

New Academic Administrators August 2018

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To begin: from the innovative university

...the standard model has become unsustainable. To avoid disruptions, institutions of higher education must develop strategies that transcend imitation.

Clayton M. Christensen, Henry J. Eyring,
The Innovative University

Environmental Scan - National

Monitoring	Most Recent Value	History (5 year)	Forecast (5 Year)	Commentary
High school completions (National)	3,037,040 (FY15 NCES)	-10%	~5%	Monitor demographic and geographic distribution; program demand
College going rates – 4 year (National)	44.0% (FY14 NCES)	4.0%	5%-8% (2-3 pp's)	Increasing demand for 4 year degree; offsets some demographic changes; differential demand for program/locations/experience
International Enrollment	1,078,037 (FY17 Open Doors)	41%	TBD	Future uncertainty; MSU population; increasing competition
Federal Discretionary Spending	\$560B (FY16 OMB)	9.0%	TBD Subject to new administration	MSU ability to improve competitive position in face of potentially shrinking resource environment and competing priorities – Potential ACA repeal and follow on impact unknown

Environmental Scan - State

Monitoring	Most Recent Value	History (5 year)	Forecast (5 year)	Commentary
State of Michigan Jobs	4.1M (Q3 FY17, RSQE)	10%	~1-2%/yr	State recovered over 70% of job losses experienced 2000-2009
General Fund/General Purpose Revenue Growth	(1.8)% (2017, RSQE)	N.A.	2.7% 2018 1.3% 2019	Recovery of business tax revenue as MBT credits exhausted – competing priorities for incremental resources
Michigan Personal Income	3.1% (2017, RSQE)	N.A.	4.4% 2018 4.8% 2019	Continued job growth and non-wage income outperformance
Domestic Light Vehicle Market	17.1M (2017 RSQE)	~20%	17.1M 2018 17.0M 2019	Forecast roughly flat, Detroit 3 market share grows marginally
High School Completions (Michigan)	99,000 (FY17, NCES)	(-7.4)%	(-4)%	National and regional growth, improving MI economy may stem loss

Research Institutions Emerging Environment

Students

- Threats to non-resident enrollment targets and composition – falling State and regional demographics, increasing institutional competition – offset by rising college-going rates
 - National recruiting strategies
 - International recruiting strategies
 - Need for increasingly sophisticated strategic enrollment planning and market research capability
 - Opportunities to reach different student markets – online education, Kaplan, etc
- More students with varying levels of academic and/or financial need.
- Growing accountability for student success and addressing achievement gaps by group
- Increasing review of undergraduate placement following graduation – Next mile academy
- Increasing prominence of active learning and STEM disciplines
- Growing prevalence of disruptive/non-disruptive technologies and educational platforms
- Future will requires different thinking and different types of leaders – design thinking and others
- Continue to monitor evolving tax treatment for graduate assistants tuition waiver



Research Institutions Emerging Environment

Stewardship

- Reputational rankings necessitate simultaneous investments in undergraduate, graduate, and research priorities
- Increased competition to recruit and retain top faculty including salary as well as start-up requirements.
- Need for internal funding for classroom and research facilities
- Intensifying focus on tuition rates, financial hardship and related student debt and completions
- MSU increasingly competitive for federal support. However, federal R&D spending lags inflation, longer term Federal outlook unclear

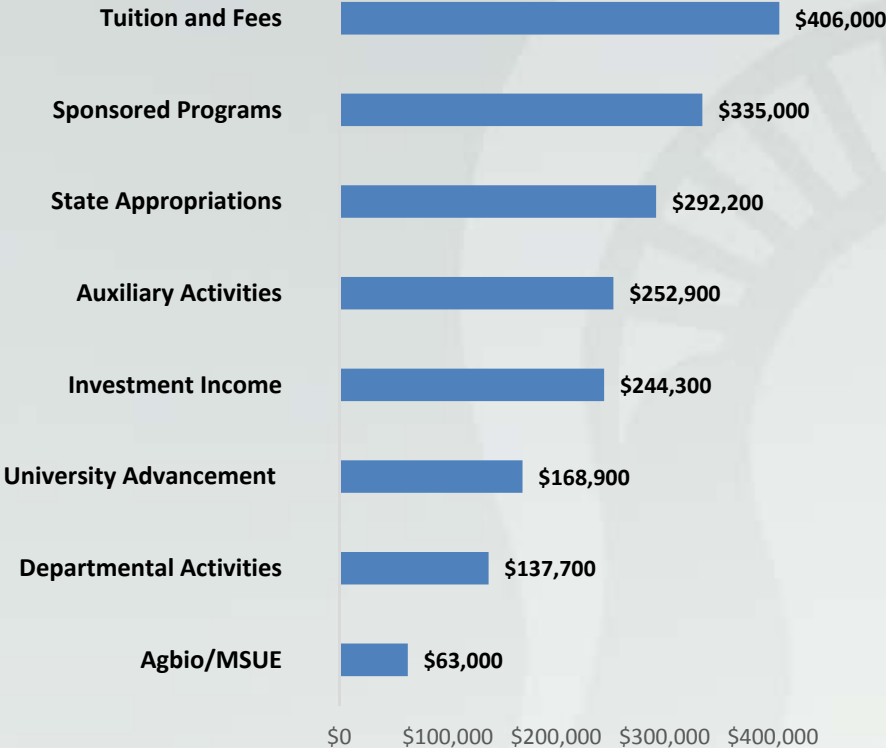
Focus on Productivity

- Embed culture of high performance
- Streamline internal processes and procedures
- Act on opportunities to improve service and performance

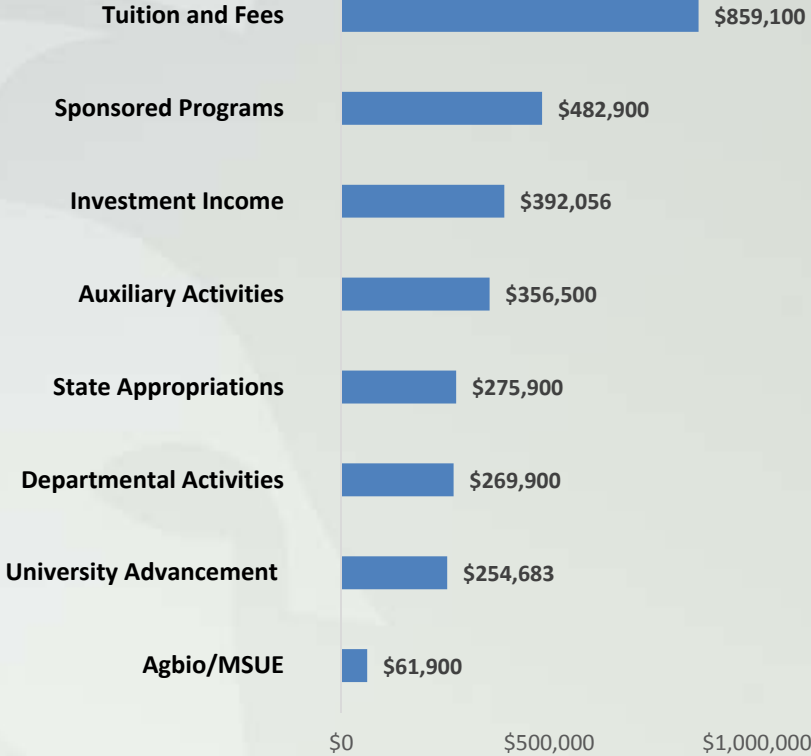


MSU All Funds Revenue

2007 All Funds Revenue



2017 All Funds Revenue



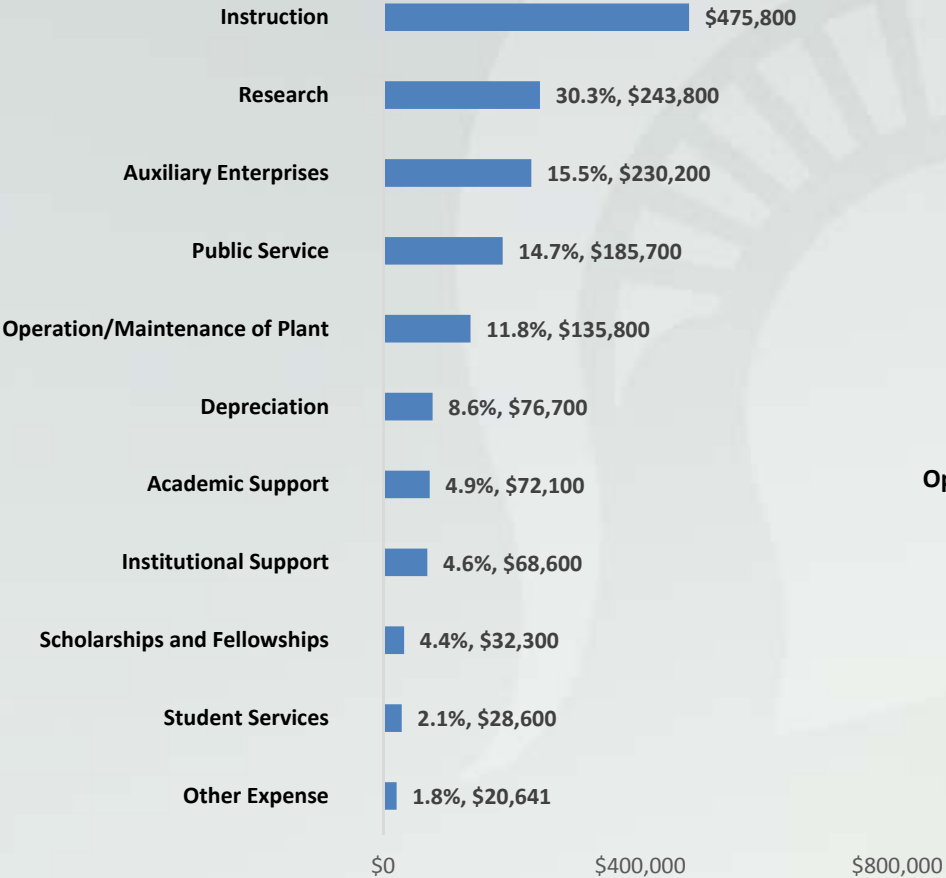
Fluctuations between annual revenue and expense totals vary with investment performance and State appropriations outcomes

Source: MSU financial statements
Dollars in Thousands

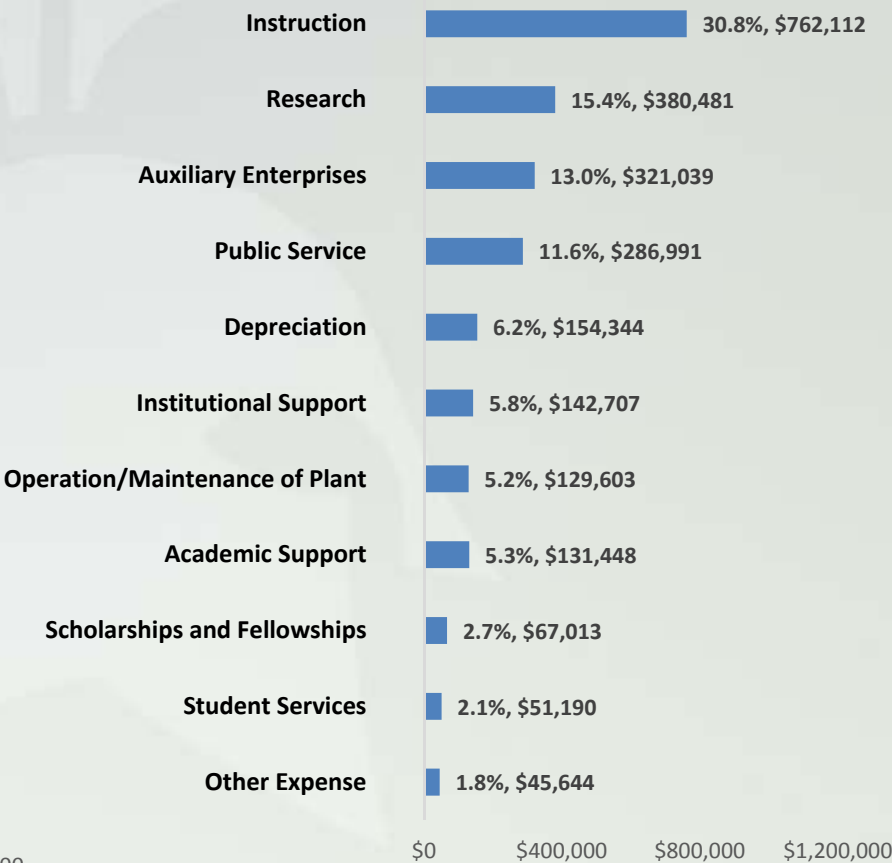
*Modified to include all Advancement activity

MSU All Funds Expense

2007 All Funds Expenditures



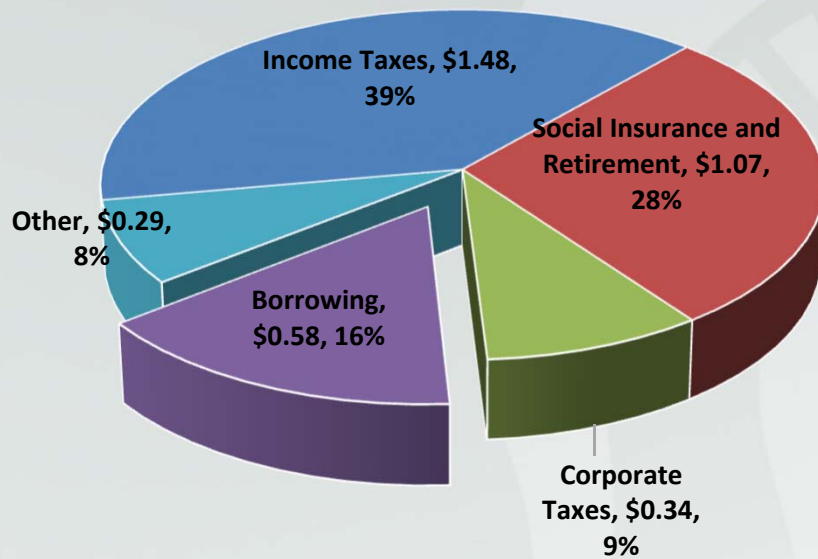
2017 All Funds Expenditures



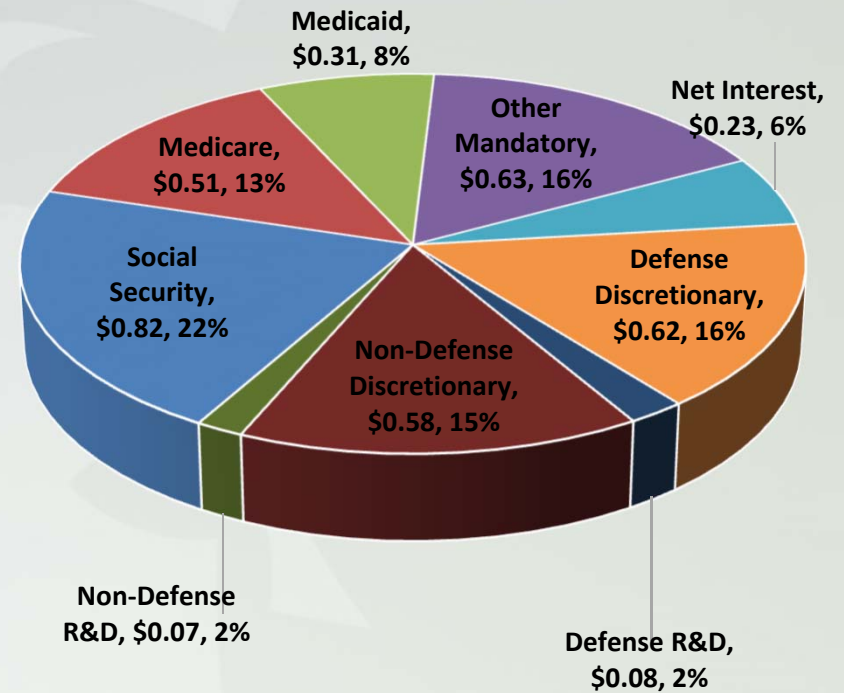
Source: MSU financial statements

Federal Budget Sources and Uses

Total Federal Budget Sources: \$3.8T



Total Federal Budget Uses: \$3.8T

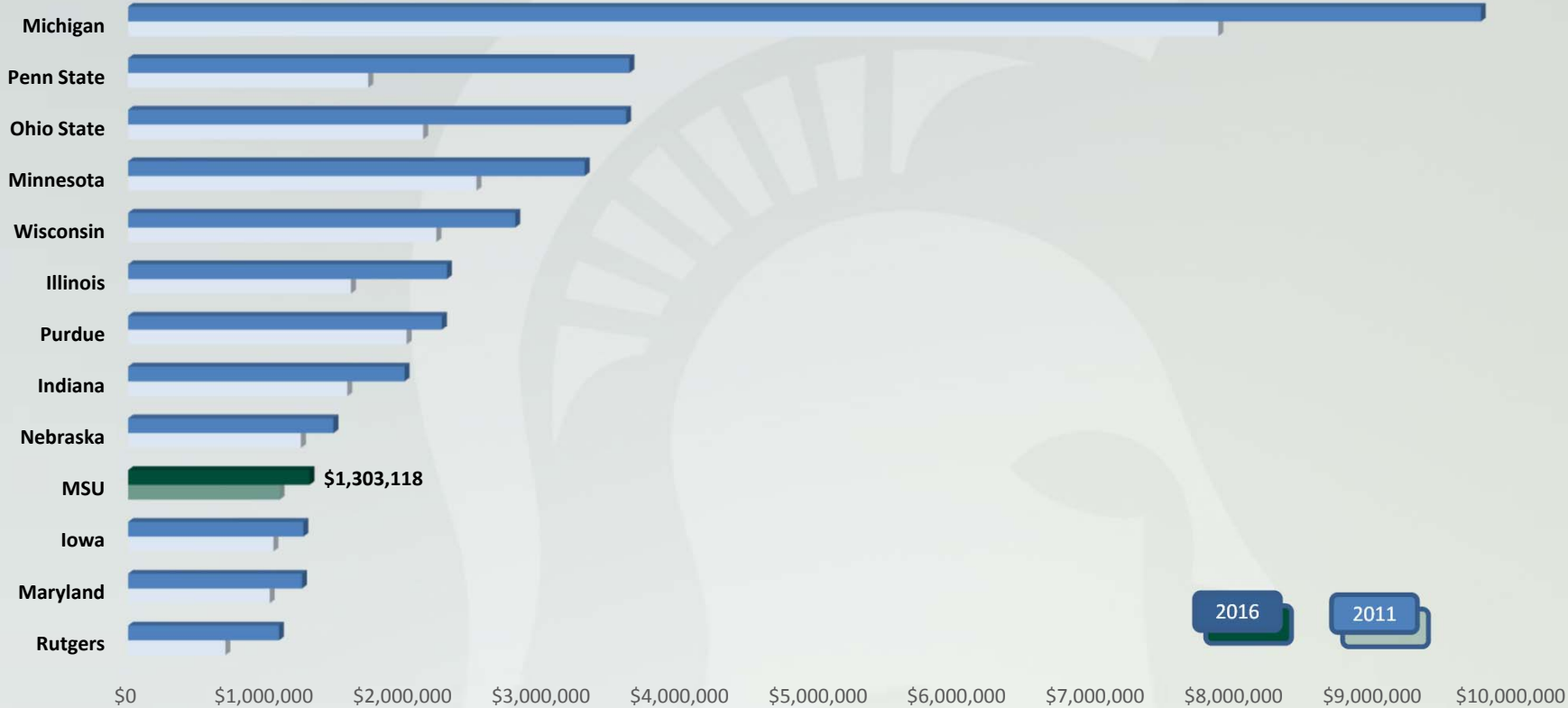


Big Ten Sponsored R&D Expenditures

	2016			2013			Change
	<u>Expenditure</u>	<u>National Rank</u>	<u>Big Ten Rank</u>	<u>Expenditure</u>	<u>National Rank</u>	<u>Big Ten Rank</u>	
U. Michigan, Ann Arbor	1,357,228	2	1	1,304,074	2	1	4.1%
U. Wisconsin-Madison	1,051,311	7	2	997,523	6	2	5.4%
U. Minnesota, Twin Cities	872,514	16	3	834,181	15	3	4.6%
Pennsylvania State U.	809,985	20	4	825,011	17	4	-1.8%
Ohio State U.	751,293	24	5	743,321	21	5	1.1%
Northwestern U.	684,767	29	6	612,009	30	7	11.9%
Rutgers, State U.	610,648	32	7	474,192	41	11	28.8%
U. Illinois, Urbana-Champaign	587,264	35	8	721,587	23	6	-18.6%
Michigan State U.	573,204	36	9	479,145	40	10	19.6%
Purdue U., West Lafayette	517,879	41	10	528,564	34	8	-2.0%
U. Maryland, College Park	517,173	42	11	487,345	37	9	6.1%
Indiana U.	471,055	45	12	173,464	104	14	171.6%
U. Iowa	447,718	47	13	423,097	46	12	5.8%
U. Nebraska, Lincoln	264,485	79	14	245,171	79	13	7.9%

- MSU ranks 3rd in the Big Ten for 3-year change in R&D expenditures
- MSU ranks 36th nationally and 9th in the Big Ten for R&D expenditures
- MSU ranks 39th nationally for Federal R&D expenditures, an improvement of 13 positions over 3 years

Big Ten Endowment Comparison

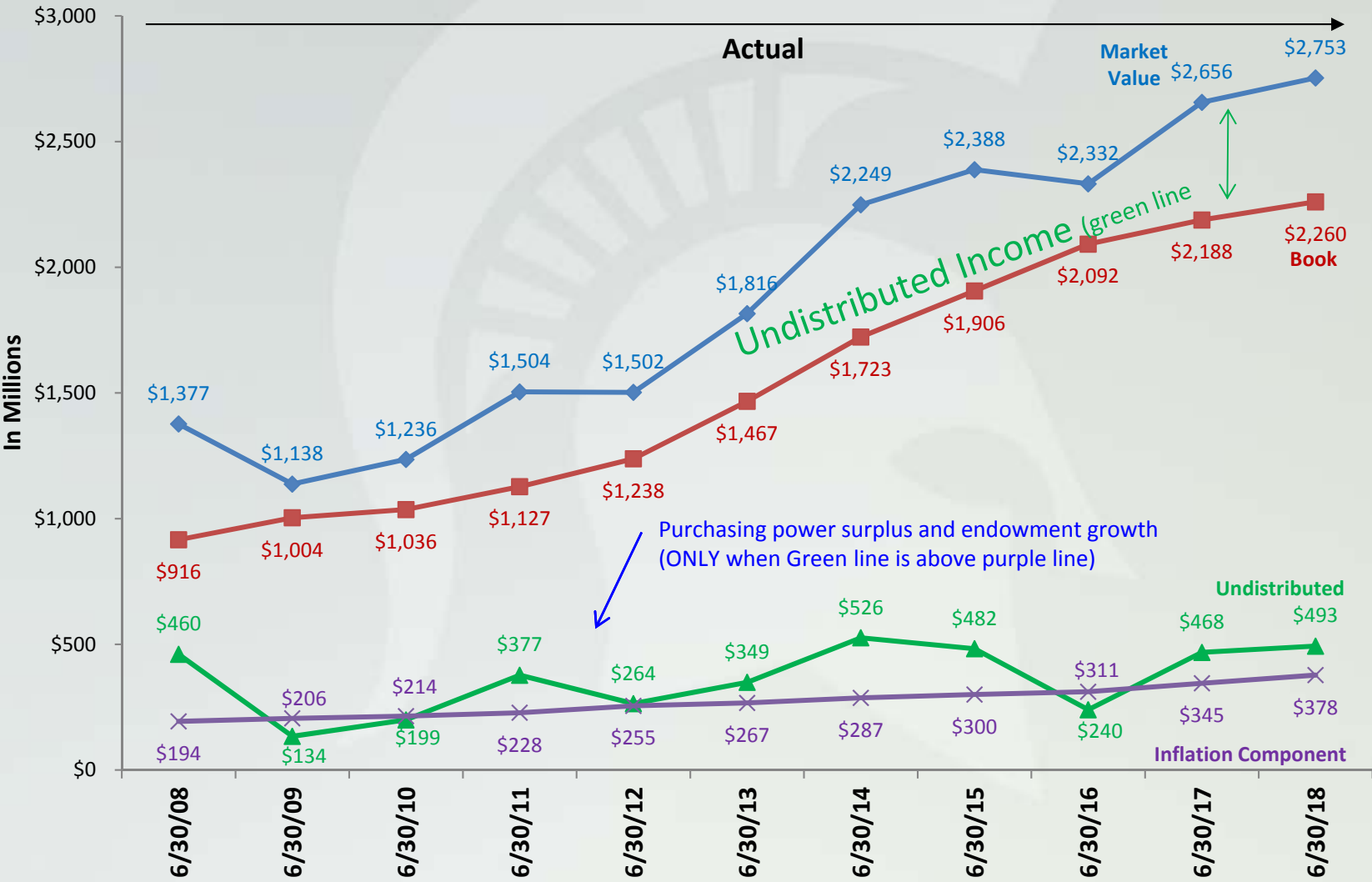


Includes \$985M traditional endowment and \$384M MSU Foundation endowment. Does not include Endowment Trust investments (\$985M)

SOURCE: Council for Aid to Education reports - 2014

Institutions with on campus hospitals, such as U of M, include patient donor support in the above calculations

Big Ten Endowment Performance



Key Metrics Illustrative Overview

Departmental Overview

DEPT Name	Fall Undergrads	Masters Students - Fall	Doctoral Students - Fall	General Fund Budget/Fiscal Yr Admin SCH	Admin Based SCH Per Ranked Fac FTE	Tuition Revenue Instructional Cost	Total Grant 3Yr Average PI Based FY	Total Grant PI Based/Ranked Fac All Funds FTE
Sample	1,298	57	42	\$272	687.4	179%	\$7,515,512	\$138,309

AAU Comparison (Academic Analytics)

DEPT Name	N of Faculty	N of National Academy Members	Dept in mult taxon	Taxonomy	FSPI Percentile	Rank of FSPI score	N of depts in discipline at AAU	Percentile on Journal pubs per faculty	Percentile on Citations per faculty	Percentile on Citations per pub	Percentile on Grants per faculty	Percentile on Grant dollars per faculty	Percentile on Awards per faculty
Sample	53	0		Sample	59.02	26	60	44.26	31.15	24.59	27.87	22.95	26.23

Persistence and Graduation

Dept Code and Name	N in Cohort	PERSIST 1st FALL	Rank	PERSIST 2nd FALL	Rank	PERSIST 3rd FALL	Rank	GRADUATED by 4th FALL	Rank	GRADUATED by 5th FALL	Rank	GRADUATED by 6th FALL	Rank
Sample	238	88.2	56	80.7	58	79.8	53	54.6	32	70.6	50	73.1	54

Academic Analytics Metrics for Departmental Comparisons

Grant metrics	Percentile on Grants per faculty
	Percentile on Grant dollars per faculty
	Percentile on Percent of faculty with grant
	Percentile on Dollars per grant

Publication metrics	Percentile on Journal pubs per faculty
	Percentile on Percent faculty with journal pub

Citation metrics	Percentile on Citations per faculty
	Percentile on Citations per pub
	Percentile on Percent of faculty with citation
	Percentile on percent authors with a citation

Book metrics	Percentile on Books per faculty
	Percentile on percent faculty with book

Conference metrics	Percentile on conference proceedings per faculty
	Percentile on percent of faculty with a conference proceeding

Award metrics	Percentile on awards per faculty
	Percentile on Percent of faculty with award

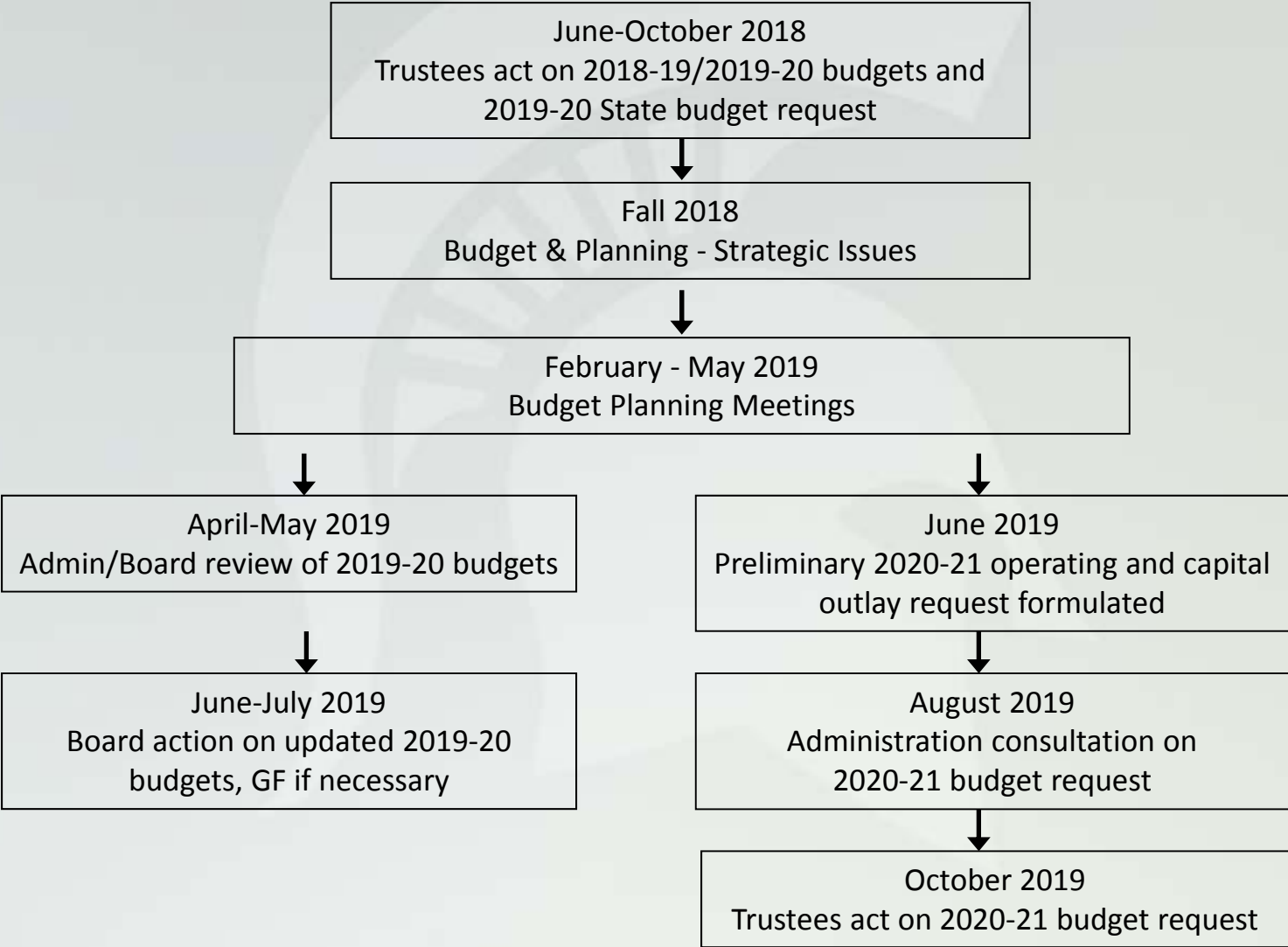
MSU Budget Process

- Involves engagement of campus stakeholder groups
 - Board of Trustees
 - University administrators
 - Academic governance
 - Collective bargaining groups
 - ASMSU
 - RHA
 - COGS
 - State policy makers
- Refines multi-year planning focused on improving the value proposition for stakeholder

Planning and Financial Process



MSU Budget Process



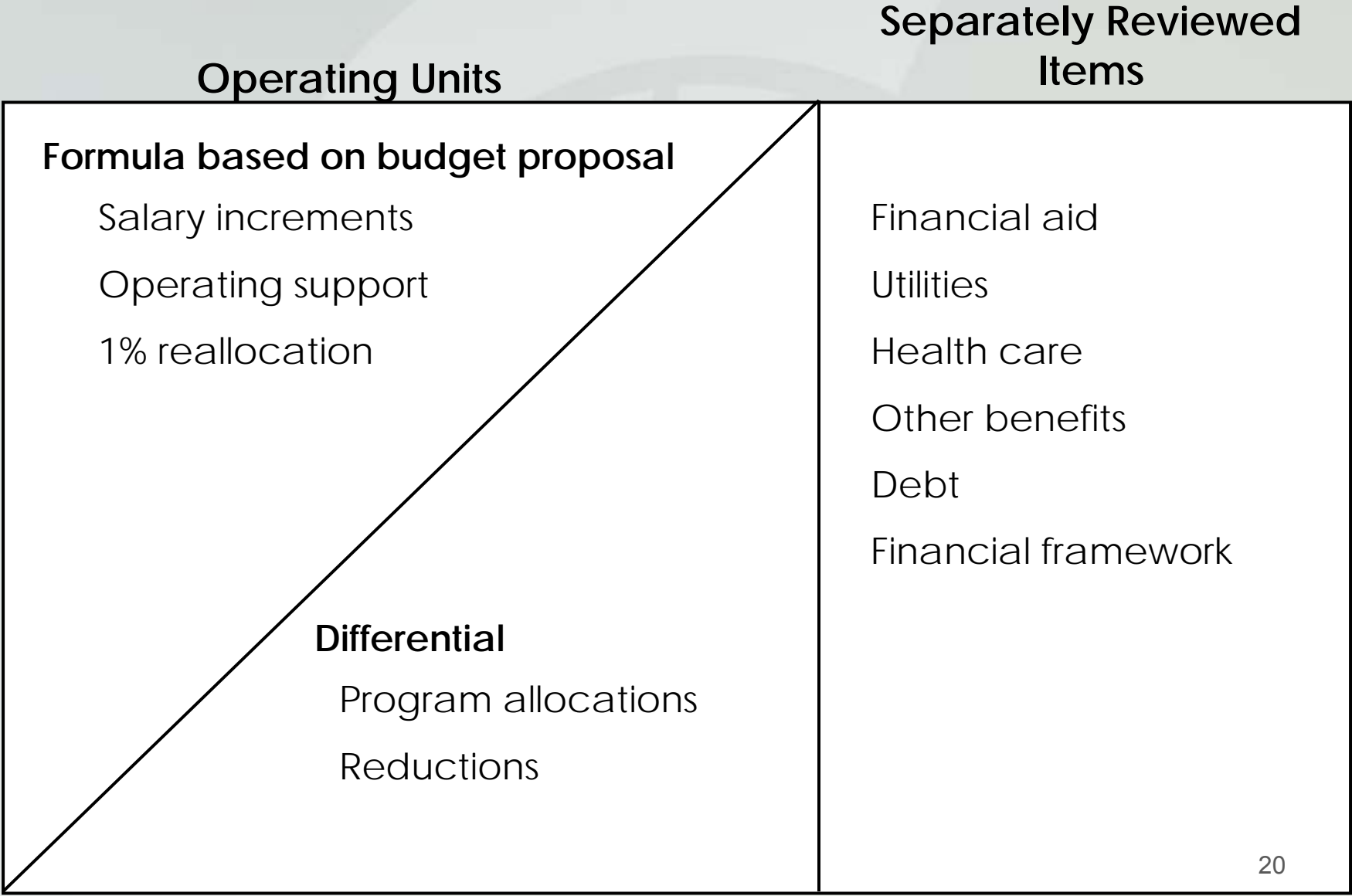
Values-Driven Data-Oriented Planning

- **Continuing discussion: Board of Trustees, President, Provost, Deans, Governance, Community**
- **Fall--Strategic Planning**
 - Major challenges/opportunities (e.g., intellectual, educational, research, outreach) facing the unit
 - Supports sustainable programmatic visions that are dynamic and responsive
 - Identify requests that align with priorities, build unique advantage, and add value
 - Build internal and external alliances
 - Use metrics to demonstrate results and accountability with clear outcomes and impacts
 - Investment from multiple sources; both internal and central
 - Reward high performing units and address non-performing and lower-priority areas

Values-Driven Data-Oriented Planning

- **Spring- -Internal Budget Issues**
 - Solidify programmatic plans including reductions
 - Problem/opportunity addressed (current baseline metrics)
 - What will be done
 - Accountability: outcomes and milestones related to college metrics
 - Continue integration of college and university priorities
 - Continue progress strategic initiatives and links requests with strategic directions outlined in the fall
 - State economic condition indicates a period of flat resource growth
 - Most investments come from reallocated funds from elsewhere in the institution
 - Seek multiple strategies for achieving goals

Annual Planning & Budget Development



MSU Financial Framework

Item	Funding	Timing	Notes
Global Impact/ Academic Excellence	\$2.5M R \$8M R	FY19 FY20-FY22	Unfunded need of \$4.5-\$18.5M over ten years to advance status as top-100 institution; increasing competition for federal funds
Technology	\$16.5 R -\$10M R	FY19-FY22 Pending	IT Modernization & Stabilization Enterprise information technology fee
Financial Aid	\$25M R	Ongoing	Capital campaign has made progress towards goal – reliant on realization of deferred giving and long-term endowment payout
	\$20M R	Pending	Class composition additional need
Health Care	Difference between inflation and actual	Ongoing	Funds component over 3% inflationary growth Monitor ACA impact, limit institutional cost growth

MSU Financial Framework

Item	Funding	Timing	Notes
Non-Recurring Technology	\$50M-\$125M other NR	Ongoing	Strategic Technology (NR)– Student Success, Student Information, Research, Analytics, Salesforce
Research/Critical Space	\$42M NR \$100M NR \$20M-\$40M NR	When state funded In process Variable	STEM teaching and learning building Interdisciplinary science facilities Research infrastructure
Power and Utilities	\$48M NR \$35M-\$55M NR \$70M NR	In process FY19-FY27 Ongoing	Adequate to address electric and steam capacity and modernization efforts Anticipated needs for water quality, solar array buyout and other utility projects HVAC replacements at various locations on campus
Capital Renewal GF	\$230M-\$330M NR	Ongoing	Need to prioritize projects and define scope
Capital Renewal Auxiliary Units	\$120M-\$140M NR	Ongoing	Project needs recognized in annual plan

2018-19 Budget Outcomes

Appropriations

- 2018-19 appropriation indicated at 1.8%
- Base upon performance funding adjustments in the State funding formula
- Legislative tuition restraint threshold established at 3.8%

- 2019-20 appropriation assumed at 2.0%
- Consistent with RSQE forecast for Detroit CPI
- Anticipates continuation of State funding formula and tuition restraint provisions

- Propose to Governor and state legislature that institutions who do not increase base tuition in a given year should receive additional performance funding in the same way that institutions who increase tuition in excess of the restraint limit are ineligible for performance funding

2018-19 Budget Outcomes

Financial Aid

- Increase of approximately \$6.4 million or 4.5 percent

Campus Safety

- 13 new Title IX and related positions – includes preventative and investigative staff
- 10 new positions in Counseling & Psychiatric Services
- 4 new MSU Police officers
- 2 new Employee Assistance positions
- 2 new FOIA Office positions
- 2 new Office of Enterprise Risk Management, Ethics, and Compliance positions

2018-19 Budget Outcomes

Salary proposals

- One year freeze on salaries for all top administrators (Including VPs, deans and similar ranks)
- Faculty and academic staff raise increment at 1.5% plus 0.5% Provost market
- Research assistant salary increase of 2%
- Student employee salary increase of 4%
- All other increases in accordance with union contracts

2018-19 Budget Outcomes

College and Department Budget Proposals

- 1.0 percent across the board cut for 2018-19
- 1.0 percent reallocation used by the Provost to reallocate for university wide priorities remains in place

Funded Campus Facilities

Examples include:

- Music Building (donor support and internal funding)
- STEM Building (\$29.9M in state support approved June 6, plus internal support)
- Water Plant (internal funding)

2018-19 and 2019-20 Budget Summary

<u>Budget Item</u>	<u>2018-19 Current Proposal</u>	<u>2019-20 Current Proposal</u>
State Appropriations	1.8%	2.0% (assumption)
Tuition and Fees	<p>No increase for resident freshmen, \$360 per academic year for non-resident freshmen</p> <p>Increases of \$360 per academic year for resident and non-resident Core/Professional sophomores -seniors</p> <p>\$540 per semester for resident and non-resident junior & senior Business and Engineering students</p> <p>4.0% for most graduate students</p>	<p>No tuition increase for all undergraduate students</p> <p>A new rate structure that includes per credit rates for students taking 11 credits or less, block rates for students taking 12-18 credits, and a hybrid block/per credit structure for students taking 19+ credits</p> <p>4.0% for most graduate students</p>
Total Tuition & Fee Revenue	\$1,002.8	\$1,051.5
Financial Aid	4.5%	7.1%
Graduate Assistants	2.0%	2.0%
Faculty Salaries	1.5%+0.5%*	2.5%+0.5%*
Utilities	-6.1%	0.0%
Health Care	5.0%**	5.0%**
<u>Financial Framework</u>		
Competitiveness	\$2.5	\$3.2
Technology	\$3.5	\$6.5
Performance Efficiency Reallocation	-1.0%	-1.0%
Base Budget Reduction	<u>-1.0%</u>	<u>0.0%</u>
Total Budget	\$1,391.5	\$1,449.2

*Includes 1.5% merit and 0.5% Provost market

**Health care budget augmented by amounts previously committed to collective bargaining groups due to claims experience

Budget Rates of Change

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
Base	2.70%	2.69%	2.29%	1.65%	0.94%	2.45%
Financial aid	0.40%	0.61%	0.89%	0.69%	0.48%	0.78%
Enrollment Growth	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%
Indirect Cost Pass-Through	0.00%	0.00%	0.00%	0.23%	0.10%	0.09%
Sub-Total	3.2%	3.3%	3.2%	2.6%	1.5%	3.3%
Financial Framework	1.02%	0.65%	0.40%	0.40%	0.55%	0.70%
Sub-Total	4.3%	3.9%	3.6%	3.0%	2.1%	4.0%
Revenue Based Initiative	0.71%	0.73%	0.63%	0.46%	0.08%	0.08%
Total	4.97%	4.67%	4.21%	3.42%	2.1%	4.1%

Predictors of Long-Term Budgetary Success

- **Consistency with MSU planning initiatives**
- **Reputation for administrative competence**
- **Ability to catalyze longer-term, wider impact initiatives**
- **Multi-disciplinary in nature**
- **History of programmatic success**
- **Willingness to commit internal matching funds**
- **Entrepreneurial talent**
- **Quantify objectives and results**
- **Development of long-term planning model that allows for identification of financial and operational issues**

The imagining university works continuously at doing its best within its circumstances, exploiting the spaces available to it, and so even changing its circumstances in the process

Ronald Barnett
Imagining the University

Source for Information

www.opb.msu.edu

Additional Issues

Faculty Start-Ups
Technology Funding
Facility and Renovation Needs

Attachments

Fall Planning Letter
Spring Budget Planning Letter

Questions & Follow Up

Dave Byelich	AVP & Director	5-9271
Bethan Cantwell	Institutional Studies	5-9273
Brent Johnston	Budget, Planning and Analysis	3-5519
Barbara Kranz	Facility Planning	3-5062
Mike Zeig	Long-Range Planning	5-5115