

# MICHIGAN STATE UNIVERSITY

June 3, 2011

## MEMORANDUM

**To:** Trustee Finance Committee

**From:** Kim A. Wilcox  
Fred L. Poston

**Subject:** 2011-12 Budget Development Guidelines and  
2012-13 Preliminary General Fund Budget Guidelines Implementation

### **RECOMMENDATION:**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees adoption of the attached 2011-12 Budget Development Guidelines (Budget Guidelines) and 2012-13 Preliminary General Fund Budget Guidelines (Preliminary Guidelines), which include revenue and expenditure totals and tuition and fee rates for 2011-12 and revenue and expenditure totals and tuition and fee rates for 2012-13.

In accordance with the Budget Guidelines, the administration is directed to develop and implement the 2011-12 General Fund, MSU AgBioResearch, Michigan State University Extension, and Intercollegiate Athletics budgets.

To provide students and families an extended opportunity to plan, MSU has developed the Preliminary Guidelines. The Preliminary Guidelines establish 2012-13 tuition and fee rates, revenue totals, and expenditure totals. The Preliminary Guidelines also establish the financial aid budget and the estimated State appropriation for 2012-13. The administration is directed to develop the 2012-13 Budget Development Guidelines in accordance with the Preliminary Guidelines.

### **BACKGROUND:**

Attachment A summarizes revenues and expenditures for the 2011-12 and 2012-13 budgets. Attachment B1 provides student tuition and fee information for 2011-12. Attachment B2 provides student tuition and fee information for 2012-13. Attachment C provides detailed general fund revenue and expenditure changes for the proposed 2011-12 budget.

These budgets are designed to preserve and, where possible, build on MSU's strength and stature as one of the top 100 research universities in the world. Michigan State University continues to support the State and its people,



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enhancing economic competitiveness and quality of life. MSU's reach crosses international boundaries to share the best of Michigan with the world and brings the best of the world to Michigan.

As our society and economy become increasingly global in character, access to a globally competitive education plays an ever more important role, both in each individual's potential for success and in collectively contributing to the State's economic vitality.

Action on the budget to preserve current accomplishments and realize the *Boldness by Design* vision is occurring during a period of economic uncertainty. In order to protect MSU's value to the State, a reasonable level of financial stability is required. The major sources of revenue to the University each fiscal year are the base main campus operating appropriation from the State and tuition and fees paid by students.

In the event anticipated recurring State support is reduced, deferred, delayed, or withheld, contingent budget preservation authority is provided to the President under paragraph 16 of the Budget Guidelines, paragraph 10 of the Preliminary Guidelines, and Attachment D to protect the quality of MSU programs and simultaneously maintain student access. The President will report to the Board at least two weeks prior to implementation any tuition and fee rate and financial aid adjustments and any tuition and fee surcharges authorized by this resolution. Should recurring appropriations support exceed the budgeted amount in 2011-12 or in 2012-13, the President will have authority under Attachment D, with two weeks prior written notice to the Board, to use the excess to reserve funds against the possibility of subsequent reductions in State appropriations; to benefit students and their families by increased financial aid or tuition offsets; to allocate funds for bridging purposes to smooth out planned budget reductions; and/or to fund nonrecurring infrastructure needs, including data systems.

In accordance with these Budget Guidelines, the proposed 2011-12 budgets for the General Fund, MSU AgBioResearch, MSU Extension, and Intercollegiate Athletics will be developed and implemented.

Detailed revenue and expenditure variables for 2012-13 will be presented to the Board of Trustees for review during early 2012. Detailed 2012-13 Budget Development Guidelines, based on the Preliminary Guidelines, will be presented to the Board of Trustees for action by July, 2012.

#### Attachments

cc: Board of Trustees Policy Committee  
Lou Anna Simon, President  
William Beekman, Secretary to the Board  
Robert Noto, Vice President for Legal Affairs and General Counsel  
David Byelich, Assistant Vice President and Director of Planning and Budgets

# **2011-12 BUDGET DEVELOPMENT GUIDELINES AND 2012-13 PRELIMINARY GENERAL FUND BUDGET GUIDELINES**

Proposed 2011-12 budgets for the University General Fund, MSU AgBioResearch, Michigan State University Extension, and Intercollegiate Athletics total \$1.21 billion.

## 2011-12 Budget Development Guidelines

Board action authorizes the administration to develop and implement 2011-12 budgets in accordance with the following 2011-12 Budget Development Guidelines (Budget Guidelines):

### Revenues

1. State appropriations, based on the Education Omnibus Senate and House concurred bill, are estimated at \$241.1 million, a decrease of \$42.6 million or 15.0 percent from MSU's 2010-11 recurring budget.
2. The general fund operating budget for 2011-12 will be developed based on revenue estimates of \$1,050.3 million. This amount includes \$241.1 million in appropriations; \$708.9 million in tuition and fees; and \$80.5 million in other revenues, which is composed primarily of investment income and indirect cost recovery. Additionally, there are pass-through allocations of \$17 million in new revenue-based initiative proceeds and \$2.8 million in formula-based research facilitation allocations resulting from increased contract and grant income.
3. Tuition rates will increase approximately 6.9 percent for resident undergraduates and approximately 7.0 percent for all other regular students.

### Expenditures

4. Major expenditure items will include increased funding for student financial aid, utilities and new space, employee compensation, and supplies, services, and equipment increments; a \$2.4 million, or 0.5 percent, base budget reduction; and continuation of the 1 percent program efficiency and reinvestment fund reallocation. Specific expenditure recommendations are:
  - a. Regular student financial aid increases of \$10.0 million, or approximately 10 percent. This adjustment funds increased numbers of aid recipients and increased levels of need. The University began to address the impact of the recession on financial aid in 2009; the current action continues this initiative.

- b. New utility and facility-related funding increases total \$3.3 million, including approximately \$2.4 million of adjustments due to a 5.0 percent increase in continuing utility costs and \$0.9 million of new space requirements.
- c. Employee compensation adjustments of approximately \$13.0 million, including benefit increases. Health care costs increase 5 percent and other benefit costs increase 3 percent from the 2010-11 budget.
  - i. Faculty and academic staff salary adjustments will be determined based on merit. The general components of the raise are noted below; more specific information is included in the annual faculty and academic staff raise guidelines developed by the Office of the Provost. Salary adjustments for faculty and nonunionized academic staff at 1.5 percent are to be based on merit. An additional 0.5 percent to help faculty salaries remain competitive is to be administered at the college level. A 0.5 percent segment is recommended for market adjustments administered centrally and targeted for ranked faculty, but open to all faculty and academic staff. All raises will be effective October 1, 2011.
  - ii. Stipend ranges for graduate assistants holding research or administrative appointments are to be determined. Stipend increases for individual assistants will be determined by the employing units. Compensation adjustments, including stipends, health care, and graduate assistant tuition waiver, for assistants holding teaching appointments are determined through collective bargaining.
  - iii. Existing minima and maxima for student labor pay ranges will be increased by 2.0 percent.
  - iv. Increases in pay rates for undergraduate and professorial assistants will parallel student labor adjustments.
  - v. Salary and wage adjustments for most other employee groups are subject to collective bargaining agreements.
- d. An increment for supplies, services, and equipment of \$1.6 million, approximately 2.0 percent. Unit allocations can be differential, based upon identified programmatic need.

- e. An increment for other budgetary adjustments of \$3.5 million, which includes funding for debt service and other general University purposes.
  - f. Continuation of the 1 percent program efficiency and reinvestment fund. Reinvestments will address normal year-to-year programmatic adjustments. Over the past eleven years, internal reallocations totaling approximately \$42 million have been implemented across campus.
  - g. Continuation of the \$10.4 million Technology/Teaching and Learning Fund. As in previous years, allocations from this Fund will be made on a nonrecurring basis.
5. Expenditures for incremental revenue-based initiatives of approximately \$17.0 million include the following:
- a. Medical college programs totaling \$10.0 million; and
  - b. Virtual, Off-Campus, and other programs, \$7.0 million.
6. Growth in unit research activity necessitates a \$2.8 million increase in the indirect cost recovery pass-through to units.
7. Base budget reductions totaling \$2.4 million, or 0.5 percent, will be applied to major administrative units according to their reducible bases to help address declining appropriation support and current economic circumstances.
8. Funding for Advancement programs is included at \$2.0 million. This allocation builds Advancement capacity and anticipates future campaigns.
9. As in previous budgets, projected 2011-12 revenues are augmented from funds appropriated in the 2010-11 budget, by \$2.5 million this year.
10. General Fund expenditures over the 2011-12 fiscal year will be based on the budget and, upon completion of the current year, resources carried forward for subsequent expenditure. Carry forward amounts will be noted in the 2011-12 financial statements.
11. The 1 percent tax on auxiliary income derived from off-campus sources, initiated in 2007-08 and used to support the development of the financial information system, increased to 2 percent starting in 2010-11 and continues at 2 percent in 2011-12.

## General

12. Other University budgets, including those for the MSU AgBioResearch, the Michigan State University Extension Service, and the Department of Intercollegiate Athletics, have been developed within available resources and in accordance with University-wide guidelines for compensation adjustments as outlined above.
13. Proceeds from endowment trusts may be used to fund just-in-time infrastructure requirements and costs for the new financial information system. Expenditures will be reported annually as part of the financial statements. Other sources of funds for these expenses include the 2 percent tax noted in paragraph 11 and debt financing.
14. In the event the anticipated State base main campus operating appropriation support is reduced, deferred, delayed, or withheld, contingent budget preservation authority is provided to the President under Attachment D to protect the quality of MSU programs and simultaneously maintain student access through a recurring tuition and fee increase or a nonrecurring tuition and fee surcharge.

Under Attachment D, contingent budget preservation authority is included so that the President may increase tuition and fees to offset appropriation shortfalls in the event that State appropriation support for 2011-12 is less than the budgeted amount, \$241.1 million. If appropriations exceed \$241.1 million for 2011-12, the President can use the excess to reserve funds against the possibility of subsequent reductions in State appropriations; to benefit students and their families by increased financial aid or tuition offsets; to allocate funds for bridging purposes to smooth out planned budget reductions; and/or to fund nonrecurring infrastructure needs, including data systems.

The President will report to the Board, at least two weeks prior to its implementation, any tuition and fee rate and financial aid adjustment, tuition and fee surcharge, or other action authorized by Attachment D to these Budget Guidelines.

15. Attachment A contains the summary of proposed budgets for the General Fund, MSU AgBioResearch, Michigan State University Extension, and Intercollegiate Athletics.

## 2012-13 Preliminary General Fund Budget Guidelines

Board action adopts these 2012-13 Preliminary General Fund Budget Guidelines (Preliminary Guidelines) for the 2012-13 period. Action on the Preliminary Guidelines sets the 2012-13 financial aid budget increase and tuition and fee rates and the base budget operating reduction rate. Detailed expenditure and revenue variables will be presented to the Board of Trustees during early 2012 for review in light of then-current circumstances. Detailed 2012-13 Budget Development Guidelines, based on these Preliminary Guidelines, will be presented to the Board of Trustees for action by July, 2012.

### General Fund Revenues

1. Revenues of \$1,086.6 million.
2. Appropriations unchanged from the 2011-12 year level at \$241.1 million.
3. Tuition and fee increases set at 5.0 percent, resulting in total tuition revenues of \$760.9 million.
4. All other revenues total \$84.6 million.

### General Fund Expenditures

5. Expenditures of \$1,086.6 million.
6. Financial aid budgets will increase by 5.5 percent, or approximately \$5.8 million.
7. Additional expenditures include revenue-based initiatives, research facilitation, and financial framework requirements. Revenue-based initiatives and research facilitation are adjusted annually based on projected and actual proceeds designated to support these activities. Key financial framework expenditures totaling \$5.8 million are noted below:
  - a. Advancement, \$3.6 million
  - b. Critical space, \$2.2 million
8. Other expenditure adjustments, including salaries and health care, will be accommodated within the appropriate expenditure total based upon circumstances during Spring, 2012.

## General

9. In the event the anticipated State base main campus operating appropriation support is reduced, deferred, delayed, or withheld, contingent budget preservation authority is provided to the President under Attachment D to protect the quality of MSU programs and simultaneously maintain student access through a recurring tuition and fee increase or a nonrecurring tuition surcharge.

Under Attachment D, contingent budget preservation authority is included so that the President may increase tuition and fees to offset appropriation shortfalls in the event that State appropriation support for 2012-13 is less than the budgeted amount, \$241.1 million, which represents no change from the Executive recommendation for 2011-12. If appropriations exceed \$241.1 million, the President can use the excess to reserve funds against the possibility of subsequent reductions in State appropriations, to benefit students and their families by increased financial aid or tuition offsets; or to fund nonrecurring infrastructure needs, including data systems.

The President will report to the Board, at least two weeks prior to its implementation, any tuition and fee rate and financial aid adjustment, tuition and fee surcharge, or other action authorized by Attachment D to these Preliminary Guidelines.

10. These Preliminary Guidelines are formulated on the assumption that there will be no significant reductions in State support through the 2012-13 fiscal year. They will help inform students of projected changes in tuition and will assist the University community to plan and prepare over a period of years.
11. Other University budgets, including those for the MSU AgBioResearch, the Michigan State University Extension Service, and the Department of Intercollegiate Athletics, will be developed within available resources and in accordance with detailed University-wide guidelines for compensation adjustments developed early in 2012.

**MICHIGAN STATE UNIVERSITY  
2011-12 & 2012-13 BUDGETS  
Overview**

Attachment A

<b>ESTIMATED REVENUES</b>	<b>State Appropriation</b>	<b>Federal Funds</b>	<b>University Funds</b>	<b>Other</b>	<b>Restricted</b>	<b>2011-12 Total</b>	<b>2012-13 Total</b>
University General Fund	\$241,120,800		\$809,179,200			\$1,050,300,000	\$1,086,600,000
MSU AgBioResearch	28,260,055	5,926,597			2,610,232	\$36,796,884	
MSU Extension	24,365,745	10,245,675		5,500,000	3,089,906	\$43,201,326	
Intercollegiate Athletics						\$78,120,000	
<b>Total Estimated Revenues</b>	<b>\$293,746,600</b>	<b>\$16,172,272</b>	<b>\$809,179,200</b>	<b>\$5,500,000</b>	<b>\$5,700,138</b>	<b>\$1,208,418,210</b>	

<b>ESTIMATED EXPENDITURES</b>	<b>State Appropriation</b>	<b>Federal Funds</b>	<b>University Funds</b>	<b>Other</b>	<b>Restricted</b>	<b>2011-12 Total</b>	<b>2012-13 Total</b>
University General Fund						\$1,050,300,000	\$1,086,600,000
Michigan Agricultural Experiment Station						\$36,796,884	
MSU Extension						\$43,201,326	
Intercollegiate Athletics						\$78,120,000	
<b>Total Estimated Expenditures</b>						<b>\$1,208,418,210</b>	

**MICHIGAN STATE UNIVERSITY**  
**2011-12 Proposed Tuition (UGR 6.9%, OTHER 7.0%)**

Rate Structure	Resident		Nonresident	
	Per Semester	Per Credit	Per Semester	Per Credit
<b>Undergraduates</b>				
Lower Division		\$406.75		\$1,038.25
Upper Division		\$444.50		\$1,071.00
Masters		\$569.00		\$1,117.50
Doctoral		\$569.00		\$1,117.50
Lifelong Education		\$569.00		\$729.25
<b>Special Block Fees</b>				
Broad MBA		\$12,450		\$19,750
Human and Osteopathic Medicine		\$12,247		\$26,297
Extended Medical Curriculum		\$8,169		\$17,540
Medical Scientist Training Program		\$8,347		\$17,656
College of Veterinary Medicine (CVM-8)		\$12,370		\$25,573
CVM Clinical Year - Fall & Spring		\$10,939		\$22,769
CVM Clinical Year - Summer		\$7,750		\$15,193
Medical Scientist Training Program		\$7,859		\$16,074

**NOTES:**

1. Special programmatic fees will be assessed to undergraduate juniors and seniors as follows: \$100 per semester (\$50 part-time) for students in science and technology intensive majors; \$100 per semester (\$50 part-time) for students in health sciences majors; and \$200 per semester (\$100.00 part-time) for students in the Broad College of Business.
2. Student tuition and fees include University support for student health services.
3. Part-time students are defined as those enrolling for four credits or less per semester.
4. The Engineering Program fee is established at \$524 for full-time status (\$321 part-time except \$0 for summer) and applies to upper division and graduate level Engineering students.
5. Block fee for Teacher Certification Internship year is \$6,081 for resident students and \$13,131 for nonresident students.
6. Tuition and fees for special programs and courses will be determined administratively, based on programmatic considerations.
7. A registration fee of \$25 per semester will be assessed on all international students except those enrolling in Graduate Studies in Education Overseas.
8. College of Education Masters, Doctoral, and Educational Specialist students will be assessed a special fee of \$33 per credit hour in addition to general tuition and fees applicable to all graduate students.

**MICHIGAN STATE UNIVERSITY**  
**2012-13 Proposed Tuition (UGR 5.0%, OTHER 5.0%)**

Rate Structure	Resident		Nonresident	
	Per Semester	Per Credit	Per Semester	Per Credit
<b>Undergraduates</b>				
Lower Division		\$427.00		\$1,090.25
Upper Division		\$466.75		\$1,124.50
Masters		\$597.50		\$1,173.50
Doctoral		\$597.50		\$1,173.50
Lifelong Education		\$597.50		\$765.75
<b>Special Block Fees</b>				
Broad MBA		\$13,073		\$20,738
Human and Osteopathic Medicine		\$12,859		\$27,612
Extended Medical Curriculum		\$8,577		\$18,417
Medical Scientist Training Program		\$8,764		\$18,539
College of Veterinary Medicine (CVM-8)		\$12,989		\$26,852
CVM Clinical Year - Fall & Spring		\$11,486		\$23,907
CVM Clinical Year - Summer		\$8,138		\$15,953
Medical Scientist Training Program		\$8,252		\$16,878

**NOTES:**

1. Special programmatic fees will be assessed to undergraduate juniors and seniors as follows: \$100 per semester (\$50 part-time) for students in science and technology intensive majors; \$100 per semester (\$50 part-time) for students in health sciences majors; and \$200 per semester (\$100.00 part-time) for students in the Broad College of Business.
2. Student tuition and fees include University support for student health services.
3. Part-time students are defined as those enrolling for four credits or less per semester.
4. The Engineering Program fee is established at \$550 for full-time status (\$337 part-time except \$0 for summer) and applies to upper division and graduate level Engineering students.
5. Block fee for Teacher Certification Internship year is \$6,387 for resident students and \$13,788 for nonresident students.
6. Tuition and fees for special programs and courses will be determined administratively, based on programmatic considerations.
7. A registration fee of \$25 per semester will be assessed on all international students except those enrolling in Graduate Studies in Education Overseas.
8. College of Education Masters, Doctoral, and Educational Specialist students will be assessed a special fee of \$33 per credit hour in addition to general tuition and fees applicable to all graduate students.

**Michigan State University  
2011-12 Budget Guidelines**

Attachment C

	<b><u>2010-11 Budget</u></b>	<b><u>Proposed 2011-12 Budget</u></b>
<b>Revenues</b>		
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Beginning Base		\$1,018.4
State Appropriations		(42.6)
Student Tuition and Fees		60.2
Other Revenues		(5.5)
Research Facilitation Passthrough		2.8
Revenue Based Initiatives		17.0
Total Estimated Revenues	\$1,018.4	<u><u>\$1,050.3</u></u>
<b>Expenditures</b>		
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Beginning Base		\$1,018.4
Financial Aid		10.0
Salaries & Benefits		13.0
Utilities & New Space		3.3
Supplies and Services		1.6
Other Operating		3.0
University Advancement		2.0
Critical Space		0.0
Research Facilitation Support		2.8
Revenue Based Initiatives		17.0
Base Budget Reduction		(2.4)
Multiyear Institutional Reserve		(18.4)
Total Estimated Expenditures	\$1,018.4	<u><u>\$1,050.3</u></u>

**CONTINGENT BUDGET PRESERVATION AUTHORITY 2011-13**  
*Attachment D*

I.

The authority provided to the President under the 2011-12 Budget Development Guidelines (Budget Guidelines) and under the 2012-13 Preliminary General Fund Budget Guidelines (Preliminary Guidelines) is intended to preserve the integrity of the General Fund budgets established by the Board in the face of a variety of contingencies relating to State support for the University's operations. It recognizes that the two primary sources of revenue for the University are tuition and fees paid by students and the annual base main campus operating appropriation from the State, and that they are interdependent. As in past years, cost containment measures and measures designed to optimize revenues from sources other than the State and tuition have been built into the Budget Guidelines and the Preliminary Guidelines. Indeed, the base budget operating reductions required by the Budget Guidelines continue the most severe cost containment measures at the University in many years. The structural budget deficit facing the State at this time makes it difficult to rely with confidence on the level of support incorporated into the Budget Guidelines and the Preliminary Guidelines. Therefore, the potential for cuts in expected State support integral to the budgets necessitates granting the President authority to respond to such cuts by generating sufficient additional tuition and fee revenues to protect the University's long-term financial health and its high standing in the academy, for the benefit of its students, alumni, faculty, staff, and other members of the University community.

In adopting the Budget Guidelines and the Preliminary Guidelines, it is the expectation of the Board that MSU's 2011-12 base main campus operating appropriations from the State will be \$241.1 million and 2012-13 base main campus operating appropriations from the State will be \$241.1 million and that the State will not defer, delay, or withhold any payments due to the University as part of its 2011-12 or 2012-13 base main campus operating appropriations from the State. The tuition and fee rates in the Budget Guidelines and the Preliminary Guidelines are established by the Board in reliance on the timely payment of the anticipated amounts from the State.

In the event that the University's 2011-12 or 2012-13 base main campus operating appropriation from the State is less than the amount specified, the President is authorized to raise tuition and fees by a rate up to that sufficient to offset, on an annualized basis, the loss of expected State support and to provide the additional financial aid which students will need because of this tuition and fee increase. Alternatively, if the University's 2011-12 base main campus appropriation from the State is more than \$241.2 million, the President is authorized to reserve funds against the possibility of future reductions in State support, to increase financial aid, to reduce tuition and fees on a recurring or nonrecurring basis, to allocate funds to bridge planned base budget operating reductions over the 2011-12 and 2012-13 fiscal years, and/or to fund nonrecurring infrastructure needs, including data systems. Similarly, if the 2012-13 base main campus appropriation from the State is more than \$241.2 million, the President is authorized to use the additional support received from the State to reserve funds against the possibility of future reductions in State support, to increase financial aid, to reduce tuition and fees on a recurring or nonrecurring basis, and/or to fund nonrecurring infrastructure needs, including data systems.

Further, in the event that the State defers, delays, or withholds any part of any regularly scheduled 2011-12 or 2012-13 base main campus appropriation payment to the University, or the State takes any other action that reduces or postpones, on a nonrecurring basis, or changes the traditional schedule for, the payment to the University of any part of its 2011-12 or 2012-13 base main campus operating appropriation, the President is authorized to implement a tuition and fee surcharge to generate additional revenues up to the amount needed to make the University whole for the financial impact of the lost or delayed payments. Any such surcharge shall be for a specific period of time and shall be discontinued once the University has been made whole for the impact of the lost or delayed payments. Any such surcharge may be calculated to occur over a period of up to three years to moderate the impact of the surcharge on students during any one semester or academic year.

## II.

(a) The President will report to the Board, by written notice at least two weeks prior to its implementation, any tuition and fee rate adjustment, tuition and fee surcharge, or other action hereby authorized.

(b) It is the Board's expectation that any tuition and fee rate and financial aid adjustment and any tuition and fee surcharge will be implemented promptly after the need for such an adjustment or surcharge becomes clear, generally in the next semester for which bills reflecting the adjustment or surcharge can then be issued. If the schedule for sending out the bills reflecting the adjustment or surcharge permits, the President will also report to the Board about the adjustment or surcharge at a Board meeting prior to its implementation. No such adjustment or surcharge shall be implemented retrospectively for any semester for which bills have already been issued.