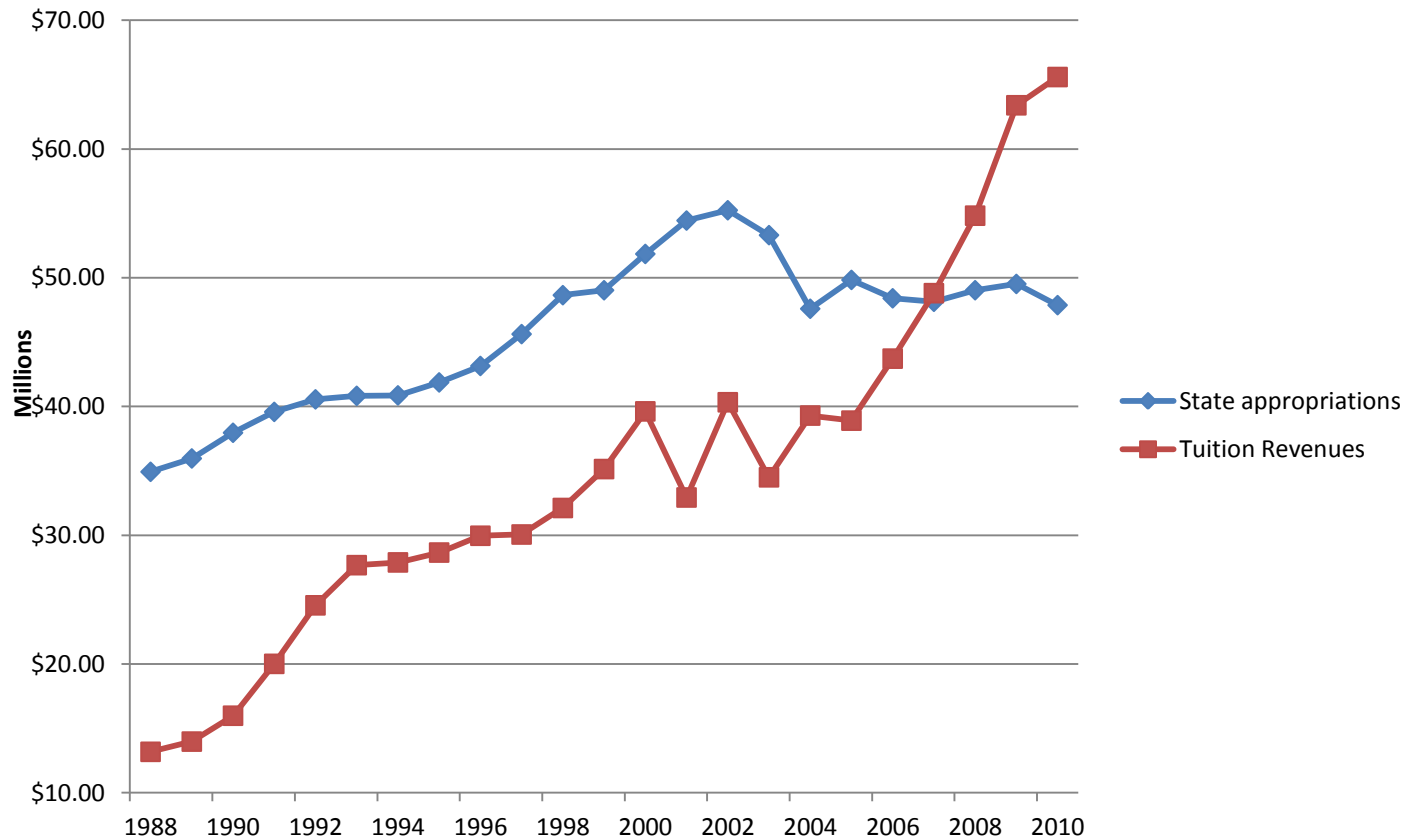


MTU Financial overview

November, 2012

A report from the University Senate Finance committee

In the face of declining state appropriations, tuition and fees have been increasing rapidly since 2003. Last year's appropriation dropped 15%, this year's is up slightly (not shown in graph).



Average in-state tuition at Michigan Tech

2011-2012	\$13,910	(Audited financial statement)
2012-2013	\$14,448	(Audited financial statement)
2023-2024	\$29,500	(if extrapolated at last 5 year average rate)

Average annual net price to undergraduate students, 2010–2011

(Including financial aid, discounting, etc. – source: National Center for Education Statistics)

Midwestern Public Universities

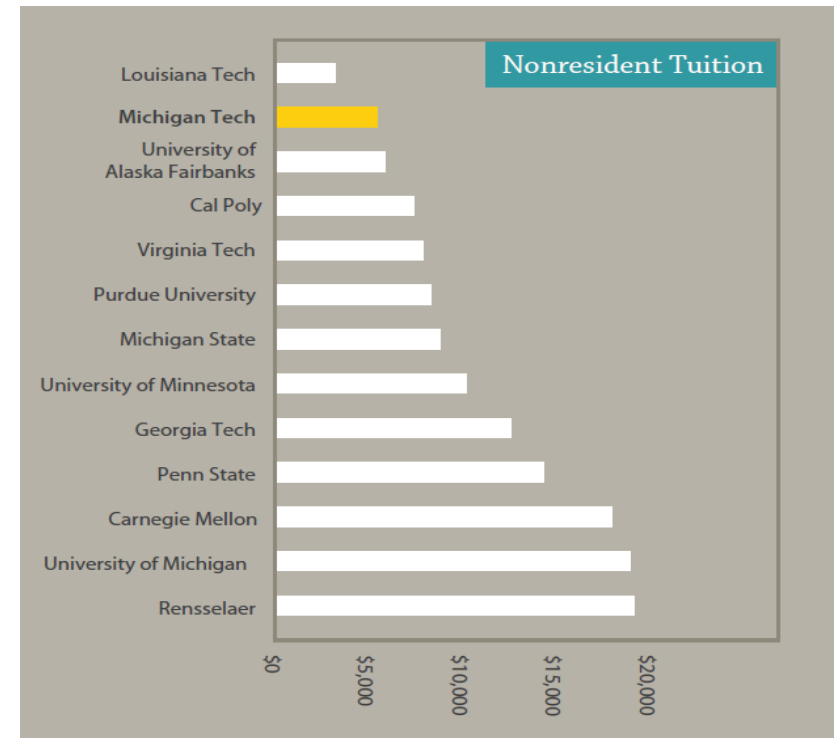
Michigan Tech	\$15,024 (highest in Michigan)
University of Michigan – Ann Arbor	\$14,074
Michigan State	\$12,366
Western Michigan	\$14,672
Northern Michigan	\$10,952
University of Wisconsin	\$14,940
University of Illinois –Urbana - Champaign	\$15,610
University of Minnesota – Twin Cities	\$16,019

Non-resident graduate tuition rates are among the lowest of all STEM schools (source financial aid office)

Current Graduate tuition and fees \$13,740/2 semesters. (In or out-of-state)
Undergraduate in-state 2012 \$14,448/2 semesters.
Undergraduate out-of-state 2011 \$27,720/2 semesters.

Raising non-resident graduate tuition to peer average \$1100/credit yields approximately +\$5M/year.

Graduate School	Non-resident cost per credit (2012)	Graduate School	Non-resident cost per credit (2012)
Michigan Tech	\$744	University of Wisconsin	\$1575
University of Michigan	\$2330	Georgia Tech	\$1310
Wayne State	\$1215	Virginia Tech	\$1123
Michigan State	\$1173	Minnesota - Duluth	\$1860
Western Michigan	\$1105	University of Minnesota	\$1880
Texas A&M	\$720 (9 cred/sem)	Purdue	\$1656
University of Illinois	\$1363	Louisiana Tech	\$724* *quarters equated to semesters



Per semester – from Graduate School annual report – 2010.
N.B. – Louisiana Tech was incorrectly calculated per quarter.

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

Michigan Tech's retirement obligations – MPSERS (10 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	2009 TIAA-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
2012 MPSER obligation	\$5.76 million	2012 TIAA-CREF obligation	\$6.15 million

Medical benefit claims paid by Michigan Tech have grown 25% (CPI adjusted) since 2006.
Since 2008 there has been 5% growth (CPI adjusted). There has been negative growth using the Medical CPI index. The vast majority of the actual increase in healthcare costs have been paid by those covered. (FY basis - 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	\$15,735,827
2013	\$14,500,000 (projected by BCBS for CY13)

Total employee benefit costs to Michigan Tech are up slightly since 2006.

Up 12% (CPI adjusted) since 2006, *number of employees up ~15% over same period.*

Benefits down 1.7% (CPI adjusted) since 2008. (audited financial statements, compendium)

2006	\$28,901,300
2007	\$31,010,000
2008	\$35,802,819
2009	\$35,859,251
2010	\$34,709,950
2011	\$35,124,359
2012	\$37,803,478

Average total compensation and benefits per instructor have fallen since 2006

Minus 1% in actual dollars, minus 15% CPI adjusted (2006 dollars), this is due to raises at or below the CPI, cuts in benefits, and because similar total costs are being incurred for 25% more *junior* faculty.

Current fund expenditures are up 41% (23% CPI adjusted) over the same period. (source: audited financial statements & compendium)

<i>Year</i>	<i>Instructional Compensation & Benefits</i>	General Fund Instructional Expenditures	Unrestricted current fund expenditures	Tenure/Tenure track faculty	Non-tenure track faculty
2006	\$38,559,398	\$44,317,174	\$140,827,244	317	10
2007	\$39,975,030	\$45,879,482	\$151,679,361	310	48
2008	\$43,292,487	\$49,316,020	\$166,313,946	312	55
2009	\$46,729,720	\$53,425,533	\$179,326,092	329	57
2010	\$47,987,133	\$54,767,561	\$187,242,616	342	58
2011	\$47,812,865	\$54,713,867	\$191,434,074	354	55
2012	\$47,866,389	\$55,128,119	\$198,550,847	--	--

How about institutional costs?

Total Debt

Total debt increased at \$7M/yr. (*\$10M/yr. including interest*) 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, 2012 is \$84M, and the combined principal and interest are \$144M.* We now spend \$6M/year on debt service; a portion of which may be associated with revenue lines (e.g. residence halls).

2002	\$ 11,396,000
2003	\$ 17,198,000
2004	\$ 51,023,286
2005	\$ 50,274,702
2006	\$ 49,517,956
2007	\$ 51,131,794
2008	\$ 50,904,532
2009	\$ 56,112,688
2010	\$ 73,113,673
2011	\$ 82,496,244
2012	\$ 84,516,392

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. added 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
<i>AER laboratories (proposed 2014-2016)</i>	<i>122,500</i>
Total additional space	1,029,500 square feet

Academic support is up slightly over the past few years

(\$10.7M in 2006 to \$11.5 M in 2012)

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 70% in 6 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.

\$4431/student (Highest in state)

2006	\$18,027,340
2007	\$20,858,727
2008	\$24,364,292
2009	\$28,393,021
2010	\$27,429,468
2011	\$29,045,690
2012	\$30,686,476

*Incorrectly categorizing some expenditures (e.g.- as institutional instead of academic support) may partially account for this growth, but the combined growth of these 2 areas is in excess of 40% over this period (17% CPI adjusted).

Can Research Dollars Help MTU's Finances?

External dollar expenditures have been increasing somewhat. They are up 71% over 10 years. (3%/year CPI adjusted).

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

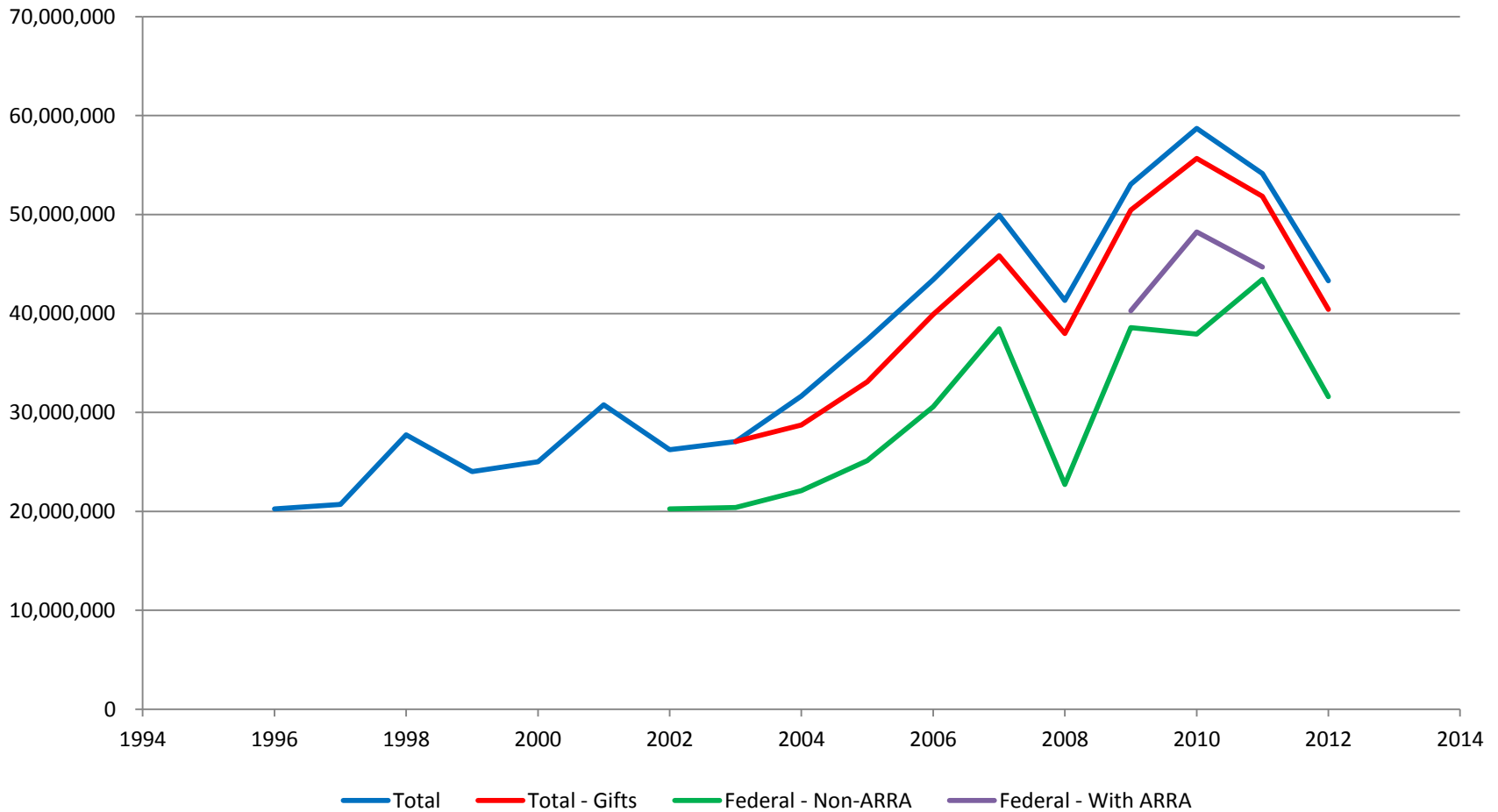
2002	External	\$22.79 M
	Internal	\$7.21 M
2004	External	\$23.88 M
	Internal	\$11.79 M
2006	External	\$24.25 M
	Internal	\$19.95 M
2008	External	\$36.16 M
	Internal	\$24.20 M
2010	External	\$34.49 M
	Internal	\$28.98 M
2011	External	\$38.90 M
	Internal	\$31.18 M
2012	External	\$39.07 M
	Internal	\$32.92 M

However internal research expenditures are up 357% over the past 10 years. (>20%/year 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.

Sponsored Program Awards

However, new dollar awards are lower (about 25 %) over the past 2 years



From President's Campus Forum Oct.8, 2012

Paths Forward?? Lots of options, but no easy 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.

Reduce both tuition and tuition discounting

- Discounting currently very high (40%), reduce discounting to peer and regional levels (30%).
- Attract more students with lower “sticker” price.
- Good publicity with public and legislature.

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 nets additional \$4-5M/year.
- Loss of competitiveness in grants and declines in graduate enrollment?

Adjustments in compensation?

- Levels consistent with strategic plan? (Michigan Tech falling far behind in Oklahoma State salary survey).
- Further cuts in benefits are extremely regressive, 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 repackaging debt saved interest, but rolled in additional costs (>\$1M) for SDC upgrades.
- Post-pone additional new buildings. No new capital outlays from state this year?

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 across curriculum, collaborative Ph.D. programs, etc.)
- Further enhance center approach to research.