Welcome
to
Financial Administration Development Program

October 29, 2012
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The World Has Changed

- Funding paradigm has shifted
- Educational delivery mechanism is evolving
- Public view of higher education moving
10-Year Revenues Trend – Tuition and State Appropriations

Tuition and Fees

State Appropriations

- Tuition and Fees: $640
- State Appropriations: $295
10-Year Revenue Trends

- Total
- Tuition and Fees
- State and Federal Grants
- State Appropriations
- Auxiliary Activities
- Private Gifts and Grants
- Departmental Income

Year

Revenue Trends
Research Requires Institutional Support

- Direct Cost from Grant: 55%
- Indirect Cost Recovery from Grants: 30%
- Institutional Support: 15%

*Effective Averages
Growing Research Requires Growing Institutional Support

- Research Expense Projected $1B
- Average Institutional Support Projected $150M Per Year

Graph showing the projected increase in research expenses and institutional support from 2011 to 2022.
Educational Delivery Mechanism Evolving

On Campus ➔ Mail Order ➔ Online Learning

Original public universities land grants from states

• University of Phoenix mass produced mail order degrees
• Many weekend MBA programs
• University of Phoenix recently invested $200 million to increase online learning capability
• MSU administered approximately 129,400 virtual school credit hour classes online in FY12, which represents approximately 10% of the total school credit hour at MSU
• Future? Continued need for on-campus experience, but mix changing.
Public View of Higher Education Moving

- Institutes of higher learning revered
- Sports scandals
- Violence on campus
- Cheating scandals – students and teachers
- Tuition increases faster than inflation
- Student debt skyrockets
- College graduates cannot get jobs
- Questioned value of higher ed
Tougher Competition

• MSU ranked in top 100 universities in the world
• Rankings based on:
  • Education
  • Research
  • Outreach
  • Cost / Value
• Funding affects all factors
• China’s national policy is to have 50 of top 100 universities in the world in China
MSU Needs to Improve to Remain in Top 100 Universities

- Other schools working hard to move up
- Need more revenue to support research
- Competition for funding intensifying
- Need to be more productive
  - More and better output per $ spent
- Need to cut costs
Improvements Require Change and Money

- Limited revenue options
  - Tuition
  - Appropriations
  - Research grants
  - Charitable gifts
  - Debt (pay now or later)
- Require changes to improve effectiveness
Components of 2012 Revenue Resources

- Tuition and Fees: $640
- Debt: $65
- Research Grants & Contracts: $404
- Auxiliary Activities (Housing, Athletics): $293
- State Appropriations: $294
- Gifts and Capital Gifts: $97
- Investment Income: $27
- Dept. Activities, Student Loan Interest/Fees, Federal Pell Grant Revenue, Other Revenue: $212

TOTAL: $1,308
Total Debt Payable by Fiscal Year

*Projections assume no change to non-General Revenue debt (including Federal Student Loan Deposits, lines of credit, lease obligations and other). Future General Revenue debt is only projected for projects that have been approved by the BOT to use debt.

Debt $896 M

$66.3 M
General Revenue Debt Outstanding and Debt Capacity

Notes:
1. With no operating deficits and positive endowment performance, assume debt capacity grows at 2% or 3%.
2. This portion of future debt represents $280 million of BOT approved projects that are authorized to use debt.
3. This portion of future debt represents $240 million of identified projects not yet BOT approved.

Debt Capacity Grows 3% a Year

Debt Capacity Grows 2% a Year

No Growth in Capacity

Identified
Approved
Current
Debt Capacity Grows 3% a Year

Debt Capacity Grows 2% a Year

No Growth in Capacity

Future

Identified

Approved

Current

Notes:
1. With no operating deficits and positive endowment performance, assume debt capacity grows at 2% or 3%.
2. This portion of future debt represents $280 million of BOT approved projects that are authorized to use debt.
3. This portion of future debt represents $240 million of identified projects not yet BOT approved.
4. This portion of future debt represents $75 million of debt-funded projects per year.
World-Class Support for World-Class University

Mission

Actions

Support

Education
Research
Outreach

Colleges
Depts.
Institutes
Centers
Etc.

HR, Etc.
Finance
IT Infrastructure
Physical Infrastructure

World-Class Support for World-Class University
Changing University Requires Changing Culture

World-Class Research University Needs World-Class Support Units

- Higher expectations and accountability
- More effective service delivery
- More cost-efficient operations
- Metric driven management decisions
- Self supporting financially
- Continuous drive to get better
- Encouraging collaboration
- Looking at the impact on the institution rather than the unit
- Willingness to take calculated risks for bigger rewards
Changing World => Changing Roles
Financial Administration

• Broader perspective of how actions affect university
• Better understanding of financial situation (unit and university)
• Deeper knowledge of cost structures
• Clearer view of impact current processes have on overall effectiveness and cost
• Increased use of financial information to make better informed management decisions
Multiple Approaches to Increase MSU Knowledge and understanding

- Process review (mapping) and revision
- Project management training
- Benchmarking performance and costs
- Financial Institute Program
- Bookkeeping to accounting basics training
- Financial administrator training
- HR administrator program being developed
# Financial Administrator Development Program

Another Step to Keeping MSU World-Class

|----------|----------|----------|----------|------------|----------|-----------|
| • Session 1  
• Success Strategies  
• Sources / Uses of Funds  
• Financial Statements and External Audits  
• Internal Controls and Ethics  
• Myers-Briggs | • Session 2  
• Accounting Orgs, Chart of Accounts, Workflow  
• Financial & Tax Policies / Processes  
• Financial Data Analysis  
• Reporting and Analysis Case Study | • Session 3  
• Legal Issues and Risk Assessment  
• Procurement – Goods and Services & Travel  
• Risk Management  
• Budget Administration  
• Financial Aid | • Session 4  
• Clinical Research  
• Indirect Costs  
• Funding, Budget Prep, Proposal Submission for Sponsored Research  
• Award Process  
• Post-Award Contract and Grant Admin.  
• Research Outcomes | • Session 5  
• Presidents Council, State Universities of Michigan  
• State Government Relations  
• Governmental Affairs  
• University Advancement  
• Gift Funds  
• Communicating Institutional Information  
• Records management | • Session 6  
• Hiring Processes  
• Benefits  
• Payroll Policies  
• Managing the HR / Payroll System | • Session 7  
• Facilities Planning and Space Management, Secchia Center  
• MSU Construction  
• Your Niche |
Sharing New Knowledge and New Reports Help Us Make Better Decisions

• This class is first venture – maiden voyage – pilot program
• You are both the pioneers and the guinea pigs
• You were hand-picked to participate and represent the largest and most important units on campus
• You each bring a variety of knowledge and skills
• I expect you to teach and mentor each other (and us), as well as learn
• We will succeed together – failure is not an option
Thank you for your participation!

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