

# Collective Bargaining Leadership

03/24/09

# Budget Update

- Appropriation Update
- “What-if Analysis” regarding appropriation, tuition and reduction levels
- “What-if Analysis:” Long Range Modeling Tool
- Federal stimulus funding
- Survey Information

# FY10 Governor's Recommended Budget-Operating Appropriations

	<u>Actual FY 2009</u>	<u>Executive Recommendation FY 2010</u>	<u>% Change</u>
<b>Michigan State University (GF)</b>	<b>\$293,041,200</b>	<b>\$283,909,000</b>	<b>-3.1%</b>
Higher Education Operations	\$1,463,269,600	\$1,420,650,100	-3.0%
Community Colleges	\$299,360,500	\$299,360,500	0%

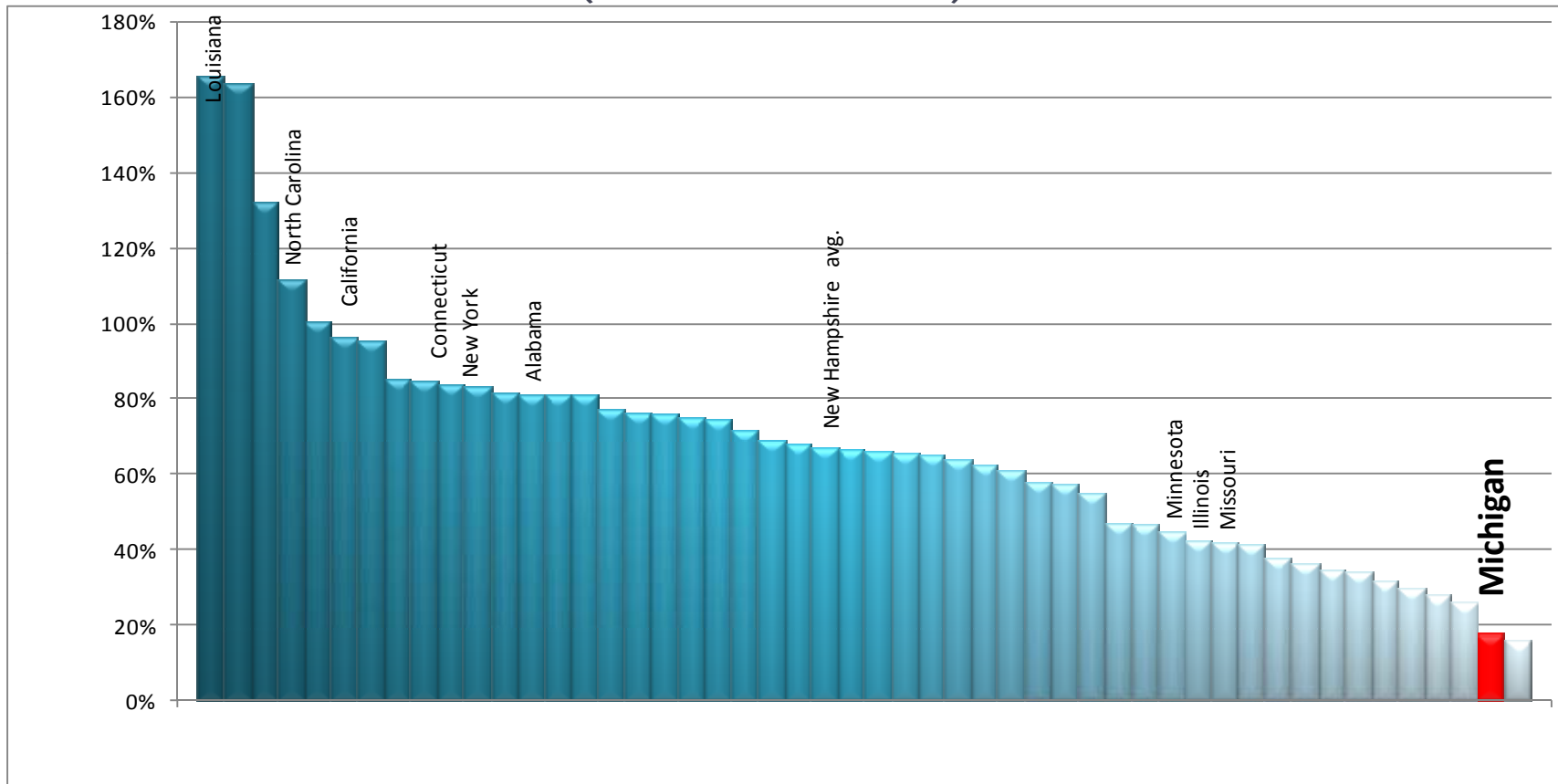
# FY10 Governor's Recommended Budget-Operating Appropriations

	<u>Actual FY 2009</u>	<u>Executive Recommendation FY 2010</u>	<u>% Change</u>
Agricultural Experiment Station	\$34,336,200	\$0	
Cooperative Extension Service	\$29,615,500	\$0	
	<b>\$63,951,700</b>	<b>\$32,000,000</b>	<b>-50.0%</b>

- Equates to 1,000 jobs
- Other funds impacted - \$15.6M Fed appropriations, \$21M county resources, \$100M plus sponsored programs
- Leverages economic impact on Michigan - \$1B plus

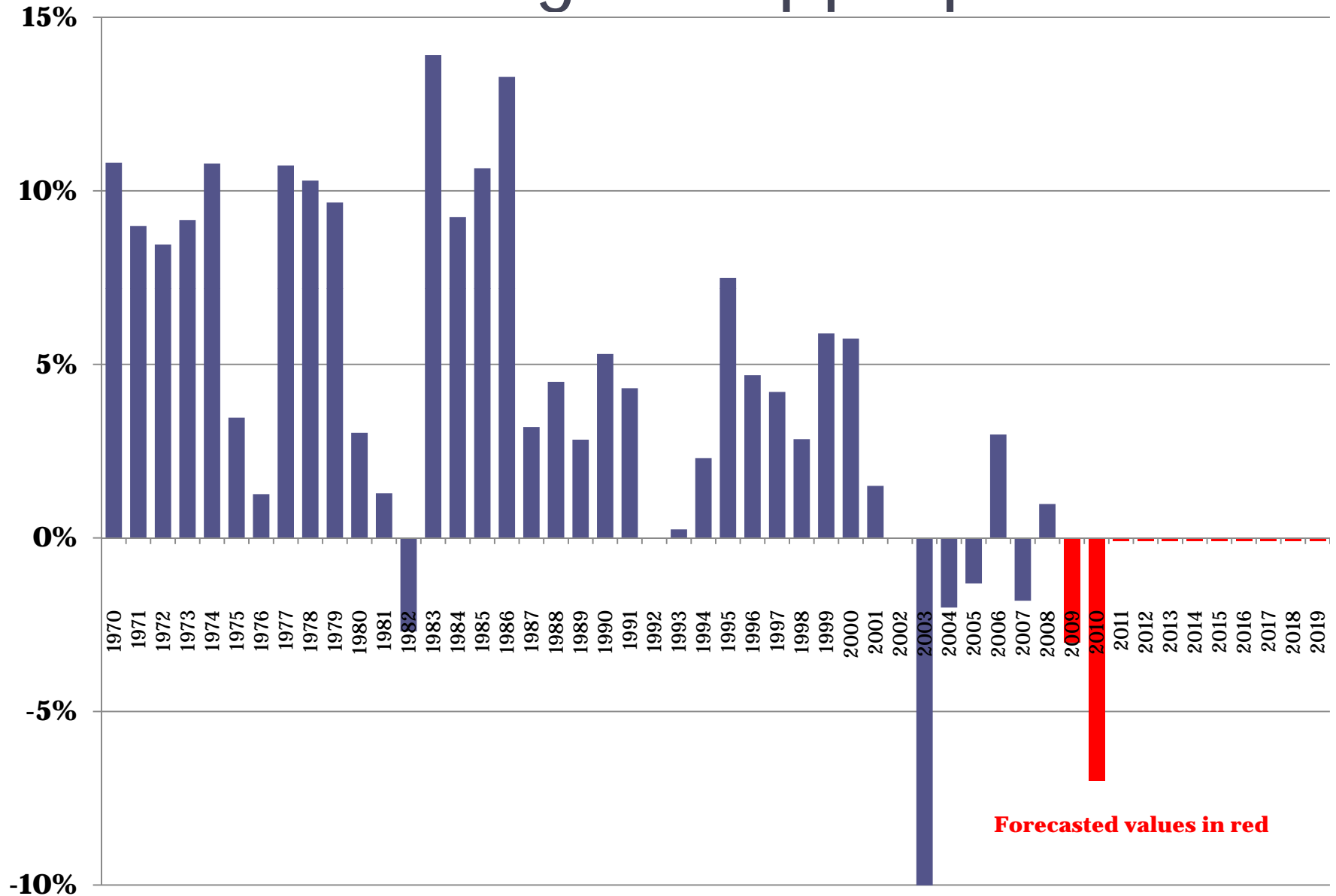
# 12-Year Increases in Higher Education Budgets by State

(FY 1997 to FY 2009)



- National Average: 67% or 5.6% per year; Michigan: 17% or 1.4% per year
- In FY 1997 NC & MI had basically same appropriation. Since then, NC has invested an additional \$2.0 B into Higher Ed. MI invested an additional \$300 M.

# Percent Change in Appropriations



# 2009-10 Budget Development

## "What-if Analysis"

The analysis is intended to broadly present budget options available to the university at this time. Options include the rate of change for significant variables, and funding alternatives including reductions or tuition increases

<u>Illustrative Revenues</u>	<u>Increment</u>	<u>Dollars</u>	<u>Positions</u>	<u>Tuition</u>
Appropriation	0%	\$0M	0	0.00%
Appropriation	+4%	\$11.72M	195	2.45%
Based on five year Higher Education Price Index average		(Saves)	(Saves)	(Saves)
Appropriation	-3%	\$8.7M	145	1.80%
		(Loses)	(Loses)	(Costs)

## “What-if Analysis”

<u>Illustrative Expenditures</u>	<u>Increment</u>	<u>Dollars</u>	<u>Positions</u>	<u>Tuition</u>
<b><i>Operations</i></b>				
Employee Salary Adjustments (Range from apx 2% to 2.5%)	Range	\$17M	283	3.50%
Health Care Increase	8.50%	\$5.7M	95	1.20%
Energy/Utilities	10.80%	\$4.2M	70	1%
Supplies and Operations	3.70%	\$5.6M	94	1.20%
Financial Aid (Above tuition and fee rate)	3.40%	\$2.4M	40	0.50%
	<b>Sub-Total</b>	<b>\$34.7M</b>	<b>582</b>	<b>7.4%</b>
<b><i>Stewardship-Framework</i></b>				
Advancement/University Relations		\$2.6M	42	0.50%
Computing (Year 3/5)		\$2.5M	41	0.50%
Critical Space Needs		\$2.2M	38	0.50%
	<b>Sub-Total</b>	<b>\$7.3M</b>	<b>121</b>	<b>1.5%</b>
Routine financial aid increases netted against tuition				
	<b>Total</b>	<b>\$42M</b>	<b>703</b>	<b>8.9%</b>

# Critical Assumptions

- Over the next three years, state appropriations will decrease by 10 percent
- Because of continuing adverse economic circumstances, tuition adjustments will be modest

# Budget Reduction Scenario

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Non-recurring lapse to provide head-start/bridging	2%			
Reduction		4%	4%	2%
1% Program Efficiency		1%	1%	1%

\*1% reducible base = \$4.86m

***Stimulus package and other one-time monies may delay our need for reductions, but does not eliminate them***

# 10 Year Budget Model

(Dollars in millions)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Expenditure Variables</b>											
Financial Aid											
Faculty & Academic Staff Salary											
Faculty Markets											
GA's											
Coalition Salary											
Student Labor											
Health Care											
Other Benefits											
Utilities											
New Space											
Supplies/Services											
Operations											
Total Cumulative Framework Items											
Base Budget Reduction											
<b>Ending Budget</b>											
Budget Change											
<b>Revenue Variables</b>											
Appropriation (HEPI 5 Yr. Ave. 3.9%)											
Tuition-Resident UG											
Tuition-Remaining Student Groups											
Undergrad Non-Resident Enrollment											
IDC, Investment Income and App Fees											
<b>Gross Revenue</b>											
% Change											
Surplus/(Deficit)											

Information provided on screen

# Potential Stimulus Funding Through the State of Michigan

- There have been reports of amounts up to \$450M possibly available to higher education
- If allocated on a pro-rata basis, MSU could receive approximately 20 percent of the available higher education funds
- Explicit guidelines for the application of these funds are anticipated

# Survey Information

# Tuition and Fee Comparison Resident Undergraduate

	<u>Tuition/Fees</u>	<u>Rank</u>	<u>Total</u>	<u>Rank</u>
UM-AA	\$11,037	2	\$22,729	1
MTU	\$11,206	1	\$21,944	2
<b>MSU</b>	<b>\$10,337</b>	<b>3</b>	<b>\$20,043</b>	<b>3</b>
FSU	\$9,162	5	\$20,208	4
CMU	\$9,720	4	\$19,437	5
WMU	\$7,984	8	\$19,384	6
UM-F	\$7,482	13	\$18,810	7
LSSU	\$7,894	9	\$18,611	8
OU	\$8,324	6	\$18,539	9
GVSU	\$8,196	7	\$18,302	10
UM-D	\$7,769	10	\$17,839	11
EMU	\$7,590	12	\$17,590	12
SVSU	\$6,693	15	\$17,548	13
NMU	\$7,078	14	\$17,352	14
WSU	\$7,726	11	\$17,178	15

# Tuition and Fee Comparison Non-Resident Undergraduate

	<u>Tuition/Fees</u>	<u>Rank</u>	<u>Total</u>	<u>Rank</u>
Northwestern	\$37,125	1	\$51,720	1
Michigan	\$33,069	2	\$44,761	2
Illinois	\$26,024	4	\$38,498	3
Penn State	\$24,726	6	\$37,762	4
Ohio State	\$22,023	8	\$36,978	5
Indiana	\$24,768	5	\$36,342	6
Michigan State	\$26,134	3	\$35,838	7
Purdue	\$23,224	7	\$34,454	8
Wisconsin	\$21,780	9	\$33,240	9
Iowa	\$20,658	10	\$32,801	10
Minnesota	\$14,756	11	\$25,144	11