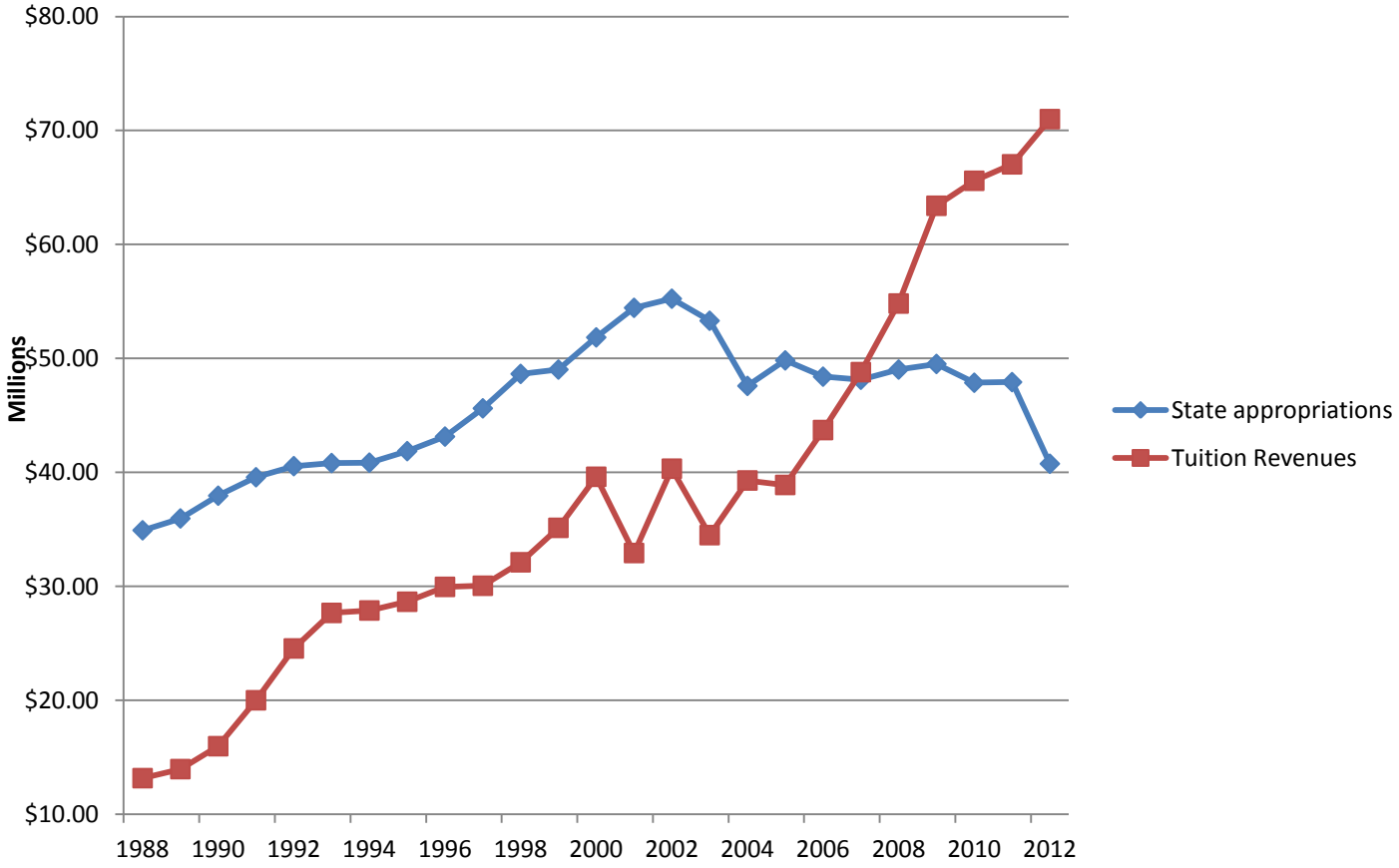
Tuition increase concerns

Report from the University Senate Finance committee

In the face of declining state appropriations, tuition and fees have been increasing rapidly since 2003. This year's appropriation dropped 15%.



Average in-state tuition at Michigan Tech

2011-2012	$13,910	(Audited financial statement)
2012-2013	$14,466	(projected 4% increase)
2023-2024	$29,277	(if extrapolated at last 5 year average rate)

Average annual net price to students, 2009–2010

(Including financial aid, discounting, etc. - National Center for Education Statistics)

Midwestern Public Universities

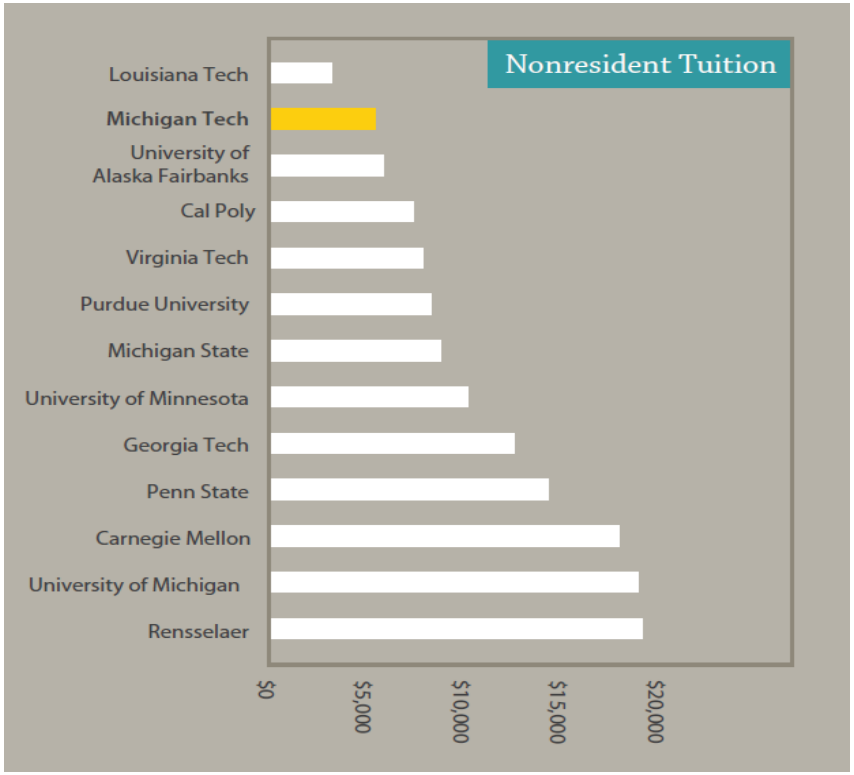
Michigan Tech	$15,907
University of Michigan – Ann Arbor	$14,355
Michigan State	$14,722
Western Michigan	$13,708
Northern Michigan	$10,613
University of Wisconsin	$14,063
University of Illinois –Urbana - Champaign	$15,024
University of Minnesota – Twin Cities	$14,990

Non-resident graduate tuition rates are almost the lowest among all STEM schools

Current Graduate tuition and fees	$12,636/2 semesters. (In or out-of-state)
Undergraduate in-state 2011	$13,900/yr.
Undergraduate out-of-state 2011	$25,000/yr.

Raising non-resident graduate tuition to $1000/credit yields approximately +$5M/year.

School	Cost per credit	School	Cost per credit
Michigan Tech	*$702*	University of Wisconsin	$1575
University of Michigan	$2577	Georgia Tech	$1260
Wayne State	$1134	Virginia Tech	$1083
Michigan State	$1117	Minnesota - Duluth	$1210
Western Michigan	$974	University of Minnesota	$1788
Northern Michigan	$570	Purdue	$1250
University of Illinois	$1300	Louisiana Tech	$690* *quarters equated to semesters



Per semester – from Graduate School annual report – 2010.

How much do employee/faculty costs drive the tuition increase?

Michigan Tech's retirement obligations – MPSERS (11 percent of payroll) obligation is outgrowing TIAA-CREF. Currently it is almost 50% of the total retirement obligation.

(audited financial statements)

2009 MPSER obligation	$4.87 million	2009TIAA-CREF obligation	$7.92 million
2010 MPSER obligation	$4.67 million	2010 TIAA-CREF obligation	$7.17 million
2011 MPSER obligation	$5.14 million	2011 TIAA-CREF obligation	$5.96 million

Medical benefit claims paid by Michigan Tech have grown 6% since 2008. The majority of overall increased costs have been paid by those covered.

(audited financial statements)

2006	$10,984,366	
2007	$12,041,986	
2008	$13,875,743	
2009	$13,980,633	
2010	$14,310,670	
2011	$14,748,919	
2012	$14,768,000	(projected by Aon-Hewitt)

Total employee benefit costs to Michigan Tech are down since 2008.

(audited financial statements)

2006	$28,901,300
2007	$31,010,000
2008	$35,802,819
2009	$35,859,251
2010	$34,709,950
2011	$35,124,359

Instructional compensation and benefits costs are proportional to growth.

(audited financial statements & compendium)

Year	*Instructional Compensation & Benefits*	General Fund Instructional Expenditures	Tenure/Tenure track faculty	Non-tenure track faculty
2006	$38,559,398	$44,317,174	317	10
2007	$39,975,030	$45,879,482	310	48
2008	$43,292,487	$49,316,020	312	55
2009	$46,729,720	$53,425,533	329	57
2010	$47,987,133	$54,767,561	342	58
2011	$47,812,865	$54,713,867	354	55

Staff numbers are up slightly (~12% since 2006)

Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Headcount	1228	1309	1332	1360	1385	1378

How about institutional costs?

Total Liabilities

Total liabilities increased at $7M/yr over last decade (Audited financial statements).
This is a chiefly a result of bonded debt that has been issued since 2003. *Debt outstanding as of June 30, 2011 is $82M, and the combined principal and interest are $145M*. We now spend $6M/year on debt service; but we do have nice campus improvements to show for it.

1990	$14,667,000
1995	$25,736,000
2000	$30,402,000
2005	$71,658,036
2010	$100,966,897
2011	$107,438,252

Academic support is slightly down over the past 6 year ($10.7M in 2006, to $10.2M in 2011)

Academic support includes: (1) Library operations, (2) Academic IT, (3) CTLF, (4) marketing and communications, (5) corporate relations and intellectual property, (6) research services, (7) the graduate school, (8) learning centers.

But Institutional support expenses are up 60% in 5 years

(Audited financial statements)

Institutional support includes (1) central executive-level activities concerned with management and long-range planning of the entire institution, such as the governing board, planning and programming, and legal services;(2) fiscal operations, including the investment office; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; (7) support services to faculty and staff that are not operated as auxiliary enterprises; and (8) activities concerned with community and alumni relations, including development and fund raising.

$2,684/student - Highest in state (90% nationally) (Collegemeasures.org)

2006	$18,027,340
2007	$20,858,727
2008	$24,364,292
2009	$28,393,021
2010	$27,429,468
2011	$29,045,690

Research expenditures are increasing.

External dollars are up 70% over past 10 years. (35% CPI adjusted).

Internal and external research expenditures (source: compendium & NSF)

1998	External	$21.86 M
	Internal	$6.37 M
2002	External	$22.79 M
	Internal	$7.21 M
2004	External	$23.88M
	Internal	$11.79 M
2006	External	$24.25 M
	Internal	$19.95 M
2008	External	$36.16 M
	Internal	$24.20 M
2010	External	$34.49M
	Internal	$28.98M
2011	External	$38.90 M
	Internal	$31.18 M

Internal research expenditures are up 330% over the past 10 years. (250% CPI adjusted)

Internal research expenditures include: IRAD, general fund salaries charged to research, start-up funds, required cost share, Graduate Assistant Cost Share (GACS), Indirect costs (Facilities & Administrative F&A) on cost share and waivers of indirects (F&A) on sponsor funds, research related gifts, use charges & Summer Undergraduate Research.

Costs of expanding and maintaining our physical plant.

Increase of almost 1,000,000 sq. ft. over last 20 years (@$5 to $7/sq ft per year maintenance). Approximately 100 sq. ft. per person (students, staff, faculty) on campus.

M&M	217,200
Dow	167,000
Rosza	80,000
Little Huskies	4,400
Forestry expansion	48,000
Lakeshore Center	50,000
Mineral Museum	9,000
Rehki building	51,000
Opie Library	54,000
Hillside Place	75,000
ATDC	27,500
Great Lakes Research Center	49,500
Blizzard building	55,000
Alternative energy center	4,000
KRC, Engineering design center	11,000
Miscellaneous (Gundlach, etc.)	14,600
Next generation energy (proposed)	*85,500*
Total additional space	992,500 square feet

Paths Forward?? Lots of options, but no quick solutions.

Align budget with strategic plan to get a workable business plan.

Further undergraduate tuition increases?

- Market price elasticity uncertain, especially for non-STEM fields.
- State restrictions on tuition increases.
- Student debt crisis. Average MTU student graduates with ~$31K in debt.

Match market prices for graduate education?

- Now need 2 non-resident grad students to generate tuition of 1 non-resident undergrad.
- Increasing graduate tuition to market price generates additional $3-5M/year.
- Loss of competitiveness in grants?
- Declines in graduate enrollment?

Adjustments in compensation?

- Restricted or no raises (Michigan Tech already falling far behind in Oklahoma State survey).
- Further cuts in benefits. (Lower paid employees already hit hardest.)
- MPSER obligation relief. (We send almost 13% of state appropriation back.)

Restrict new debt and/or refinance current debt?

- Recent board action saves approximately $260K/year.
- Post-pone additional new buildings.

Redesign academic programs?

- Better determine winners and losers (especially new programs) in-line with the strategic plan.
- Pursue collaborative opportunities. (e.g. co-list courses at undergrad and grad level and across curriculum, cross-cutting Ph.D. programs, combined user facilities, etc.)
- Further enhance center approach to research.