

Conversation with the President

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Team MSU

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What follows are questions that Team MSU have posed with rankings.

Illustrative Questions:

- How is MSU responding to the national narrative that higher education is too costly to be sustainable? Beyond scholarships and endowments, what steps are envisioned to contain costs?
- It sounds like the U of M is going to negotiate with Richard Spencer and have him come to campus. Can you provide an update on where MSU is in dealing with Spencer?
- Has the university been successful in recruiting and retaining underrepresented minority faculty members? Is there a plan going forward?
- How have the Nassar case legal costs and Nassar related claims against the university had an impact on budgets and priorities on the 4th of the Admin. Bldg. and throughout the colleges?
- You were a vocal opponent of the East Lansing Income Tax. Now that the tax vote has failed, what could or should MSU and East Lansing be doing to make our community the home that our faculty and students want it to be?

Illustrative Questions Continued:

- MSU has participated in the University Innovation Alliance for a few years now, can you share what we have learned from that effort and if we will continue participating in future years?
- There is a lot going on at the Federal level, can you tell us what you think is most likely to happen with the potential changes to the tax code? And what are the implications to the University that you are most concerned about?
- Every day there seems to be another story about sexual harassment (Conyers, Weinstein, Dustin Hoffman, Jeffrey Tambor, Louis C.K., Roy Moore, Al Franken, Kevin Spacey, and on and on and on). What are we doing and what can we do to make MSU as safe a place as possible for all? How can we make sure that MSU is an exemplar of a community focused on respect for all?
- I see there's a new building going up in front of the Clinical Center, what can you tell us about the building? And what will be going inside of it?

Tax bill comparisons



Tax Reform Proposals - key higher-ed impacts	House - H.R. 1	Senate - S.R. TBD	Estimated MSU Impact
	Passed Full House on November 16th	Passed Finance Committee Nov. 16. Expected full Senate vote this week.	
Students, Employees, and Families			
117(d) - undergraduate course fee courtesy waiver: MSU Max benefit (30 hrs/academic year) = \$8145 at upper division.	Repealed	Unchanged	553 students (employees & dependents). Income tax increase (lowest bracket of House proposed 12%) = \$977/beneficiary
117(d)(5) = graduate student tuition waiver: MSU max benefit 18 credits/academic year = \$13,077.	Repealed	Unchanged	3,262 grad students. Income tax increase (lowest House bracket 12%) = \$1570/beneficiary
127 benefit - \$5,250 employer provided tuition benefit	Repealed	Unchanged	2,138 employees - total MSU expenditure of \$1.2 mil
AOTC/Life Long Learning	LLC repealed, AOTC 'enhanced'	Unchanged	Unable to quantify
Student Loan Interest Deduction - up to \$2500/year, phased out	Repealed	Unchanged	Unable to quantify
457(b) retirement plan changes	Unchanged	Max contribution capped (18k plus catch up) and combined with 403(b), effectively rendering them duplicative	Unable to quantify

Tax Reform Proposals - key higher-ed impacts	House - H.R. 1	Senate - S.R. TBD	Estimated MSU Impact
Institutional Impact			
Unrelated Business Income Tax (UBIT)	Unchanged	Applied to royalties and logo revenue at ~34% effective rate	Licensing = \$5.9 m. Credit card affinity program = \$400k. FY '16 Fox Media Contract + bonus = \$9.75 mil. Nike (apparel deal) = 400k (500k starting in 2019). Total tax impact = \$5.6 mil
Private Activity Bonds and Advance Refunding	Repealed	PAB unchanged; advance refunding repealed	Potential significant impact on borrowing costs, but hard to quantify due to interest rate fluctuation.
Endowments	1.4% excise tax on private school endowments valued at schools with 500 or more students valued at 250k/student	1.4% excise tax on private school endowments valued at schools with 500 or more students valued at 250k/student	No immediate impact, but concerned about philosophical attack on charitable giving and opening the door for similar proposals targeting public school endowments
Charitable giving	Doubles standard deduction, potential impact on itemized charitable gifts	Doubles standard deduction, potential impact on itemized charitable gifts	Unable to quantify impact, but estimated impact is significant. Estimates range from \$13B less to \$100B (JCT score) nationally

Tax Reform Proposals - key higher-ed impacts	House - H.R. 1	Senate - S.R. TBD	Estimated MSU Impact
Athletic "seat premium" donation (80% deductability)	Repealed	Repealed	Total MSU 'scholarship seating' = roughly \$14 m/year. Difficult to determine impact, but conservative estimate from Mark Hollis is a reduction to around \$5 mil/year.
Employer excise tax on highly compensated individuals - top five earners above 1 million	Included	Included	Impact not yet available

Budget Question

How is MSU responding to the national narrative that higher education is too costly to be sustainable? Beyond scholarships and endowments, what steps are envisioned to contain costs?

- The following information uses broad categories to present the major changes in the MSU budget over time.
- It is premised on the belief that sustainability is based on perceived value ... strategically positioned, high quality academic programs, not costs alone.
- It provides the foundation for a discussion that acknowledges the need for on-going programmatic investments as well as relocations.



Baseline Per Student Resources

	<u>1987</u>	<u>1997</u>	<u>2007</u>	<u>2017</u>
Appropriations	\$11,397	\$11,227	\$8,475	\$6,076
Tuition	\$5,631	\$7,286	\$10,654	\$14,460
Total	\$17,028	\$18,513	\$19,129	\$20,536

- Over 30 years, after adjusting for inflation, MSU per student resources have risen by an average of less than 1% per year
- Over the period, MSU added approximately \$130M in financial aid, equivalent to \$3,000 per student in increased costs, resulting in inflation-based growth

Other Adjustments

- Over the same 30 year period, MSU enrollment has increased from 42,000 to 50,000 and non-resident undergraduate students has increased from 10% to 24% of the undergraduate population
- These resources have been applied in both a recurring and nonrecurring manner to:
- Enhance and sustain academic programming, critical investments have been made over the period, most recently including the \$15M Global Impact Initiative targeting 100 new faculty hires in priority areas, including initiation of BioMedical Engineering and CSME.
- Provide salary and fringe benefit increases above the rate of inflation
- Infrastructure investments for:
 - Academic facilities
 - Utilities
 - Information Technology

Other Baseline Adjustments – Reductions Examples

- \$105 million-plus in reductions and reallocations over the past ten years including academic programs and support functions.
- Health care cost increases at or below national indices for 8 of the past 10 years. Eliminated post-retirement health care benefits for for new hires.
- On-going utility savings through both efficient operation of the plant, commodity purchasing, new technology and conservation ... \$6 million in most recent year.

Future Perspective

- To maintain existing high quality – sustainable -- programs and develop new programming to meet future needs will require success in most of the following challenges.



Challenges

- Achieve inflation-based increases in appropriations support.
- Achieve above inflation-based increases:
 - in select, differentiated tuition and fee rates.
 - in donor income.
 - in research funding.
- Change enrollments. (Proportion of non-resident enrollment and/or increase total enrollment)
- Significantly strengthen our culture of high performance and diminish existing costs.
- Utilize public-private partnerships to augment existing support and diminish costs.
- Others?

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