

MICHIGAN STATE **U N I V E R S I T Y**

October 12, 2011

MEMORANDUM

To: Board of Trustees Finance Committee

From: Fred Poston
Kim Wilcox

Subject: The 2012-13 Appropriation Request

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees adoption of the Appropriation Request, including needs for the University General Fund, the AgBioResearch and the Michigan State University Extension.

BACKGROUND:

The Appropriation Request provides parameters that will guide development of MSU requests through the 2012-13 appropriation cycle. Action on the request authorizes the administration to respond to the Michigan Department of Management and Budget reporting requirements.

Attachments

C: Board of Trustees Policy Committee
President Lou Anna Kimsey Simon
William Beekman, Secretary to the Board
Mark Burnham, Vice President for Governmental Affairs
Robert A. Noto, Vice President for Legal Affairs and General Counsel
David Byelich, Assistant Vice President and Director



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VICE
PRESIDENT FOR
FINANCE AND
OPERATIONS**

Michigan State University 2012–13 Appropriation Request

Michigan State University (MSU) ranks in the top 100 universities in the world. It provides the undergraduate and graduate education, research, and outreach to compete and innovate in the global knowledge-based economy for the benefit of Michigan. The university continues to work with a broad array of stakeholders to target quality outcomes, productivity, affordability, and economic impact.

MSU's economic impact of approximately \$4.3 billion is essential to Michigan's current and future growth, whether by assisting in the creation of jobs for thousands of people, attracting funding for research that can change and even save lives, or simply enhancing contributions to the coffers of the State of Michigan (State) because its alumni earn high-end salaries.

The three University Research Corridor (URC) universities, including Michigan State University, serve as engines for economic recovery in the State, making a \$15.2 billion impact on Michigan's economy in FY10 according to a 2011 study. The URC expended more than \$1.87 billion in Research and Development (R&D), helped cultivate 14 start-ups, and 72,713 jobs in Michigan were directly and indirectly supported by the URC's operations in the State in FY10.

MSU provides world-class graduate and undergraduate education and is uniquely positioned to foster emerging bioeconomy and alternative energy research in the agricultural and manufacturing sectors of the economy. MSU is prepared to meet society's expectations for a global university, helping to build the local and national economy with breakthrough discoveries and new knowledge with worldwide impact. Through partnerships with leaders in Michigan and the nation and private sector collaborations, MSU is working to find solutions for the key problems facing society and serve as a critical conduit to sustaining Michigan's new economic model.

Severe economic circumstances and current fiscal realities demand our continued attention. In the face of significantly reduced funding and increasing expenses, we must focus carefully on our priorities and modify our activities, attitudes, and culture to continue to constrain expenditures.

We are changing the way we work, but not the quality of the work we do for our students and others in communities close to home and around the world. This kind of transformational change is necessary to preserve the quality of our academic programs over the long term as we continue to recruit highly talented students and faculty.

MSU requests recurring FY13 appropriations support for the general fund, the MSU AgBioResearch (MABR), and MSU Extension (MSUE) sufficient to sustain FY12 programming levels and invest in Michigan's economic future.

“Universities, including MSU, represent a long-running public investment in the state's future, a set of embedded assets that help maintain Michigan's world competitiveness irrespective of economic cycles.”

—Lou Anna K. Simon, MSU President, June 1, 2011 “Thoughts on Michigan's Budget”

Emerging themes

In order to assure that MSU remains a best value for students and other stakeholders, the university has undertaken a number of reductions including \$50 million in cuts, moratoria placed upon or elimination of more than 40 academic programs, fewer full-time equivalent positions, trimmed benefit programs, and foregone salary increases. These efforts resulted in significant changes to the academic enterprise, student services, employee compensation and benefits, purchasing and business processes, and other areas. The university will continue working to improve operational processes and target quality outcomes, productivity, affordability, and economic impact.

MSU funding

In order to arrive at a stable, predictable approach to funding, it is essential to recognize the differential costs associated with world-ranked instruction and research missions. State funding also should consider the total number in the graduate/undergraduate mix of students served and use evidence-based outcomes to assure undergraduate, graduate, and graduate professional programs meet the demands of the 21st century.

FY12 State reductions in higher education appropriations resulted in reductions to MSU appropriations of 25 percent since FY01, representing a loss of over \$330 million in operational resources over 12 years. Over the last five years, Michigan ranks 48th among the states in changes to appropriations and currently trails national appropriation per-student levels by 18 percent.

MSU requests recurring appropriations support for the general fund, MABR, and MSUE sufficient to sustain FY12 programming levels and invest in Michigan's economic future. More than ever, it is essential that every available dollar work on behalf of the people of Michigan in ways that will bring the greatest value and return, strengthen communities, fuel the economy, and provide all citizens with a better quality of life.

MSU continues to be a leader in creating knowledge for the 21st century, receiving \$439 million in external funding during FY11 of which about 61 percent was research related. The federal share of research funding was approximately 81 percent. Research and scholarly work of this magnitude has a significant impact on the Michigan economy, both in expenditures and jobs. MSU actively pursues economic growth through programs across the university. Examples include the MSU Center for Community and Economic Development, which provides training and consulting services to Michigan communities.

The university is also a key player in the development of Michigan's health care and life science sector including both nurses and physicians. MSU is involved in partnerships with dozens of hospitals to train physicians, while bringing federal graduate medical education funding into those communities. The College of Human Medicine has campuses in seven communities including Grand Rapids and Traverse City; the College of Osteopathic Medicine has campus locations in East Lansing, Detroit, and Macomb County.

The Product Center at MSU helps Michigan entrepreneurs develop and commercialize high-value, consumer-responsive products and businesses in the agriculture, natural resources, and bioeconomy sectors. Since it began in 2004, the Product Center has provided a wide range of venture development services to more than 1,700 clients. It has assisted in the formation of more than 990 ventures for new and existing firms, leading to the realized launch or expansion of 174 businesses across Michigan that generated nearly \$310 million in annual sales, more than \$230 million in investment in Michigan, and the creation/retention of nearly 1,150 jobs.

Funding also impacts the students MSU is able to attract and retain. Entering student GPA/ACT scores are up over the last ten years. MSU has 27 academic programs in the top 20 nationally and four graduate programs rank number 1. At MSU, 90 percent of graduating senior who responded last year to the National Survey of Student Engagement rated their educational experience as good or excellent, and an equal proportion said they would attend MSU if they had to do it over again. Ninety-six percent of seniors affirmed that MSU provides support for student success.

MSU's six-year graduation rate for the class of 2010 was 77 percent, which is 15 percentage points higher than the rate predicted by *U.S. News & World Report* based on incoming student characteristics. MSU's plus-15 rate is not only the highest in the State, but also the highest in the Big Ten, exemplifying MSU's willingness to take risks when investing in a student's potential. Moreover, it is a measure of quality that demonstrates how well MSU is using its educational resources to graduate students, even in difficult budgetary times.

MSU is accountable to Michigan citizens. It has the highest number of in-state students among Michigan public universities. Michigan is always the first beneficiary of MSU's graduates as it delivers high-quality academic programs and global networks with Michigan applications.

Financial aid: assuring opportunity

MSU is committed to assuring opportunity to higher education for Michigan students. Over 82 percent of undergraduate students and 76 percent of all students come from Michigan's 83 counties. Three quarters of MSU students come from families with incomes less than \$125,000. For FY12, MSU continued to increase financial aid at a rate greater than increases to tuition with approximately \$103.3 million budgeted in financial aid programs, representing a total increase of more than 10 percent.

In FY11, 69 percent of all MSU students received some form of financial aid and 24 percent of undergraduate students received a Pell Grant. MSU is also one of only two Big Ten institutions to maintain its population of Pell-eligible students over the decade, with 24 percent of undergraduates receiving a Pell grant. In addition to high-need students, MSU carefully monitors the distribution of its student family income and focuses significant aid resources at the students with family income just above Pell levels.

MSU AgBioReserch and MSU Extension

As Michigan's only land-grant university, MSU has a programmatic presence in every county and community in the State. The yearly economic impact of agribusiness exceeds \$71 billion and is a force for economic stability in Michigan. With agribusiness among the fastest-growing and largest sectors in the State's economy, MSU, in partnership with MABR and MSUE, contributes to Michigan's economy in numerous ways with significant research, educational programs, and a community presence to boost economic development in key sectors: agriculture, new economy, health care, and education. Therefore, it is essential that full recurring support be provided to both MABR and MSUE.

MSUE is focusing on four statewide program areas, each represented by a new institute:

- Greening Michigan: Leveraging Natural and Human Assets for Prosperity
- Enhancing Michigan's First Green Industry: Agriculture and Agribusiness
- Preparing Michigan's Children and Youth for the Future
- Improving the Health and Nutrition of Michigan Residents

MABR is focusing on the following research areas:

- Food and health
- Environmental stewardship and natural resource policy and management
- Enhancing profitability in agriculture and natural resources
- Securing food and fiber systems
- Families and community vitality

In an era of significantly reduced State funding and increasing expenses, MSU is seeking to change how it works while holding true to core values and commitments. This process is aimed at building value and ensuring quality. It seeks to build a new model that will transform the way we work on behalf of our students, stakeholders, and the communities we serve, both locally and globally, to shape a shared future of sustainable prosperity.

Facility for Rare Isotope Beams

MSU continues working with the U.S. Department of Energy (DOE) developing the Facility for Rare Isotope Beams (FRIB) and received approval to enter the next stage of the DOE agreement and proceed with the preliminary design. The centerpiece of the new user facility will be a superconducting linear accelerator that will increase dramatically the reach of rare isotope research in the United States. The accelerator will produce isotopes that normally exist only in the most extreme environments in the universe and will expand the usefulness of isotopes in a broad range of applications from modeling stars to understanding the workings of nanoscale electronic devices.

FRIB is an important project for American science and the State that not only will keep MSU on the cutting edge of nuclear science, but will ensure the training of the nuclear scientists of tomorrow while bolstering the economies of mid-Michigan and the entire State. FRIB will cost approximately \$615 million to design and build. A \$1.2 million appropriation for FY12 was made to cover the state's share. Construction is anticipated to begin in 2012 and will be completed by 2020. It is projected to create hundreds of jobs in mid-Michigan while bringing in more than \$1 billion of economic activity to Michigan in the next 20 years. MSU looks forward to continuing its partnership with the State of Michigan to assure the successful completion of this project.

Capital outlay

In late 2010 the State passed a planning authorization of \$30 million toward the Plant Science Facilities-Bioeconomy request. The Bio Engineering Facility, a component project from the Plant Science Facilities-Bioeconomy request, will be submitted to the State this November. Funding of the \$30 million is pending the State FY13 Executive Budget recommendation. Prior to this planning authorization the State has not provided for a major MSU capital outlay project in more than a decade. The requests support programs that have strong national reputations, expanding research bases, and high enrollment demand that will sustain the university and its contributions to Michigan. Funding of these requests will provide economic development in the state, now and in the long term.

Renovations and additions

Requests for renovations and/or additions address extensive programmatic and maintenance improvements required by buildings previously funded by the State. Renovations may be needed to the configuration of the space in order to support the work of the programs housed in those facilities, upgrades to building systems, and provisions for barrier-free access. In other cases, due to program requirements, condition, age, and long-term value, entire renovation of a building is warranted.

Requests for major renovations and/or additions include the Plant Sciences/Engineering Bioeconomy, Biological Sciences, and Music facilities.

New construction

New construction is needed to support high-priority programs in the sciences and academic/administrative technology. Facilities are needed to support current and future programmatic initiatives and economic development of Michigan, now and in the long term.

Requests for new construction include an Interdisciplinary Science and Technology Building, Biological Safety Level 3 Containment Laboratories, and a Data Center.

Major systems replacement

Current forecasts anticipate general fund facility and infrastructure needs of approximately \$113 million over the next five years. In view of the extensive facility needs it faces, MSU has had to draw upon an increasing amount of internal university resources to address the most critical facility maintenance and programmatic requirements. The ability to continue the trend of self-funding these capital improvements is not sustainable without impact on other programs.

The university seeks funding for more targeted and specific building systems maintenance and instructional space facility upgrades. Examples of systems in need of repair or replacement include roofing, windows, electrical, mechanical, chiller, refrigeration, steam, fire, security, and barrier-free access. Instructional space upgrades may include furniture, ceiling, lighting, painting, power, data and technology support, and lab benches and fume hoods.

Conclusion

MSU, among the best research universities in the world, is uniquely positioned to contribute to critical challenges facing Michigan and the nation. It is a site for creativity, invention, and discovery, all contributing to a long-standing tradition of innovation and a diverse range of partnerships that align resources to produce the greatest impact for the greatest benefit.

State support remains critical to making this happen. MSU requests recurring appropriations support for the general fund, MABR, and MSUE sufficient to sustain FY12 programming levels and invest in Michigan's economic future.

During times of increasingly strained financial resources, MSU continues to reinvest in the academic core of the university while ensuring that its strategic imperatives are integrated into the broader academic and financial decisions. MSU applies technology for greater effectiveness in instruction and administration, emphasizes cost-saving measures, and manages its physical plant wisely.

MSU will continue to transform its activities in ways that create greater efficiency and effectiveness as it builds a new model to achieve its goals while making sure the transformation does not come at the expenses of its core values—quality, inclusion, and connectivity. It will continue to recruit highly talented students and faculty, concentrate on research and development activities, and work to facilitate public and private sector collaborations and an efficient system to transfer technology from the classroom to industry.

MSU continues to be a leader as a global agenda for American higher education takes shape, building on its extraordinary foundation to look across disciplines and boundaries to help solve problems and prepare students to compete globally in a knowledge-based economy.

Michigan State University is committed to Michigan businesses, students, and families and continues to be a critical conduit to sustaining Michigan's reinvention and economic transformation.