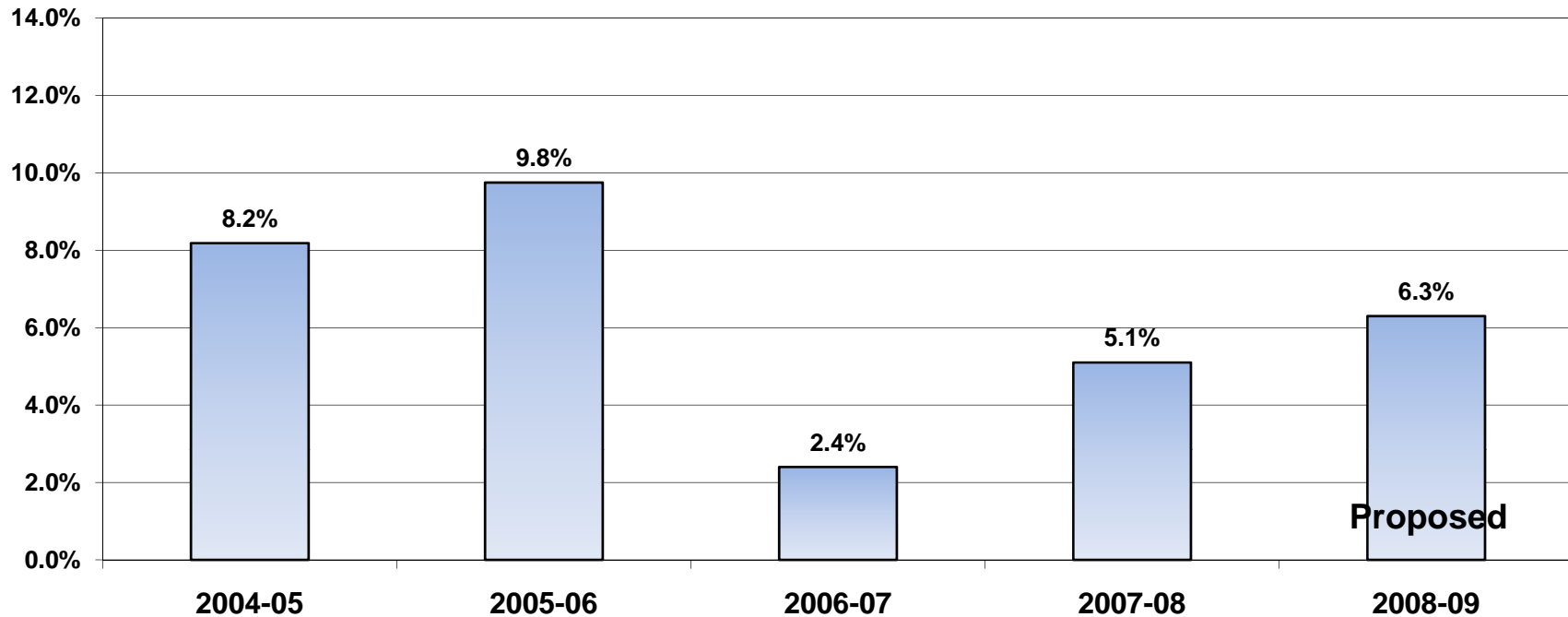
June 2008

2008-09 Budget

Internationally recognized value for students in every Michigan family and community

- Top 100 universities in the world
- Accessible across socio-economic backgrounds to qualified Michigan students
- Engaged in building the Michigan economy and ensuring American competitiveness for the 21st century

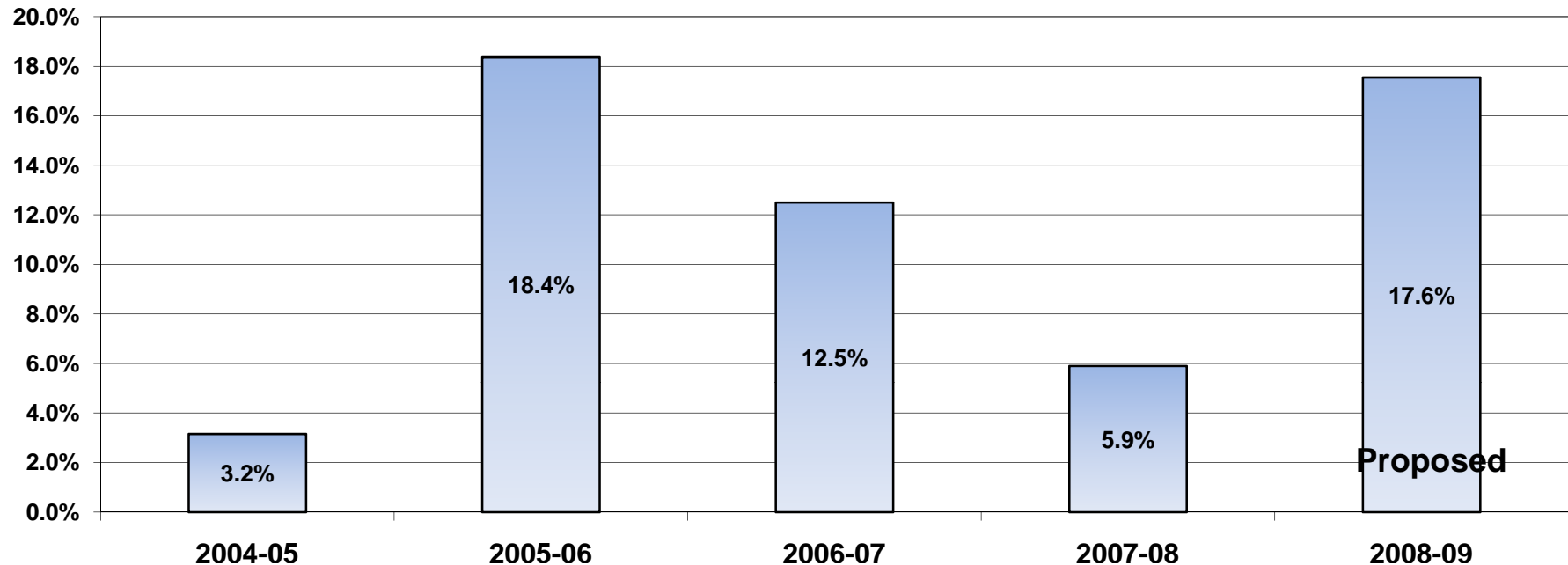
Continuing Challenges-Health Care



1% Value- \$0.6M

- MSU below the national average for cost increases five of the last seven years
- Premium sharing instituted for faculty in 2002, now requiring a 14% share
- Total compensation metric used for collective bargaining process; salary increases tied to health care utilization

Continuing Challenges-Utilities

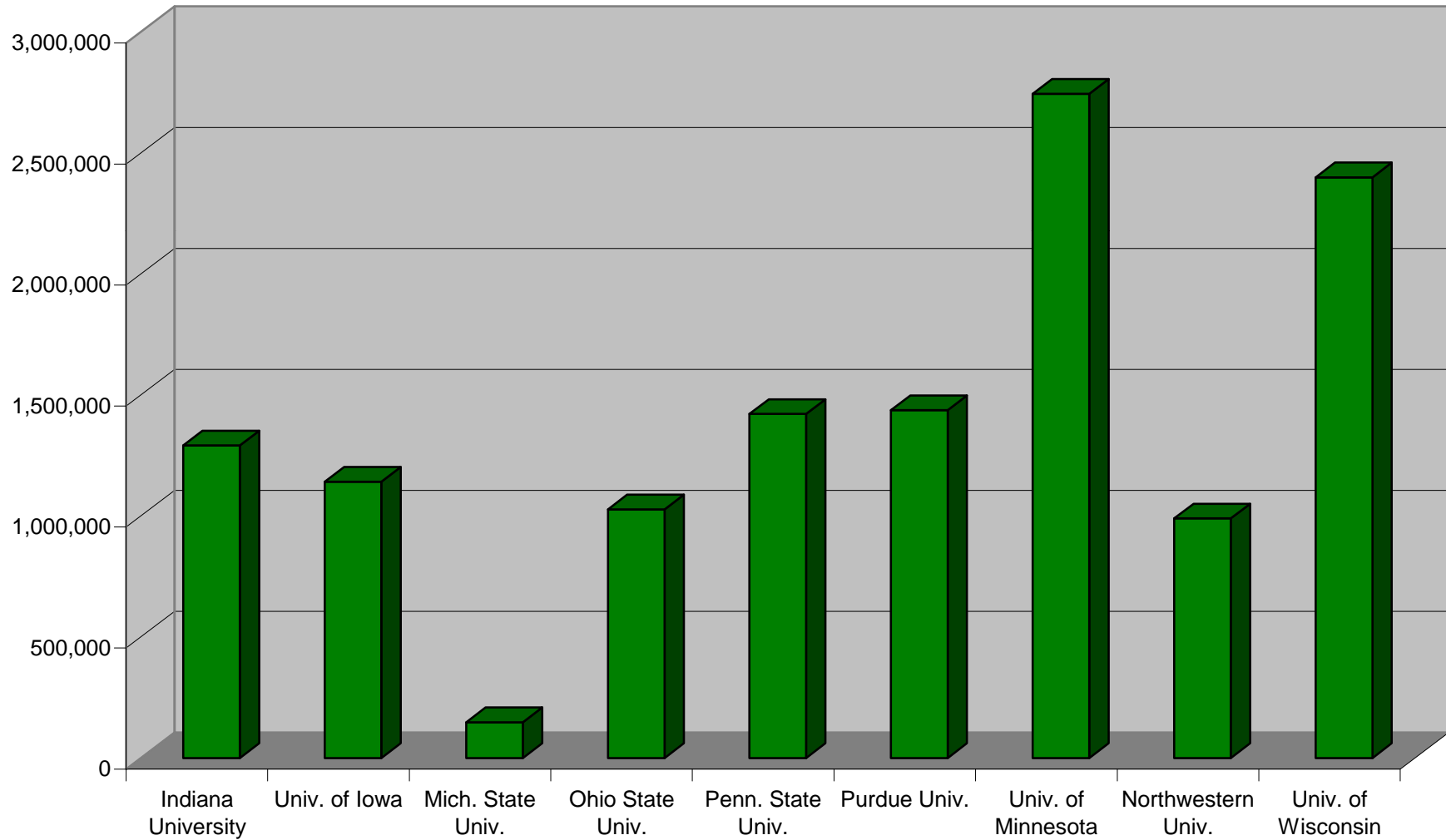


1% Value- \$0.35M

- Estimated at 17.6% for 2008-09
- Increase due to dramatic rise on coal prices, particularly consumption coal
- Physical plant related expenditures for utilities, custodial and engineering support rank among the lowest in the Big Ten.

Continuing Challenges-Critical Space

Construction - Science Disciplines
Fiscal Yr. 99 - Present
Square Feet (GSF)



Note: In addition to above, most states provide funding for deferred maintenance. Michigan has not had such an allocation for almost a decade.

2008-09 Budget

Allocation Themes Supporting Michigan

Sustainability

- Agrifood systems
- Energy, materials, and Bioeconomy

Health

- Assuring sufficient numbers of health professionals
- Aging and human development
- Service oriented research programs

Educated Workforce

- STEM disciplines to support economic leadership
- K-12 reform

2008-09 Budget

Allocation Themes Supporting Michigan

Globalization

- Language/Culture
- Study Abroad

Cultural Entrepreneurship

- Wharton Center outreach project

Manufacturing

- EARL
- Smart robotic systems
- Alternative forms of materials

Engaged in Building Michigan's Future

- MSU Product Center – helped to launch or expand 89 businesses across the state and provided services to over 2,000 citizens
- MSU backed business start-ups over the last 7 years – 26
- Bio-Economy Initiatives
- Over 1 Million contracts annually with MI citizens and businesses

- Examples of current initiatives
 - Southeastern Michigan Medical Expansion/Renaissance
 - Grand Action / The Right Place included Human Medicine
 - Lake Shore Advantage
 - Youthville – Education
 - Lansing LEAP

Continued Focus on Efficient Operations

- Health care increases below the national average in five of the last seven years
- Total student-to-employee ratio of 3.3, more efficient than the Big Ten average by approximately 32%
- MSU operates with the smallest tuition/fees revenue and appropriations per student in the Big Ten
- Sections taught per tenure system faculty up by 8% since 2000

	<u>T/F & Approp</u> <u>Per Student</u>
U of M	\$22,743
Minnesota	\$18,917
Ohio State	\$18,246
Iowa	\$17,603
Purdue	\$16,078
Wisconsin	\$15,495
Indiana	\$15,487
Illinois	\$15,271
MSU	\$14,585

Institutional reporting methods vary.

Above is based on the best available information

2005-06			
Institution	Total Employees	Total Students	Student/Emp
	Number	Number	Ratio
University of Michigan-Ann Arbor	21,849	39,533	1.8
University of Wisconsin-Madison	20,345	40,455	2.0
University of Iowa	12,673	28,442	2.2
University of Minnesota-Twin Cities	22,169	50,954	2.3
University of Illinois at Urbana-Champaign	16,807	40,687	2.4
Purdue University-Main Campus	15,103	40,108	2.7
Ohio State University-Main Campus	19,118	50,995	2.7
Michigan State University*	13,442	44,836	3.3
Indiana University-Bloomington	10,993	37,821	3.4
Mean of All Universities	16,944	41,537	2.5

Source: IPEDS 2005-06 Survey
Excludes hospital personnel

Investment Performance

- MSU investment performance ranks in the top 10 percent of institutions nationally for the past three, five, and ten year periods

Reductions and Reallocations

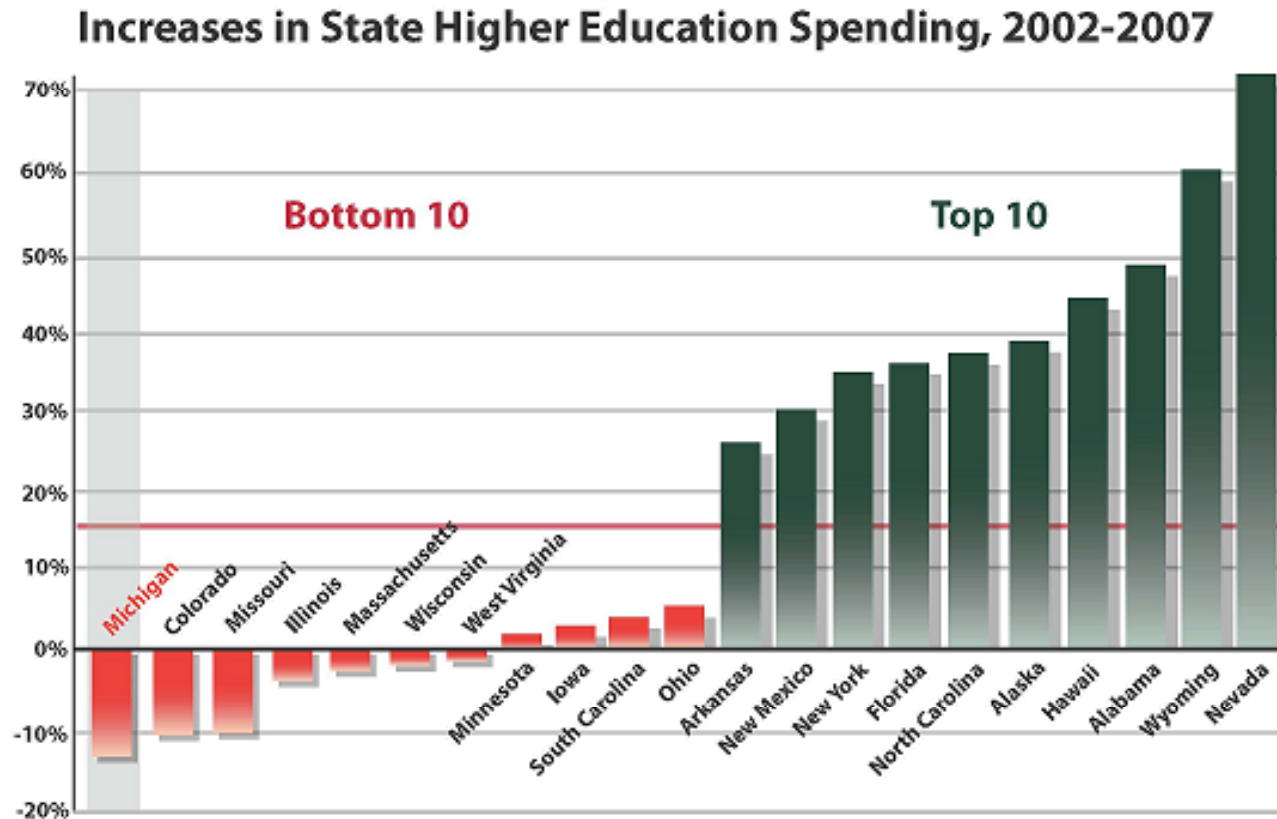


1% Value-\$4.65M

- Total reductions for 2008-09- \$3.5M
- Total reductions for seven years exceed \$73.5M: Includes elimination of majors, restructuring of departments, and colleges and major reengineering projects
- Annual 1% Program Efficiency and Reallocation Fund shown in red segment

Appropriation

- Five years of state appropriations in the lowest 20% nationally



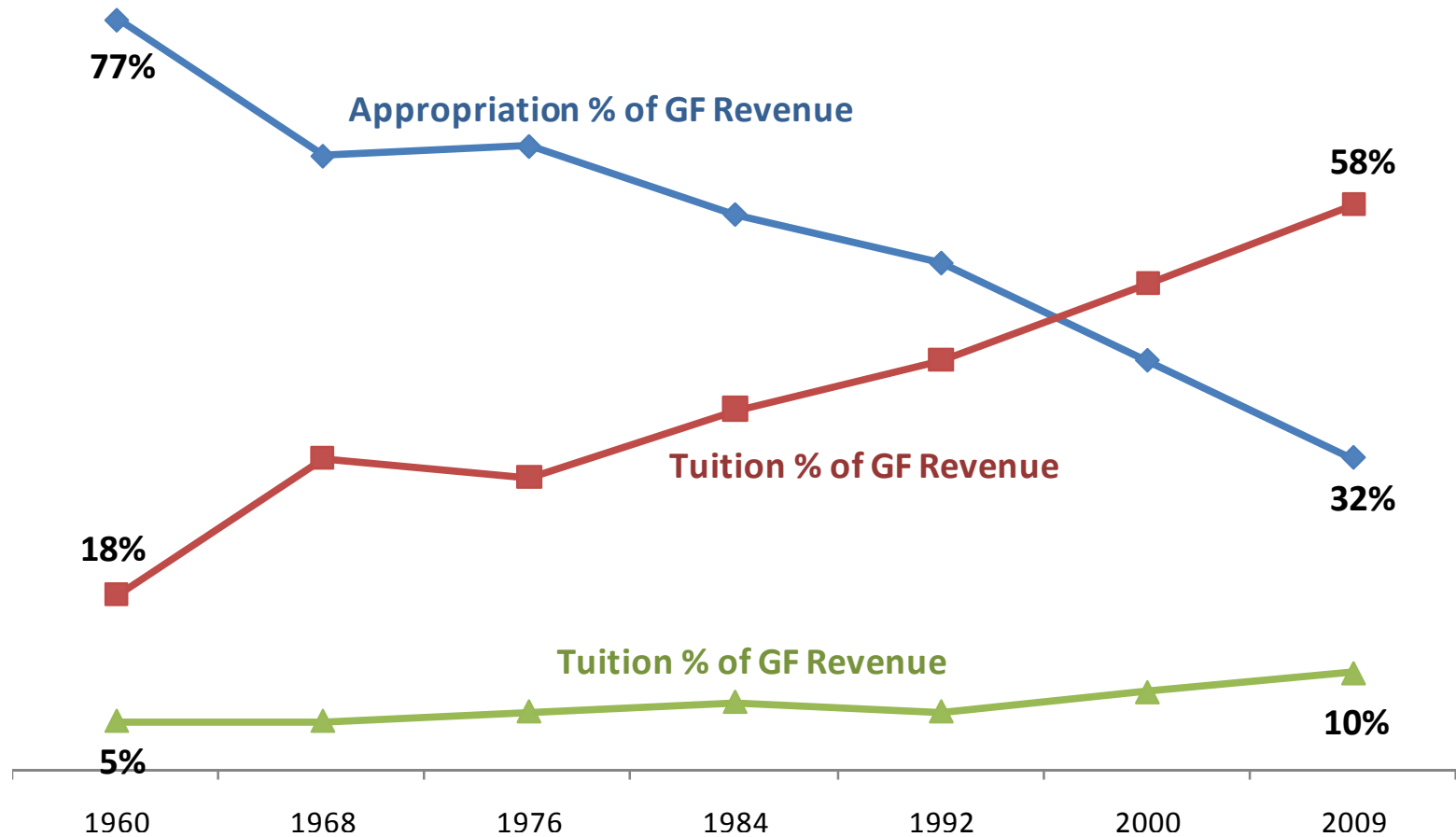
Michigan's higher education investment over the last five years has been the lowest in the nation, and well under the national average of 15.1 percent over that period. Some of the nation's fastest growing states are those leading the nation in higher education appropriations.

Source: Grapevine Web site, Michigan figures updated for May budget cuts

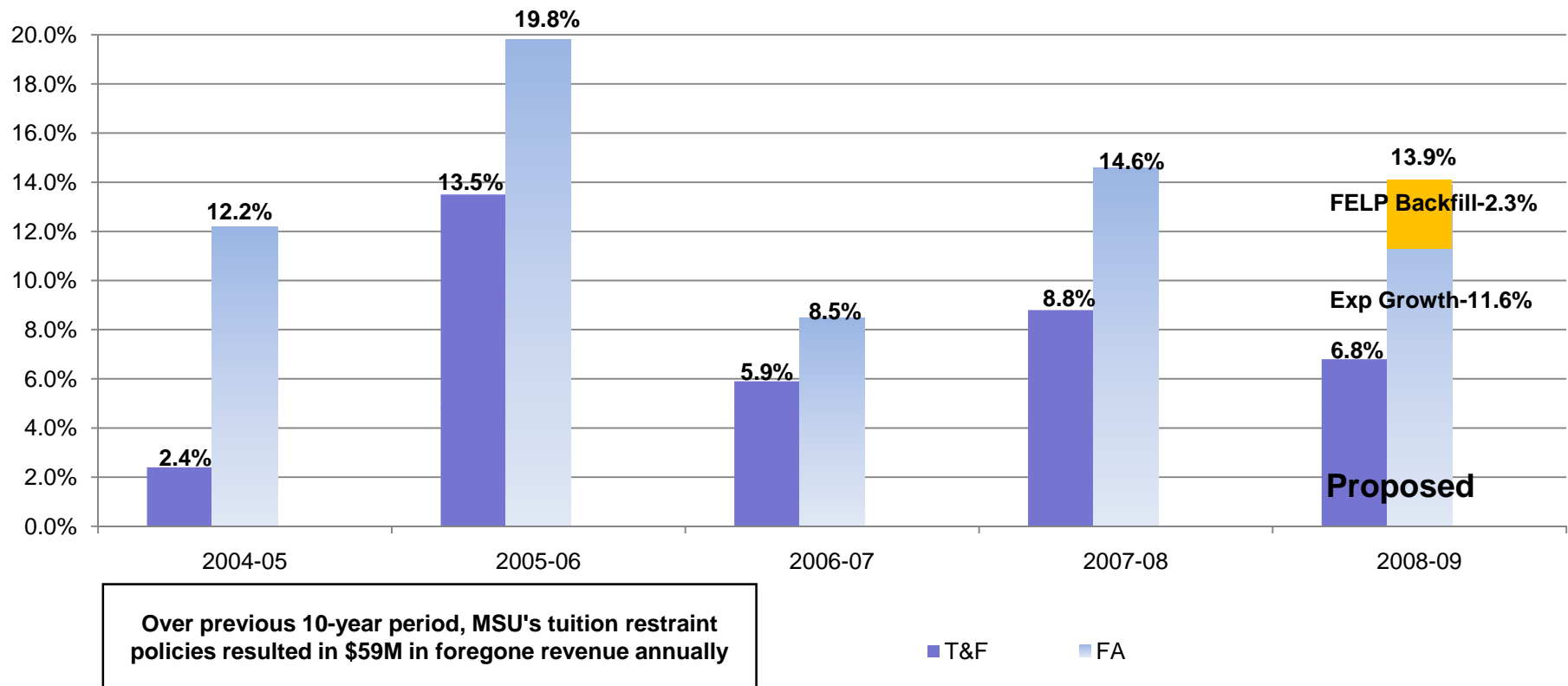
- 2008-09 at 3% based on current house/senate average recommendations for higher education

Appropriation

- A decade of state appropriations in the lowest 20% nationally



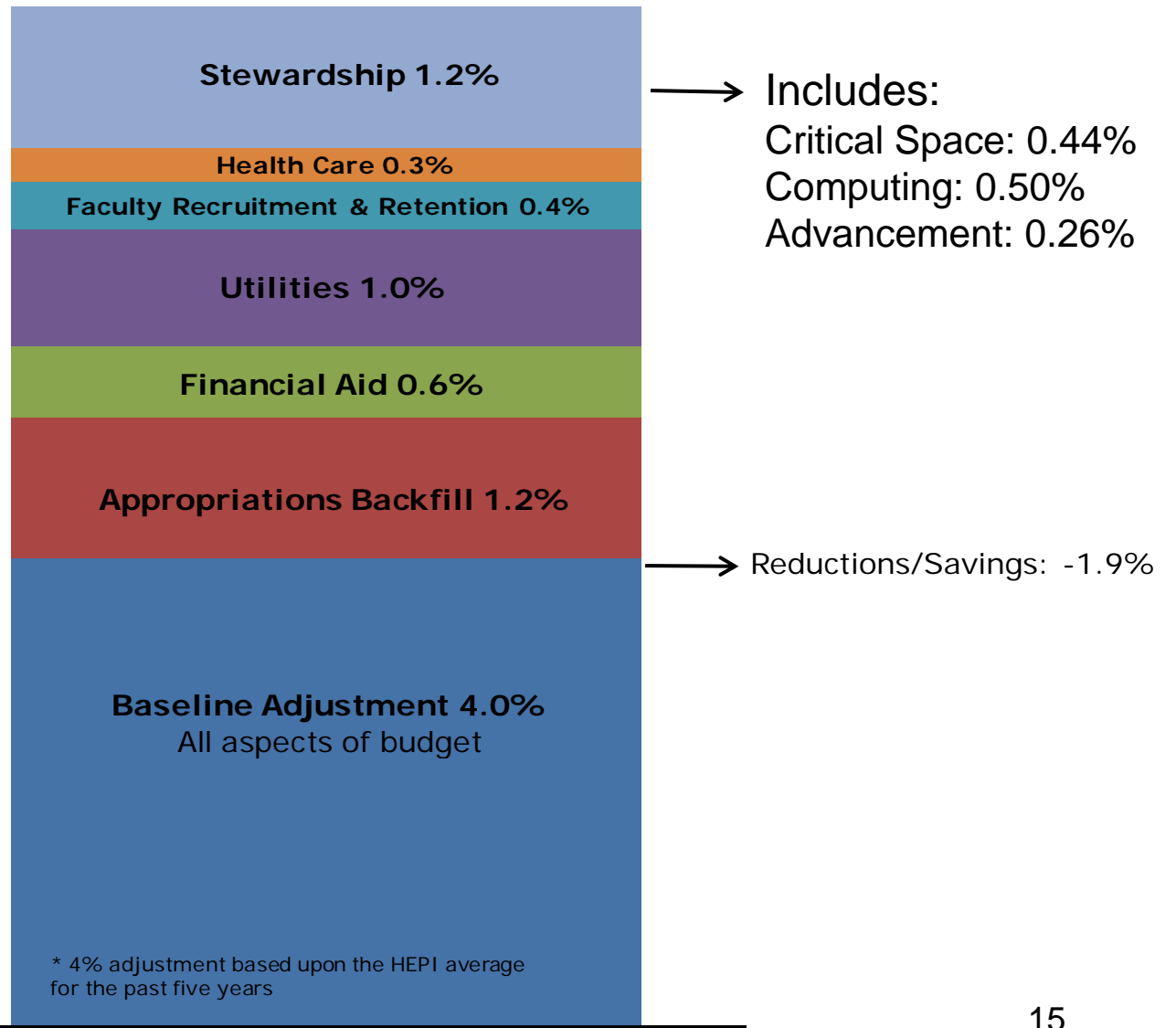
Financial Aid & Tuition & Fees



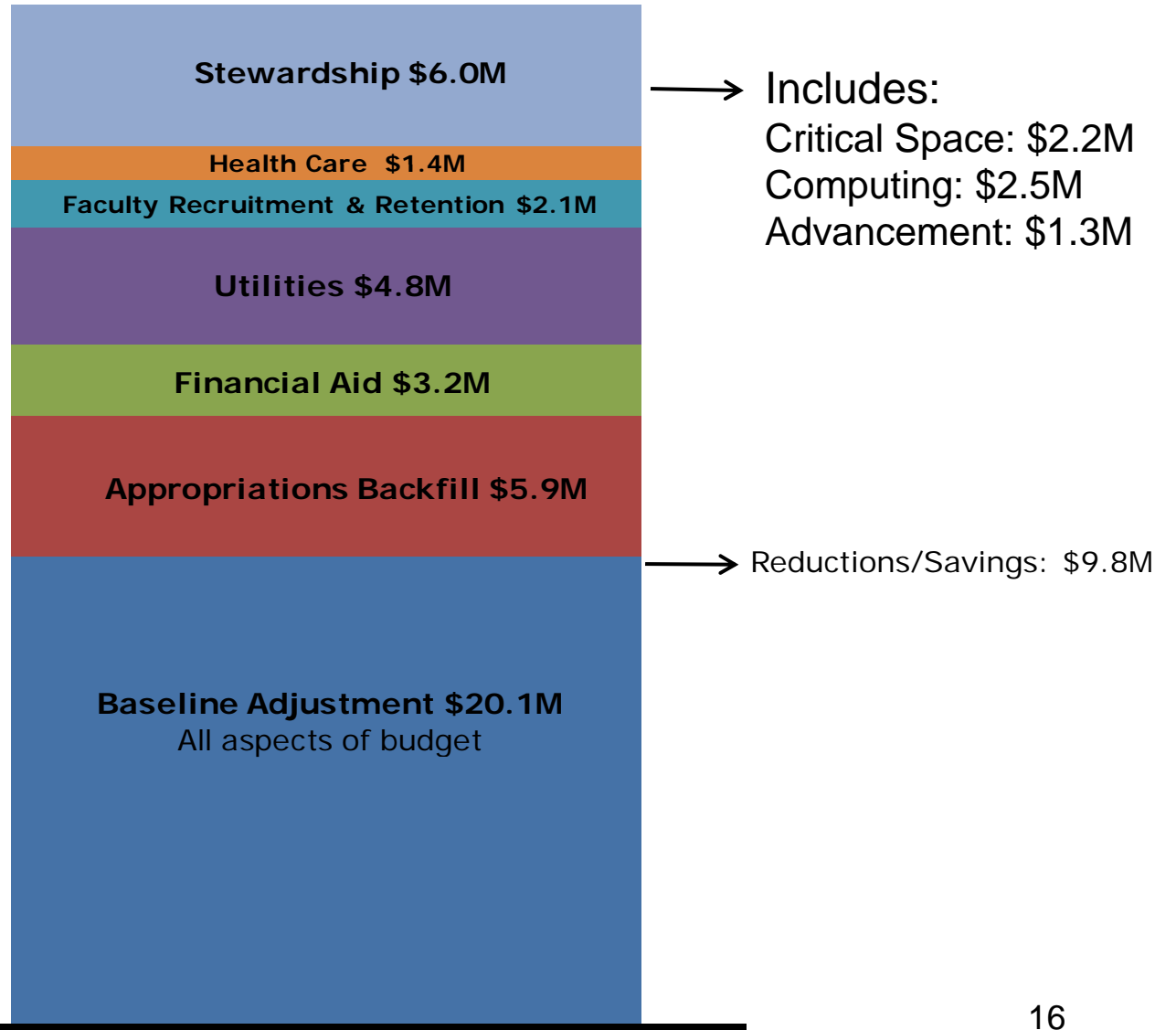
1% Value- 5.04M tuition, 0.6M financial aid

- Average annual increase in institutional financial aid resources exceeds tuition increases
- Over past five years, tuition increases averaged 7.5%, financial aid increases averaged 13.0%

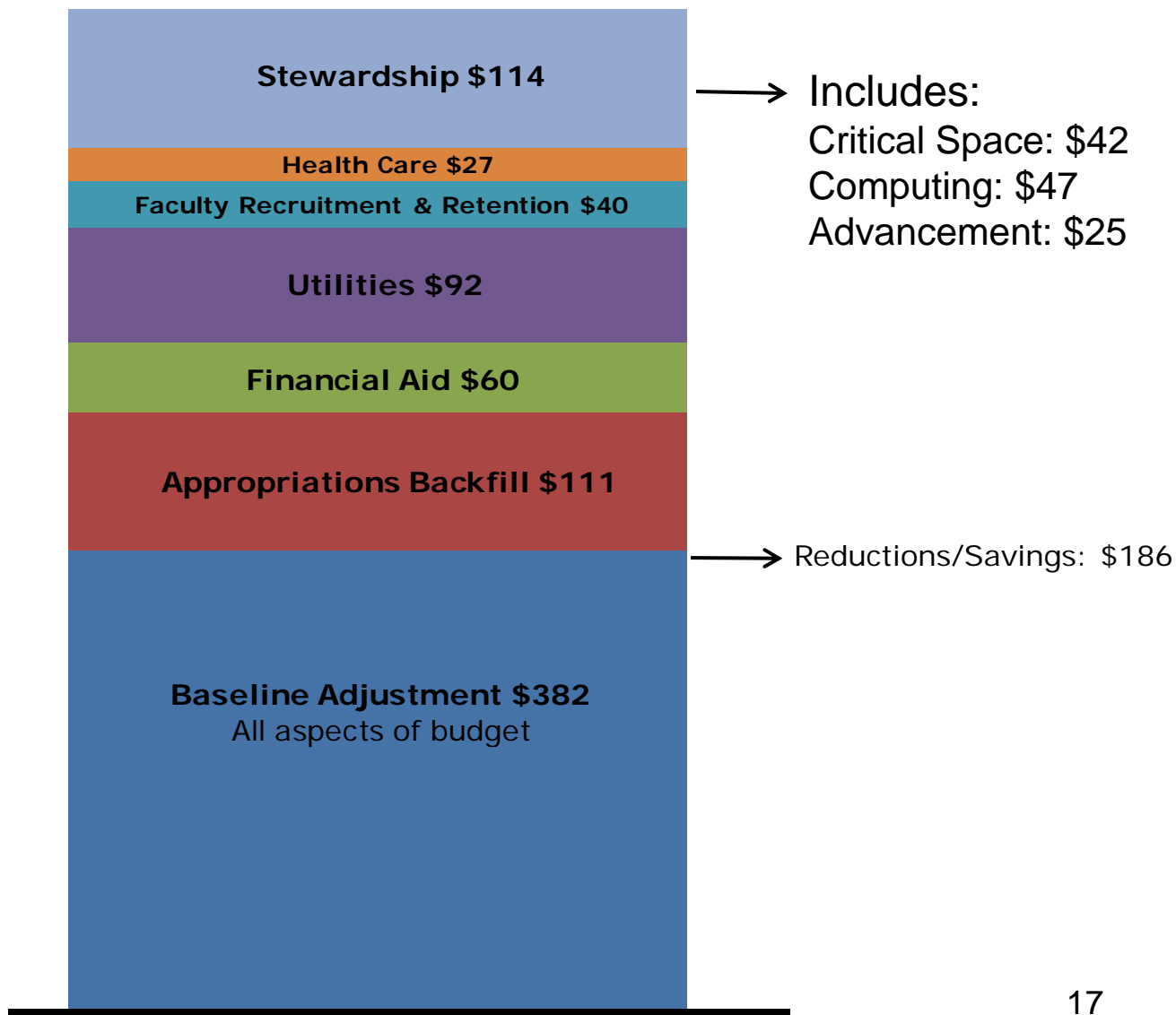
Percent Tuition Change by Budget Component



Tuition Dollar Change by Budget Component



Dollars Per LD Undergraduate Tuition Change by Budget Component



Financial Aid & Tuition & Fees

Based on best available information from Michigan institutions, MSU will continue to rank between 5th and 7th in total cost of attendance for 2008-09

Simplification of Tuition and Fee Rates

Objectives

- Rebalance the increases that have occurred due to assigning percentage increases to the flat fees over time, plus initiating new fees
- Recognize the number of students requiring one or two courses per semester to complete requirements or attain post baccalaureate certificates
- Assist students who are attempting to manage academic and work requirements during difficult economic times

Actions

- First year of a multi-year program to reduce the Matriculation and Energy fees; per credit rates increased to recover revenue
 - Full time fee down \$178
 - Part time fee down \$125

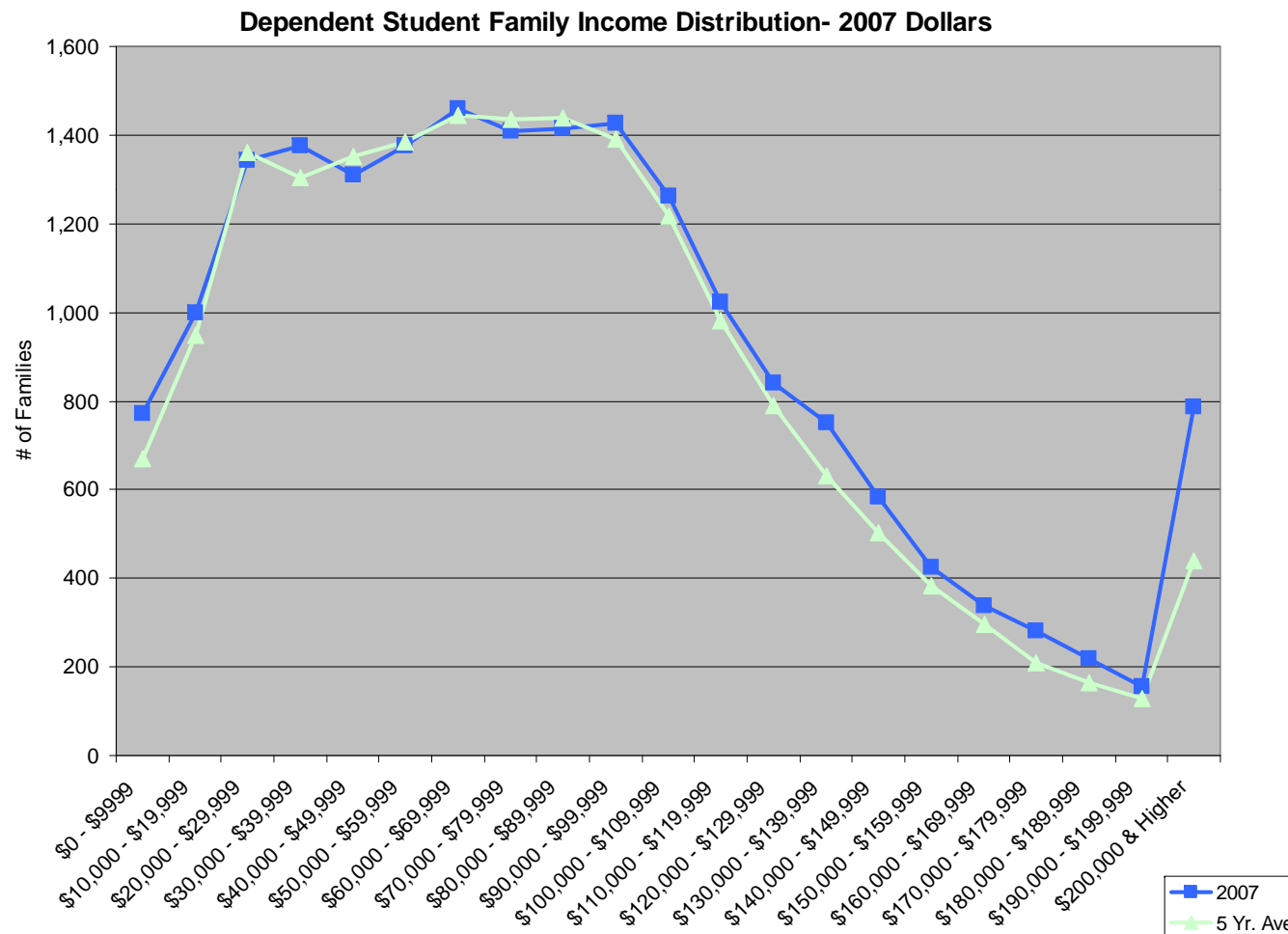
***Resident Full Time Lower Division (LD) Undergraduate
30 Credits***

	<u>Tuition & Fees</u>	<u>Room & Board*</u>	<u>Total</u>
2007-08	\$9,575.50	\$6,675.00	\$16,250.50
2008-09	\$10,214.00	\$7,026.00	\$17,240.00
\$ Change	\$638.50	\$351.00	\$989.50
% Change	6.7%	5.3%	6.1%

*Residence hall rates reflect best value in the Big Ten based on services and price.

Accessibility

- Accessible across socio-economic backgrounds to qualified Michigan students
 - Preserving income distribution of families, adding to Pell-eligible categories



Accessibility

(Entering Freshman Class)

<u>Institution Name</u>	<u>% Receiving Any Financial Aid</u>	<u>% Receiving Federal Grant Aid</u>
Michigan State University	93	18
Ohio State University-Main Campus	90	18
University of Michigan-Ann Arbor	79	15
University of Iowa	78	14
Pennsylvania State University-Main Campus	77	15
University of Minnesota-Twin Cities	76	17
Indiana University-Bloomington	71	18
University of Illinois at Urbana-Champaign	67	15
Purdue University-Main Campus	62	17
University of Wisconsin-Madison	60	10

Source: IPEDS PAS Institutional Data

Tuition & Fee Base Comparison

University of Michigan-Tuition Distribution by %

	Res	Non Res	Total
Undergraduate	22%	35%	58%
Graduate	13%	29%	42%
Total	35%	65%	100%

**Total Revenue
\$782M**

Michigan State University-Tuition Distribution by %

	Res	Non Res	Total
Undergraduate	60%	16%	75%
Graduate	19%	5%	25%
Total	79%	21%	100%

**Total Revenue
\$457M**

Source: HEIDI 2006-07

Tuition & Fee Differentials 2007-08

MSU Tuition and Fee Base: \$503,800,000 1%=\$5.0M

U of M Tuition and Fee Base: \$840,000,000 1%=\$8.4M

Tuition Increase Yield						
	3%	4%	5%	6%	7%	8%
MSU	\$15	\$20	\$25	\$30	\$35	\$40
U of M	\$25.2	\$33.6	\$42.0	\$50.4	\$58.8	\$67.2

