

**TRUSTEE FINANCE COMMITTEE**

**AGENDA**

Wednesday, July 11, 2007

401 Administration Building

**I. Action Items**

Sale of Hulett Road Property

Attachment 1

2007-08 Budget Development and Implementation

Attachment 2

**MICHIGAN STATE**  
**UNIVERSITY**

July 9, 2007



**MEMORANDUM**

**REVISED**

**To:** Trustee Finance Committee

**From:** Fred L. Poston

A handwritten signature in black ink, appearing to read "Fred L. Poston", written over the printed name.

**Subject:** Sale of Hulett Road Property

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees that it authorize the sale of its Hulett Road property (approximately 5.7 acres) to Mr. Randolph Markham for One Million Two Hundred Thousand Dollars (\$1,200,000.00), upon such other terms and conditions as may be acceptable to the Vice President for Finance and Operations and Treasurer.

**BACKGROUND**

The Hulett Road property (3361 Hulett Road, Okemos) was purchased by Michigan State University in 1990 for \$375,000.00 to be used by the College of Engineering for automotive engine research. This research unit is moving back to campus. Proceeds from the sale of the property will support funding for the new Energy and Automotive Research Laboratories.

The property was listed with a real estate broker in October 2006 after consultation with the Finance Committee pursuant to the Real Estate Policy. This is the first offer received.

The administration is recommending that the Board of Trustees accept this offer.

cc: D. Brower, R. Flinn, J. Kacos, G. Klein, W. Latta, K. Lindahl,  
M. McCabe, J. Mumma, R. Nestle, D. Quinney, C. Reid

**S**

OFFICE OF THE  
**VICE PRESIDENT  
FOR FINANCE  
AND OPERATIONS  
AND TREASURER**

Fred L. Poston  
Vice President

Michigan State University  
420 Administration Building  
East Lansing, MI  
48824-1046

517/355-5014  
FAX: 517/353-6772

MICHIGAN STATE  
UNIVERSITY

MEMORANDUM



July 11, 2007

TO: Board of Trustees Finance Committee

FROM: Kim Wilcox  
Fred Poston

SUBJECT: 2007-08 Budget Development and Implementation

**RECOMMENDATION:**

**BE IT RESOLVED** that the Trustee Finance Committee recommends to the Board of Trustees adoption of the Guidelines for Development of the 2007-08 Budgets (Budget Guidelines), which include significant revenue and expenditure variables and tuition and fee rates.

In accordance with these Budget Guidelines, the administration is directed to develop and implement the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension, and Intercollegiate Athletics budgets.

**BACKGROUND:**

Attachment A summarizes revenues and expenditures for the 2007-08 General Fund budget. Attachment B contains student tuition and fee information. Attachment C is the summary of all proposed 2007-08 budgets.

The 2007-08 budget is 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, 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.



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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 state support is reduced, deferred, delayed, or withheld, contingent tuition and fee authority is provided to the President under paragraph 13 of the Budget Guidelines and Attachment B1 to protect the quality of MSU programs and simultaneously maintain student access in the event of a state revenue shortfall. The President will report to the Board, at a meeting prior to its implementation, any tuition and fee rate adjustment and any tuition and fee surcharge authorized by these Budget Guidelines.

In accordance with these Budget Guidelines, the proposed budgets for the General Fund, Michigan Agricultural Experiment Station, MSU Extension, and Intercollegiate Athletics will be developed and implemented.

#### Attachments

c: Board of Trustees Policy Committee  
President Lou Anna Kimsey Simon  
Alison Barber, Secretary to the Board

## GUIDELINES FOR THE DEVELOPMENT OF 2007-08 BUDGETS

These guidelines identify projected 2007-08 revenues and expenditures, including appropriations, tuition and fee revenues, financial aid, utility requirements, compensation parameters for faculty and other employee groups, and continuation of the program efficiency and reinvestment fund.

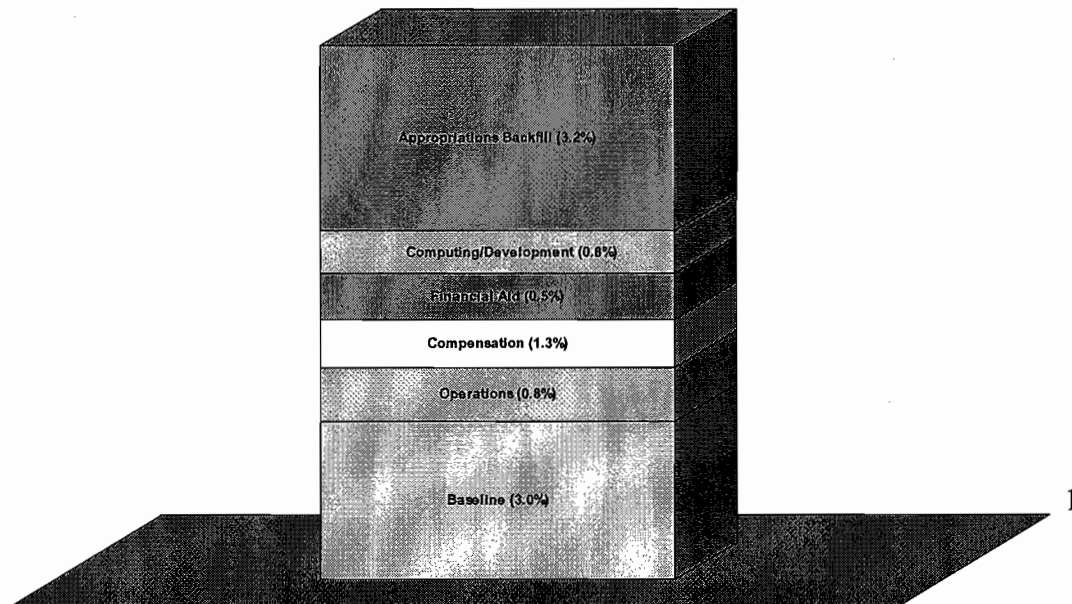
### Overview

The investment our students, their families and the state make in an MSU education today will continue to pay dividends in the years ahead. By sustaining and enhancing MSU's internationally acclaimed educational programs today for our students, we also serve as a catalyst for their and Michigan's economic prosperity in the future.

Board action authorizes the administration to develop and implement 2007-08 budgets in accordance with the following guidelines:

### Revenues

1. Estimated appropriations support is budgeted at -1.8 percent. Appropriation support will not be finalized by the July special meeting of the Board of Trustees.
2. The general fund operating budget for 2007-08 will be developed based on revenue estimates of \$876.0 million. This amount includes \$286.9 million as the base main campus operating appropriation from the state; \$495.6 million in tuition and fees; and \$82.0 million in other revenue, which is composed primarily of investment income and indirect cost recovery, as well as other small institutional sources. Additionally, there are pass-through allocations of \$7.0 million in revenue-based initiatives, \$4.2 in framework revenue, and \$0.3 million in research facilitation.
3. Tuition rates will increase by approximately 9.6 percent reflecting the following:



For a typical resident undergraduate, lower division student this equates to an increase of \$798.

Over the past decade, MSU has made a series of internal budget reductions totaling approximately \$70 million and has effected further reallocations of \$39 million to make programs more responsive to students' needs and the requirements of the emerging knowledge economy.

A volatile and uncertain energy market requires that continuing attention be paid to the price of energy as a distinct issue. An energy fee was initiated Fall Semester 2005 to address those costs. This fee is reviewed annually and adjusted to fund increases in energy-related costs above 3 percent. For 2007-08, the fee is established at \$114 per semester as shown in Attachment B.

Value to our students results from world-class programs and access supported by financial aid, built on an effective history of and continuing commitment to cost containment. As technological and scientific advances continue at an ever-accelerating rate, MSU must continue to improve undergraduate and graduate education, hiring cutting-edge faculty and providing the necessary technology and infrastructure to assure that students are able both to participate in and lead development of the new knowledge-based economy.

#### Expenditures

4. Major expenditure increases will be as follows, including funding for student financial aid; utilities and new space; employee compensation; supplies, services, and equipment increments; and continuation of the 1 percent program efficiency and reinvestment fund. Specific expenditure recommendations are:
  - a. Regular student financial aid increases of \$7.9 million, or approximately 14.3 percent, inclusive of \$1.0 million for the second cohort of the Spartan Advantage, a program for new resident undergraduate students entering Fall 2002 and later whose resources are below the poverty level, and \$1.5 million for other financial aid initiatives.
  - b. New utility and facility-related funding increases total \$3.1 million, including approximately \$2.3 million of inflation-based adjustments and \$0.8 million for new space requirements. The increment for the energy fee referred to under Revenues above is expected to generate approximately \$1.8 million, which will be used for utility cost increases above inflation, including increases in maintenance and necessary updates to the physical plant.

c. Employee compensation adjustments of approximately \$22.9 million, including \$5.3 million for benefits expenses and \$4.9 million to annualize 2006-07 salary increments.

- 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 academic staff are recommended at 3.0 percent. Additionally, a faculty competitive position fund, totaling \$1.7 million, is available to help faculty salaries remain competitive in the Big Ten. As in past years, an additional 0.5 percent is recommended for market adjustments. The market adjustment program will be administered centrally by the Office of the Provost and is targeted for ranked faculty but open to all faculty and academic staff. All raises will be effective October 1, 2007.

- ii. Stipend ranges for those graduate assistants holding research or administrative appointments will increase by 2.0 percent. Stipend increases for individual assistants will be determined by the employing units. The tuition waiver and graduate assistant health care costs are updated to recognize planned increases, for an overall adjustment of approximately 4.4 percent. 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 3 percent. Similarly, returning student employees will receive a 3 percent increase. This increase is sufficient to address the mandated increase to the minimum wage that will take effect October 1, 2007, and reflects the importance that MSU has always placed on work as a component of institutional financial aid packaging.
- iv. Rates for undergraduate and professorial assistants will be increased in parallel with 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 \$1.9 million, an increase of approximately 2.5 percent. Unit allocations will be differential, based upon identified programmatic need.
  - e. Long-term MSU framework funding is included at \$4.2 million for academic quality (third year of new student fee differential) and \$2.2 million for administrative computing requirements.
  - f. Funding for development and external relations activity is included at \$1.3 million. This will augment funding whose purpose is to allow development efforts to continue at their current level of activity after the conclusion of the Capital Campaign.
  - g. Funding for the Residential College in Arts & Humanities is included at \$1.1 million. Incremental tuition revenues from students recruited to the college are included in base tuition and fee revenues.
  - h. An increment for other budgetary adjustments of \$4.3 million, which includes funding for debt service and other general university purposes.
  - i. Continuation of the 1 percent program efficiency and reinvestment fund. Reinvestments will address normal year-to-year programmatic adjustments. Over the past ten years, internal reallocations totaling approximately \$39 million have been implemented across campus.
  - j. 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 new revenue-based initiatives of \$7.0 million include the following:
- a. Special academic programs, including Broad College of Business graduate programs, \$1.8 million;
  - b. Human Medicine in Western Michigan, \$1.4 million;
  - c. Osteopathic Medicine, \$1.0 million; and
  - d. Virtual programs, Off-Campus Programs, and other \$2.8 million.
6. Growth in unit research activity necessitates an increase in the pass-through to units of indirect cost recovery of \$0.3 million.
7. As in previous budgets, projected 2007-08 revenues are augmented by \$2.5 million from funds included in the 2006-07 budget.

8. Overall expenditures will increase by approximately 3 percent for baseline increments; 1.1 percent to address compensation; 0.5 percent for operations and administrative computing; 0.2 percent for energy costs and new space; 0.5 percent for instructional quality allocations; 0.7 percent for financial aid; and 0.9 percent for pass-through and other allocations, including revenue-based initiatives.
9. General Fund expenditures over the 2007-08 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 2007-08 financial statements.
10. Funding from investment trusts and a newly implemented 0.5 percent tax on units will be committed to address just-in-time maintenance requirements and continue development of the financial information system.

#### General

11. Other university budgets, including those for the Michigan Agricultural Experiment Station, 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. See paragraph 14 below.
12. Realized gains from maturing previously established endowment trusts will be allocated to fund just-in-time infrastructure requirements and costs for the new financial information system on a continuing basis. Expenditures will be reported annually as part of the financial statements.
13. In the event anticipated State support is reduced, deferred, delayed, or withheld, contingent tuition and fee authority is provided to the President under Attachment B1 to protect the quality of MSU programs and simultaneously maintain student access in the event of a state revenue shortfall. The President will report to the Board, at a meeting prior to its implementation, any tuition and fee rate adjustment and any tuition and fee surcharge authorized by these Budget Guidelines.
14. Attachment C contains the summary of proposed budgets for the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension, and Intercollegiate Athletics.

**Michigan State University  
2007-08 Budget Guidelines**

Attachment A

	<b>2006-07 <u>Budget</u></b>	<b>2007-08 Proposed <u>Budget</u></b>
<b><u>Revenues</u></b>		
Beginning Base	\$819.8	\$819.8
State Appropriations		(5.3)
Student Tuition and Fees		48.9
Investment Income		0.8
Indirect Cost Recovery		0.0
Other Institutional Revenue		0.3
Estimated Revenues		<u>\$864.5</u>
Research Facilitation Pass Through		0.3
Framework Revenue		4.2
Revenue Based Initiatives		7.0
Total Est. Revenues		<u><u>\$876.0</u></u>
 <b><u>Expenditures</u></b>		
Beginning Base	\$819.8	\$819.8
Financial Aid		8.0
Salary/Compensation		22.9
Utilities/New Space		3.0
Supplies/Services		1.9
Other Operating		4.3
Instructional Quality		4.2
Administrative Computing		2.2
Development/External Relations		1.3
New Residential College		\$1.1
Estimated Expenditures		<u>\$868.7</u>
Revenue Based Initiatives		7.0
Research Facilitation Support		0.3
Total Est. Expenditures		<u><u>\$876.0</u></u>

9.6% Residents; 9.6% Nonresidents

**MICHIGAN STATE UNIVERSITY**  
**2007-08 Tuition and Fee Schedule**

**2007-08**  
**Rate Structure**

	Resident		Nonresident	
	Per Semester	Per Credit	Per Semester	Per Credit
<b>Undergraduates</b>				
Admitted Fall 2005 and After Lower Division		\$280.00		\$742.00
Continuing Lower Division		\$257.25		\$719.25
Admitted Fall 2005 and After Upper Division		\$309.50		\$767.75
Continuing Upper Division		\$286.75		\$744.75
<b>Masters</b>		\$378.75		\$800.00
<b>Doctoral</b>		\$378.75		\$800.00
<b>Lifelong Education</b>		\$378.75		
<b>Special Block Fees</b>				
Broad MBA	\$9,325		\$13,050	
Human and Osteopathic Medicine	\$9,206		\$20,166	
Extended Medical Curriculum	\$6,347		\$13,657	
Medical Scientist Training Program	\$6,420		\$13,665	
College of Veterinary Medicine (CVM-8)	\$9,316		\$19,618	
CVM Clinical Year - Fall & Spring	\$8,220		\$17,426	
CVM Clinical Year - Summer	\$5,699		\$11,508	
Medical Scientist Training Program	\$6,050		\$12,439	

**Fees per Semester**

	Full-time	Part-time
Matriculation/Infrastructure/Technology Fees	\$506.00	\$380.00

**NOTES:**

- Beginning Fall 2005, all entering undergraduate students were assessed a per-credit fee of \$19.50 in addition to the regular rate. These students and all subsequent newly admitted undergraduate students will be assessed the "Admitted Fall 2005 and After" undergraduate rate. The "Continuing" rate will be discontinued at the end of Summer Semester 2010.
- 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).
- All students will be assessed an energy charge of \$114 per semester (\$57.00 part-time).
- Student tuition and fees include university support for student health services.
- Part-time students are defined as those enrolling for four credits or less per semester.
- Block fees include the matriculation, information/technology, and infrastructure/technology fees.
- The Engineering Program fee is established at \$448 for full-time status (\$273 part-time except \$0 for summer) and applies to upper division and graduate level Engineering students.
- Block fee for Teacher Certification Internship year is \$4,613 for resident students and \$9,890 for nonresident students. This rate includes the matriculation, infrastructure/technology and energy fees.
- Tuition and fees for special programs and courses will be determined administratively, based on programmatic considerations.
- A registration fee of \$25 per semester will be assessed on all international students except those enrolling in Graduate Studies in Education Overseas.
- 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.
- MSU tuition and fee rates reflect a combination of across-the-board percentage and dollar-based increases. In sum, nonresident students generally pay at least twice resident rates.

In adopting the Guidelines for Development of the 2007-08 Budgets (Budget Guidelines), it is the expectation of the Board that MSU's 2007-08 base main campus operating appropriation from the State will be \$286.9 million, that the State will make the 2006-07 appropriation deferred payments totaling \$26.4 million to the University by not later than October 17, 2007, as the State has promised, and that the State will not defer, delay, or withhold any payments due to the University as part of its 2007-08 base main campus operating appropriation from the State. The tuition and fee rates in the Budget Guidelines are established by the Board in reliance on the timely payment of the anticipated amounts from the State.

In the event the University's 2007-08 base main campus operating appropriation from the State is less than \$286.9 million, 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 2007-08 base main campus appropriation from the State is more than \$286.9 million, the President is authorized to reduce tuition and fees by a rate that will reflect, on an annualized basis, the additional support received from the State.

Further, in the event that the State does not pay the entire \$26.4 million in 2006-07 deferred appropriations to the University by the date promised, or the State defers, delays, or withholds any part of any regularly scheduled 2007-08 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 2007-08 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.

The President will report to the Board, at a meeting prior to its implementation, any tuition and fee rate adjustment and any tuition and fee surcharge authorized by the Budget Guidelines. It is the Board's expectation that any such tuition and fee rate adjustment and any such 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. No tuition and fee adjustment or surcharge shall be implemented retrospectively for any semester for which bills have already been issued.

## CONTINUED

The Board notes that the contingent tuition and fee authority provided to the President under the Budget Guidelines is intended to protect the quality of MSU programs and maintain student access through appropriate financial aid in the event of a revenue short-fall from the State. It is also, and primarily, to preserve the integrity of the budget established by the Board, in recognition 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. Therefore, the potential for mid-fiscal year cuts by the State in the resources it provides to the University necessitate granting the President authority to respond 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.

**MICHIGAN STATE UNIVERSITY  
2007-08 BUDGETS  
Overview**

Attachment C

<b>ESTIMATED REVENUES</b>	<b>State Appropriation</b>	<b>Federal Funds</b>	<b>University Funds</b>	<b>Other</b>	<b>Restricted</b>	<b>2007-08 Total</b>
University General Fund	\$286,900,000		\$589,100,000			\$876,000
Michigan Agricultural Experiment Station	33,827,100	5,075,112			7,320,633	\$46,222
MSU Extension	29,176,386	10,524,067		5,766,093	5,455,958	\$50,922
Intercollegiate Athletics				73,133,400		\$73,133
<b>Total Estimated Revenues</b>	<b>\$349,903,486</b>	<b>\$15,599,179</b>	<b>\$589,100,000</b>	<b>\$78,899,493</b>	<b>\$12,776,591</b>	<b>\$1,046,278</b>

<b>ESTIMATED EXPENDITURES</b>	<b>Salaries</b>	<b>Labor</b>	<b>Supplies, Services, Equipment</b>	<b>Project and Other Expense</b>	<b>2007-08 Total</b>
University General Fund					\$876,000
Michigan Agricultural Experiment Station	31,782,214			14,440,631	46,222
MSU Extension	46,862,352			4,060,152	50,922
Intercollegiate Athletics	22,030,759		41,300,372	9,802,269	73,133
<b>Total Estimated Expenditures</b>	<b>\$100,675,325</b>	<b>\$0</b>	<b>\$41,300,372</b>	<b>\$28,303,052</b>	<b>\$1,046,278</b>

NOTE: Exclusive of nonrecurring transition requirements and FY07 carry forward funds.