• Economy

• Capital Improvement

• AQIP and LEAN

• Strategic Planning Review
Economic Downturn Effect on Michigan Tech
State Budget Dilemma

To Cut or Not to Cut?
State of Michigan FY08

General Fund Revenue $130M

School Aid Fund $70M

Source: Senate Fiscal Agency
Actual Revenue Collections for Major State Taxes *
November 2006 to October 2008

CASH COLLECTIONS (Billions of Dollars)
- FY 2006-07
- FY 2007-08
- Difference

*Benchmark of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.
# MICHIGAN REVENUE UPDATE

**OCTOBER 2008**

(dollars in millions)

<table>
<thead>
<tr>
<th>Type of Revenue</th>
<th>October Collections</th>
<th>FY 2007-08 to Date</th>
<th>FY 2007-08 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total(^1)</td>
<td>% Change From Year Ago</td>
<td>Total(^1)</td>
</tr>
<tr>
<td>Gross Income Tax</td>
<td>$665.2</td>
<td>7.2%</td>
<td>$9,046.2</td>
</tr>
<tr>
<td>Refunds</td>
<td>(40.3)</td>
<td>20.7%</td>
<td>(1,772.6)</td>
</tr>
<tr>
<td>Net Income Tax</td>
<td>$624.9</td>
<td>6.4%</td>
<td>$7,273.6</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>550.2</td>
<td>(8.9)%</td>
<td>6,748.7</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>67.7</td>
<td>1.0%</td>
<td>746.5</td>
</tr>
<tr>
<td>All Other Sales Tax</td>
<td>482.5</td>
<td>(10.1)%</td>
<td>6,002.2</td>
</tr>
<tr>
<td>Use Tax</td>
<td>111.0</td>
<td>(17.2)%</td>
<td>1,366.9</td>
</tr>
<tr>
<td>Tobacco Taxes</td>
<td>88.9</td>
<td>(20.3)%</td>
<td>1,073.1</td>
</tr>
<tr>
<td>Single Business Tax</td>
<td>8.5</td>
<td>(96.4)%</td>
<td>714.7</td>
</tr>
<tr>
<td>Michigan Business Tax</td>
<td>444.0</td>
<td>---</td>
<td>1,857.4</td>
</tr>
<tr>
<td>Insurance Tax</td>
<td>53.5</td>
<td>68.8%</td>
<td>245.6</td>
</tr>
<tr>
<td>State Education Property Tax</td>
<td>1,139.7</td>
<td>17.1%</td>
<td>2,206.4</td>
</tr>
<tr>
<td>Real Estate Transfer Tax</td>
<td>14.0</td>
<td>(29.6)%</td>
<td>175.4</td>
</tr>
<tr>
<td>Casino Wagering Tax</td>
<td>10.5</td>
<td>(23.4)%</td>
<td>141.2</td>
</tr>
<tr>
<td>Oil &amp; Gas Severance Tax</td>
<td>8.8</td>
<td>104.7%</td>
<td>103.8</td>
</tr>
<tr>
<td>Other Taxes(^5)</td>
<td>37.0</td>
<td>(51.9)%</td>
<td>401.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,091.0</td>
<td>10.7%</td>
<td>$22,308.1</td>
</tr>
</tbody>
</table>

**Addendum:**

- **Gross Lottery Sales\(^4\)**: $205.7 16.1% $2,330.3 (0.5%) $2,212.0 (0.5%)
- **Net to School Aid Fund\(^4\)**: $66.5 15.3% $741.3 (0.6%) $749.2 0.0%

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1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.
So . . . . . .

Treasury is recalculating for November
Conventional Wisdom Watch
## CURRENT FUND
### FY09 Income Statement Projection

<table>
<thead>
<tr>
<th></th>
<th>Current Fund</th>
<th>Possible Executive Order Cuts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$233,380</td>
<td>$232,885</td>
<td>$231,894</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td>231,280</td>
<td>231,280</td>
<td>231,280</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$2,100</td>
<td>$1,605</td>
<td>$614</td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td>$17,515</td>
<td>$17,020</td>
<td>$16,029</td>
</tr>
</tbody>
</table>

Note: Current Fund includes General Fund, Designated Fund, Auxiliaries, Retirement and Insurance, and the Expendable Restricted Funds.
Budget Cut Scenarios

- Delay Capital Costs
- Strategic Control of Hiring
- Operations Cost Containment
Issues Facing Higher Education During Financial Downturn

- State Appropriations
- Institutional Liquidity
- Long-term Investments
- Long-term Debt
- Insurance and Risk Management
- Financial Reporting and Disclosures
- Financial Aid
CASH FLOW
2007 & 2008 YTD
(dollars in millions)
Capital Improvements
UPPCO Building Renovation

- $3M Economic Development Administration
- $500k Michigan Economic Development Corporation
- LEED Certification
UPPCO Timeline

- Planning - Winter
- Bids - Winter
- Construction - Spring/Summer
- Move In - Late Summer
RESIDENTIAL APARTMENTS - Preliminary Design
Great Lakes Research Center

- **Planning Committee**
  - Bill Predebon, Chair
  - Marty Auer
  - Sarah Green
  - Charles Kerfoot
  - Alex Mayer
  - Walt Milligan

  **Ex-officio**: Jim Heikkinen and Gregg Richards
Waterfront Master Planning Committee

- Marty Auer
- Charles Kerfoot
- Mary Marchaterre
- Alex Mayer
- William Predebon
- Suzanne Sanregret
- Student Representative

Ex-officio: Jim Heikkinen and Gregg Richards
- KRC – Design Phase
- ME-EM Labs – Identified Needs
- Physics Labs – Design Phase
- US41 Reconstruction – Design Phase
AQIP and LEAN
Academic Quality Improvement Program (Initial Projects)

• Diversity of Faculty (Report, Presentation, Response)
• Comprehensive Space Inventory (Report, Presentation, Response)
• Carbon Modeling (Report)
• Learning Space Enhancement (Report, Presentation, Response)
AQIP Systems Portfolio

- Helping Students Learn
- Accomplishing Other Distinctive Objectives
- Understanding Students’ and Other Stakeholder’s Needs
- Valuing People
- Leading and Communicating
- Supporting Institutional Operations
- Measuring Effectiveness
- Planning Continuous Improvement
- Building Collaborative Relationships
LEAN
Quality Improvement

• Dining Services
• Payroll/Human Resources
• Sponsored Programs
LEAN
Dining Services

- Catering/Ordering Processes
- Recipe Consistency
- Room Setup and Cleanliness Standards
- Training Catering Student Employees
LEAN
Human Resources

- Probationary Period Process
- Student Status Change
LEAN
Sponsored Programs

• Internal Processing of Budget Modifications
• Final Closeout of Sponsored Projects
Looking Ahead
Strategic Plan Update

• Draft Guiding Principles (Radson, Schulz and Walck). (Complete)
• Deans Review (January)
• Executive Team Direct Reports Review
• Executive Team Review (March)
• Public Focus Groups
• Deans and Executive Team Review Again
• Final Approval (July Board meeting)
Administrative Strategic Priorities

- Compliance
- System Efficiency
- Recruitment and Retention
- Training
Administrative Strategic Priorities

• Compliance
Effort Reporting

- Overload Compensation
- Supplemental Compensation
- Summer Compensation
- Bonus Compensation
Administrative Strategic Priorities

- System Efficiency
  - Process Automation
  - Space Utilization
Administrative Strategic Priorities

• Recruitment and Retention
  – Compensation
  – Benefits
  – Immigration
Administrative Strategic Priorities

• Training
  – Policies/Procedures
  – Electronic Systems
Campaign Total to Date

FY09 gifts $11.05
FY08 gifts 25.63
FY07 gifts 29.49
FY09 corporate research 2.54
FY08 corporate research 6.53
FY07 corporate research 6.21
Selected FY06 gifts 12.29

$93.74

(discounts of Planned Gifts) -5.71

$88.03

As of October 31, 2008
FY2009 Critical Success Factors

- Enhance & Restructure Compensation
- Continue Faculty Hiring in Strategic Areas
- Provide Training & Support for Deans & Chairs
- Attain our Metric Goals
- Achieve Enrollment Target
- Increase Visibility
- Launch New University Web Site
- Practice Sound Financial Management
- Execute Plans for High-Impact Capital Projects
Questions