

MINUTES OF THE MEETING
OF THE
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

June 13, 2008

President Simon called the meeting of the Board of Trustees to order at 9:35 a.m. in the Board Room.

Trustees present: Joel Ferguson, Melanie Foster, Dorothy Gonzales (via telephone), Colleen McNamara, Donald Nugent, Faylene Owen, George Perles, and Scott Romney.

University officers present: President Simon, Provost Wilcox, Vice President Poston, Secretary Beekman, Vice President and General Counsel Noto, Vice Presidents Denbow, Gray, Hudzik, June, and Webster, Interim Vice Presidents Cash and Heil, and Senior Advisor and Director Granberry Russell. Faculty liaisons present: Rebecca Henry, Jim Potchen, John Powell, Spiro Rand, and Catherine Yanza. Student liaisons present: Christopher Kuleszka, Paril Kurran, and Michael Webber.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Trustee Romney, supported by Trustee Owen, the **BOARD VOTED to approve** the agenda.
2. On a motion by Trustee Owen, supported by Trustee Foster, the **BOARD VOTED to approve** the minutes of the April 18, 2008 and May 16, 2008 Board Meetings.
3. President's Report
 - A. Surplus Store and Recycling Center

President Simon said that faculty, staff, students, and University officials, including Trustee Foster, were in attendance for the ground breaking of the future site of the MSU Surplus Store and Recycling Center. This is another important milestone for MSU, as the environmental stewardship plan continues to be implemented.
 - B. New MRI to Debut in Malawi

President Simon asked Dr. James Potchen, Chairman of Radiology and Faculty Liaison to the Board of Trustees, to comment on the MRI dedication in Malawi on June 23, 2008.

Dr. Potchen said that the MRI machine was donated by General Electric Company and the facility was constructed by MSU. It will be the first MRI machine in Malawi, one of the most impoverished countries in Africa. MSU is supplying the MRI technology to aide in the fight against malaria, one of the most widespread diseases in the world.

C. MSU to Pursue Half-Billion Dollar Federal Nuclear Science Project

President Simon said that MSU will compete for a half-billion dollar, federally-funded Facility for Rare Isotope Beams (FRIB) in response to a Funding Opportunity Announcement issued by the U.S. Department of Energy. She asked Vice President Webster to comment on the project.

Vice President Webster said that the support MSU has received from the State is encouraging. There are few issues for which a consensus can be formed at the Capitol, but this is something that is seen as being transformational for the State of Michigan and, as such, has wide support.

D. Detroit Regional Chamber 2008 Mackinac Policy Conference

President Simon said the Mackinac Conference was May 28-30, 2008. The University Research Corridor (URC) presented a report, URC Analysis: State Can Become a Leader in Alternative Energy. The report is available on the URC website.

E. MSU Names 19 Alumni Distinguished Scholarship and University Distinguished Scholarship Winners for 2008

President Simon noted that MSU named 19 Alumni and University Distinguished Scholars for 2008. These academically talented students are receiving scholarships considered by some to be the most competitive awards in the country. All of the students are members of the Honors College. The scholarships cover full tuition, room and board, books, and a stipend for up to eight semesters of study.

F. American Speech-Language-Hearing Association Award

President Simon stated that Provost Wilcox was named a Fellow by the American Speech, Language, and Hearing Association in recognition of his professional and scientific achievement.

G. 2008 CASE-WealthEngine Awards for Educational Fundraising

President Simon said that the Council for the Advancement and Support of Education (CASE) selected MSU as the winner of the 2008 CASE Wealth Engine Award for educational fund raising. She congratulated University Development.

4. There was no Public Participation on Issues Germane to the Agenda.
5. Personnel Actions

Provost Wilcox presented the following appointments:

Kodur, Venkatesh K.R., AY—Professor, Department of Civil and Environmental Engineering, \$133,000 with Tenure, effective July 1, 2008.

Gandelsman, Yuri, AY—Professor, College of Music, \$102,000, with Tenure, effective August 16, 2008.

Schutte, Debra L., AY—Associate Professor, College of Nursing, \$75,000, with Tenure, effective August 16, 2008.

Provost Wilcox noted that the year-long review of faculty in the tenure stream has concluded. There are 39 promotions from assistant to associate professor with tenure and four associate professors to receive promotion with tenure. Provost Wilcox asked the Board to approve the 46 total appointments.

Trustee Owen **moved to approve** the appointments, with support by Trustee Foster.

THE BOARD VOTED to approve the appointments.

6. Gifts, Grants, and Contracts

It was recommended that the Board of Trustees approve the Gift, Grant and Contract Report for the period of April 4, 2008 through June 2, 2008. The report is a compilation of 444 Gifts, Grants and Contracts and 80 Consignment/Non-Cash Gifts with a total value of \$65,550,107.30.

Trustee Ferguson **moved to approve** the recommendation, with support by Trustee Foster.

Vice President Gray introduced Dr. Donna Wang, Director of Basic Science Research in the College of Human Medicine, for a research presentation regarding nano-medicine. (Appendix A)

Finance Committee

Trustee Nugent presented the Trustee Finance Committee Report and recommendations.

A. New Investment Managers

It was recommended that the Board of Trustees select Great Hill Partners, L.P. as an investment manager.

It was recommended that the Board of Trustees select Brazos Private Equity Partners, LLC as an investment manager.

Trustee Nugent **moved to approve** the recommendations, with support from Trustee Romney.

THE BOARD VOTED to approve the recommendations.

B. New Investment Managers

It was recommended that the Board of Trustees select Mondrian Investment Partners Limited as an investment manager.

It was recommended that the Board of Trustees select Pacific Investment Management Company as an investment manager.

Trustee Nugent **moved to approve** the recommendations, with support from Trustee Ferguson.

THE BOARD VOTED to approve the recommendations.

C. Commercial Paper Authorization

It was recommended to the Board of Trustees that it approve the resolution authorizing the issuance, execution, sale, and delivery of MSU limited commercial paper notes, Series A and Series B (Taxable) in an aggregate amount not to exceed \$200,000 outstanding from time to time, and providing for other matters relating thereto. (Appendix B)

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Foster.

THE BOARD VOTED to approve the recommendation.

D. Budget Authorization for 2008-09

It was recommended to the Board of Trustees that it approve the adoption of the Guidelines for Development of the 2008-09 Budgets (Budget Guidelines), which include significant revenue and expenditure variables and tuition and fee rates. In accordance with these Budget Guidelines, the administration is directed to develop and implement the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension, and Intercollegiate Athletics budgets. (Appendix C)

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Owen.

THE BOARD VOTED to approve the recommendation.

E. Authorization to Plan—Brody Complex—Steam & Communications Master Plan

It was recommended to the Board of Trustees that it authorize the administration to plan for the project entitled Brody Complex—Steam & Communications Master Plan.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

THE BOARD VOTED to approve the recommendation.

F. Authorization to Plan—Steam Distribution—Repair/Replace Pipe Supports Along Wilson Road East of Bogue Street

It was recommended to the Board of Trustees that it authorize the administration to plan for the project entitled Steam Distribution—Repair/Replace Pipe Supports Along Wilson Road East of Bogue Street.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

THE BOARD VOTED to approve the recommendation.

G. Authorization to Plan—Parking Ramp No. 2 Replacement

It was recommended to the Board of Trustees that it authorize the administration to plan for the project entitled Parking Ramp No. 2—Replacement.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

Vice President Poston noted that Ramp No. 2 is the parking ramp east of the Computer Center. The authorization to plan would allow for an analysis and recommendation for the future of the ramp.

THE BOARD VOTED to approve the recommendation.

H. Authorization to Plan (footprint change) Shaw Hall—Loading Dock Renovations

It was recommended to the Board of Trustees that it authorize the administration to plan for modifications that may result in a material change to the campus footprint for the project entitled Shaw Hall—Loading Dock Renovations.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

THE BOARD VOTED to approve the recommendation.

I. Authorization to Plan—Life Sciences—Addition

It was recommended to the Board of Trustees that it authorize the administration to plan for the project entitled Life Sciences—Addition.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

Vice President Poston asked Dr. Mary Mundt, Dean of the College of Nursing, to discuss the recommendation.

Dean Mundt noted that the College of Nursing is currently located in three separate locations on campus. In response to the nursing shortage in Michigan and across the nation, undergraduate and graduate enrollments have doubled over the past five years. There is currently not enough space to support educational and research

programs. The Life Sciences addition would allow all the faculty and programs in the College of Nursing to be in one location.

THE BOARD VOTED to approve the recommendation.

- J. Project Approval—Authorization to Proceed—Chemistry—Alterations to Rooms 407,408, and 412

It was recommended to the Board of Trustees that it authorize the administration to proceed with the project entitled Chemistry—Alterations to Rooms 407, 408, and 412 and that it approve a budget of \$1,200,000.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Owen.

THE BOARD VOTED to approve the recommendation.

- K. Project Approval—Authorization to Proceed (footprint change) Forest Akers Golf Course—East Driving Range Enclosure

It was recommended to the Board of Trustees that it authorize the administration to proceed with modifications that will result in a material change to the campus footprint for the project entitled Forest Akers Golf Course—East Driving Range Enclosure.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Foster.

Vice President Poston asked Mr. Ken Horvath, Golf Course Manager, to discuss the project.

Mr. Horvath said that the project involved adding 24 hitting stalls, three team areas, and two classrooms for instruction. Construction would begin in August with a completion date of December 18, 2008. The projected annual revenue for the project is approximately \$185,000, with a return on the investment in about eight years.

THE BOARD VOTED to approve the recommendation.

- L. Project Approval—Authorization to Proceed—Old College Field Renovations—Phase III—Baseball

It was recommended to the Board of Trustees that it authorize the administration to proceed with the project entitled Old College Field

Renovations—Phase III—Baseball and that it approve a budget of \$4,000,000.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Foster.

Vice President Poston asked Mr. Greg Ianni, Senior Associate Athletic Director, to describe the project.

Mr. Ianni said the baseball facility will be constructed at the same site on which the current structure is located. The facility will be completely accessible and contain 400 chair back seats, 2,100 bleacher seats, and a new press box.

THE BOARD VOTED to approve the recommendation.

M. Project Approval—Authorization to Proceed—Kellogg Biological Station—Pasture-Based Dairy Facility

It was recommended to the Board of Trustees that it authorize the administration to proceed with the project entitled Kellogg Biological Station—Pasture-Based Dairy Facility and that it approve a budget of \$2,800,000.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Romney.

Vice President Poston noted that the dairy at the Kellogg Biological Station is outdated. It is not representative of the present day dairy industry technology. The proposed facility would provide MSU with research, teaching, and outreach opportunities in pasture-based dairy farming in addition to being the first LEED certified agricultural building.

THE BOARD VOTED to approve the recommendation.

N. Bid and Contract Award (budget adjustment) Natural Science Building—Window Replacement

It was recommended to the Board of Trustees that a contract in the amount of \$1,268,500 be awarded to Graham Construction, Inc. and the budget be increased from \$1,200,000 to \$1,550,000 for the project entitled Natural Science Building—Window Replacement.

Trustee Nugent **moved to approve** the recommendation, with support from Trustee Owen.

THE BOARD VOTED to approve the recommendation.

8. Policy Committee

Trustee McNamara presented the Trustee Policy Committee Report and recommendations.

A. Naming Proposal: The Demmer Family Hall of History

It was recommended to the Board of Trustees that the Hall of History to be located in the Skandalaris Football Center within the Duffy Daugherty Football Building be named "The Demmer Family Hall of History."

Trustee McNamara **moved to approve** the recommendation, with support from Trustee Nugent.

Mark Hollis, Director of Intercollegiate Athletics, said that the Demmer family has been part of MSU for nearly six decades. The Hall of History is going to be a gateway not only to MSU's football program, but to the University. It is appropriate to have the Demmer name associated with this project as we celebrate MSU's past and look to the future.

Trustee Perles noted that Mr. John Demmer has been extremely supportive of MSU athletes, especially those involved in the football program. It is an honor to have his family name associated with MSU.

THE BOARD VOTED to approve the recommendation.

Trustee Perles exited the meeting.

B. Annual Diversity Report

The report entitled "Diversity and Inclusion at MSU—Annual Progress Report for 2006-07" was presented by Ms. Paulette Granberry Russell, Director of the Office for Inclusion and Intercultural Initiatives. (Appendix D)

C. Approval of Contract Terms

It was recommended to the Board of Trustees that it approve the execution of a master research agreement with *TCH Pharmaceuticals, Inc.*, consistent with earlier public notice given at

a Board meeting and with the “Master Research Agreement Term Sheet” presented to the Board. (Appendix E)

It was recommended to the Board of Trustees that it approve the execution of a research subcontract with *KTM Industries, Inc.*, consistent with earlier public notice given at a Board meeting and with the “Research Subcontract Term Sheet” presented to the Board. (Appendix F)

Trustee McNamara **moved to approve** the recommendation, with support from Trustee Owen.

THE BOARD VOTED to approve the recommendations.

9. Trustees Comments

Trustee Ferguson stated that the administration has done a great job in making sure that MSU is operating efficiently. He complimented President Simon on her leadership and the performance of Team MSU.

Trustee Owen thanked Dr. John Powell, Faculty Liaison to the Board, for his service to the Board as a liaison.

Trustee Nugent noted that the tribute to Ron Mason the previous night was outstanding. It was an excellent tribute to someone who has made so many contributions to MSU over the years.

Trustee Foster thanked the student liaisons for their input and participation in the meeting. She agreed that the tribute to Ron Mason was well done and noted that he served MSU for 29 years with great distinction as a coach and administrator.

10. Public Participation on Issues Not Germane To The Agenda

A. David Stewart, Deputy Australian Ambassador to U.S.

Vice President Hudzik introduced the Honorable David Stewart, Deputy Australian Ambassador to the U.S. Vice President Hudzik noted that Ambassador Stewart would be meeting with several people on campus regarding MSU's role in the economic re-development of Michigan and sustainable development and climate change.

Ambassador Stewart said it was an honor to be present at the meeting and he looked forward to his time on campus.

B. ATS Image and Design Group

Ms. Kimberly Piper, ATS Graphic Artist, said that the Image and Design Group has been at MSU for over 20 years. Last year, it was announced that Image and Design would be merging with another department on campus. Ms. Piper stated that a few months ago, the Image Design Group employees were told that their studio would be closed. Ms. Piper asserted that the services from the Image and Design Group are needed as much today as they have been over the past 20 years. She asked the Board for its support in keeping the Image and Design Group office open to service MSU.

C. ATS Image and Design Group

Mr. Phillip Knapman, ATS Graphic Artist, said the Image and Design Group coordinates graphic services for faculty, staff, and students on campus. Mr. Knapman stated that the Group's commitment to MSU can not be duplicated by outside vendors. External vendors will not provide the services that will support MSU's branding efforts or marketing initiatives. Mr. Knapman indicated that the Image and Design Group is important to keep on campus because the studio provides solutions that cannot be found in other places and, as an MSU entity, the studio works closely with other departments to facilitate project completion.

D. Resident Mentors at MSU

Ms. Tammi Lawrence, parent of a former MSU mentor, said that her daughter was not given due process when being released from her mentor position in Residence Life. Ms. Lawrence provided the Board with background information regarding the situation and asked that the Trustees review the current process.

11. On a motion by Trustee Romney and supported by Trustee Owen, **THE BOARD VOTED to adjourn** at 12:00 p.m.

Respectfully submitted,



William R. Beekman
Secretary of the Board of Trustees

**RESEARCH
PRESENTATION
TO THE MSU BOARD OF TRUSTEES**

JUNE 13, 2008

DONNA WANG

COLLEGE OF HUMAN MEDICINE

Facilitated by the Office of the Vice President for
Research and Graduate Studies

Optimizing Health and Treating Disease via Transformative Research

Donna H. Wang, MD, FAHA, FAAN
June 13, 2008

Transformative Research

"...is research driven by ideas that stand a reasonable chance of radically changing our understanding of an important existing scientific concept or leading to the creation of a new paradigm or field of science. Such research also is characterized by its challenge to current understanding or its pathway to new frontiers."

National Science Foundation

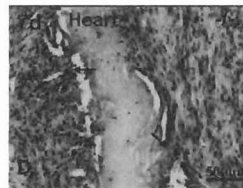
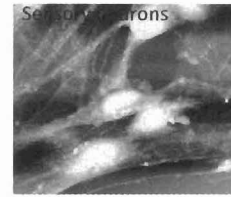
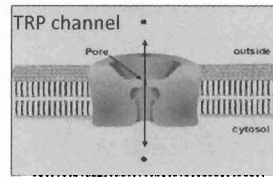
Our research goal –

discovering and validating molecular targets for development of better diagnostic and treatment tools for controlling human health, disease, and longevity

How to achieve our goal –

to bridge studies in whole animals/humans with reductionist studies in single molecules at nanoscale dimensions using inventive technologies developed at MSU or elsewhere to maximize our success

An Example - focused on a novel family, transient receptor potential (TRP) ion channels



The rationale for studying TRPV1

TRPV1 related disorders/diseases

- Heart disease, myocardial infarction
- Kidney disease, renal failure
- Sickle Cell Anemia, inflammation
- Pain
- Diabetes
- Obesity
- Aging
- Inflammatory Bowel Disease
- Lung disease
- Pancreatitis
- Bladder diseases

Our funding

→ M
→ to MSU

NIH FY 09 (\$M)

Technology/methodology

- Bioengineering 1,478
- Biotechnology 9,794
- Gene Therapy 324
- Nanotechnology 226
- Neurosciences 4,823

The rationale for studying TRPV1

- Newly discovered TRP - ~20% of all ion channels, representing up to 17% of world pharmaceutical sales.
- TRP & money diseases – e.g., hypertension: 64 million Americans and 1 billion people worldwide, costing > \$500B/year in US
- A global effort and competition supported by NIH, AHA, the Wellcome Trust ...
- Big pharma and start-ups including Merck, Pfizer, Glaxo Smith Kline, and Abbott launched TRP research programs.

Strategic partnership:

To achieve extraordinary outcomes, interdisciplinary collaboration involves faculty encompassing 6 departments at 4 colleges:

College of Human Medicine

College of Natural Science

College of Engineering

College of Osteopathic Medicine

A 21st Century Paradigm:

“Supporting transformative research is of critical importance in the fast-paced, science and technology-intensive world of the 21st Century.”

Dr. Arden L. Bement, Jr. Director, NSF

“NIH will commit \$1 billion over next five years to investigator-initiated high risk, high impact transformative research”

Dr. Elias Zerhouni, Director, NIH

Thank you

RESOLUTION OF THE BOARD OF TRUSTEES
OF MICHIGAN STATE UNIVERSITY
AUTHORIZING THE ISSUANCE AND DELIVERY OF
COMMERCIAL PAPER NOTES, SERIES A AND SERIES B, AND
PROVIDING FOR OTHER MATTERS RELATING THERETO

WHEREAS, the Board of Trustees of Michigan State University (the “Board”) is a body corporate created by and existing under the Constitution of the State of Michigan with full constitutional authority over and general supervision of Michigan State University (the “University”) and control and direction of all expenditures from the University’s funds; and

WHEREAS, the Board has determined that financing capital projects of the University with the proceeds of tax-exempt or taxable debt, or both, will enhance the flexibility of the University with respect to its budget and financial resources, and will permit the allocation of the costs of the capital projects to the periods of the useful lives of the projects being acquired; and

WHEREAS, the University’s current high credit ratings not only reflect the financial strength of the University and its ability to repay its debt obligations, but will also permit the University to access public debt markets in the most efficient and economic manner; and

WHEREAS, the Board has determined it is necessary and desirable to provide for the temporary financing of capital projects of the University, currently under way or to be undertaken, through the issuance of Board of Trustees of Michigan State University Commercial Paper Notes, Series A (the “Series A Notes”) and Board of Trustees of Michigan State University Commercial Paper Notes, Series B (Taxable) (the “Series B Notes”, and, collectively with the Series A Notes, the “Notes”) in an aggregate principal amount such that the Notes outstanding from time to time shall not exceed \$200,000,000; and

WHEREAS, the Board has determined it may be economic and appropriate to refund certain outstanding debt obligations of the Board (the such debt obligations, if any, to be selected by an Authorized Officer (as hereinafter defined) and being herein called the “Bonds to be Refunded”); and

WHEREAS, the Board has approved certain capital projects to be temporarily financed and refinanced in whole or in part through the issuance of the Notes, as set forth on Exhibit A hereto, and may approve additional projects to be so financed (all such projects being herein called the “Projects”); and

WHEREAS, in order to provide for the issuance of the Notes, it will be necessary for the Vice President for Finance and Operations and Treasurer and the Director of Investments and Financial Management (each an “Authorized Officer”) or either of them individually, to execute and deliver one or more Commercial Paper Issuance Certificates (collectively, the “Issuance Certificate”), one or more Commercial Paper Issuing and Paying Agent Agreements (collectively, the “Paying Agent Agreement”) with a bank or banks to be selected by an Authorized Officer, one or more Dealer Agreements (each a “Dealer Agreement”) with a dealer or dealers (collectively, the “Dealer”) to be designated by an Authorized Officer, and, if deemed

appropriate by an Authorized Officer, an agreement or agreements relating to a liquidity or credit/liquidity facility; and

WHEREAS, the Notes are to be limited and not general obligations of the Board, payable from and secured by a pledge of General Revenues (as shall be defined in the Issuance Certificate in a manner generally consistent with the definition thereof in the Trust Agreement pursuant to which the Board's General Revenue Bonds, Series 2007A and General Revenue Bonds, Series 2007B were issued) and additionally payable from moneys from time to time on deposit in the Note Payment Fund or Funds created pursuant to the Issuance Certificate and from Available Investments (as shall be defined in the Issuance Certificate); and

WHEREAS, it is necessary for the Board to delegate to each of the Authorized Officers the power to designate certain Authorized Representatives and Authorized Persons (each as shall be defined in the Issuance Certificate or Paying Agent Agreement) to undertake certain actions with respect to the issuance of Notes; and

WHEREAS, the Series A Notes are to finally mature on or before the date three years after the date of issuance of the first Series A Note hereunder, and the Series B Notes are to finally mature on or before the date ten years after the date of issuance of the first Series B Note hereunder, and in either case, are intended (to the extent not previously retired) to be replaced by permanent General Revenue financing on or prior to such final maturity dates; and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Board determines it is necessary and desirable to authorize the issuance of the Notes to provide funds to temporarily finance and refinance all or part of the costs of the Projects, to refund the Bonds to be Refunded, if any, and to pay certain costs incurred in connection with the issuance and sale of the Notes and the refunding; and

WHEREAS, in order to be able to market the Notes, it is necessary for the Board to authorize an Authorized Officer to prepare, execute and deliver, on behalf of the Board, one or more Offering Memoranda (collectively, and as supplemented from time to time, the "Offering Memorandum") to be circulated and used in connection with the marketing, sale and delivery of the Notes, and to take, together with other appropriate officers, agents and representatives of the Board or the University, additional actions necessary to accomplish the sale and delivery of the Notes, the administration of the commercial paper program of which the Notes are a part, and the purposes hereof, all within the limitations set forth herein; and

WHEREAS, the financing and refinancing of the Projects, and the refunding of the Bonds to be Refunded, will serve proper and appropriate public purposes; and

WHEREAS, the Board has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University's funds, to authorize and acquire the Projects, to refund any Bonds to be Refunded, to finance and refinance by the issuance of the Notes the costs of the Projects, the costs of the refunding and the costs related to the issuance of the Notes and the refunding, and to pledge the General Revenues of the

University for payment of the Notes and to covenant to pay the Notes from Available Investments.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF MICHIGAN STATE UNIVERSITY, AS FOLLOWS:

1. The Board hereby authorizes the issuance, execution and delivery of the Notes of the Board, in multiple issuances on various dates, to be designated BOARD OF TRUSTEES OF MICHIGAN STATE UNIVERSITY COMMERCIAL PAPER NOTES, SERIES A, and BOARD OF TRUSTEES OF MICHIGAN STATE UNIVERSITY COMMERCIAL PAPER NOTES, SERIES B (Taxable), with additional or alternative series designations, as shall be determined appropriate by an Authorized Officer, in the aggregate principal amount outstanding from time to time as shall be designated by either one of the Authorized Officers, but not in excess of \$200,000,000 outstanding from time to time, to be dated as of a date of issuance of each Note, or otherwise as shall be determined by an Authorized Officer, for the purpose of (a) financing and refinancing all or part of the costs of the Projects, (b) refunding the Bonds to be Refunded, if any, and (c) paying all or part of the costs incidental to the issuance of the Notes and the refunding. The Projects as a whole are hereby determined by the Board to constitute a single governmental purpose of the Board. The Notes shall not be subject to redemption prior to maturity. Each Note shall mature not later than 270 days after its date of issuance, as shall be determined as provided in the Issuance Certificate and Paying Agent Agreement, and all Series A Notes must mature on or before the date three years after the date of issuance of the first Series A Note hereunder and all Series B Notes must mature on or before the date ten years after the date of issuance of the first Series B Note hereunder. Interest on each Note shall be payable on the maturity date thereof, at the rate, not in excess of 10% per annum, in the case of the Series A Notes, and not in excess of 12% per annum, in the case of the Series B Notes, to be determined as specified in the Issuance Certificate and Paying Agent Agreement. The Notes shall be issued in fully registered form or registered to bearer in the denominations, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Issuance Certificate. The Notes shall be sold at par through the Dealer or Dealers selected by an Authorized Officer, as provided in the Dealer Agreement.

2. The Notes shall be limited and not general obligations of the Board payable from and equally and ratably secured by a lien on General Revenues on a parity basis with the lien securing the Board's outstanding General Revenue Bonds and other obligations, now or hereafter outstanding, secured by a parity lien on General Revenues, and from moneys from time to time on deposit in the Note Payment Fund or Funds created pursuant to the Issuance Certificate, as provided therein. The Notes shall also be payable from Available Investments, as defined and provided in the Issuance Certificate.

In support of its obligation to repay the Notes, the Board may, if deemed appropriate by an Authorized Officer, enter into one or more letters of credit, lines of credit, note purchase agreements or other liquidity or credit/liquidity facilities (collectively, the "Liquidity Facility"). Any reimbursement obligation (including interest) for draws under the Liquidity Facility shall be a limited and not general obligation of the Board, payable from General Revenues, and may be secured by a pledge of General Revenues. The Authorized Officers are, and either one of them

is, authorized to negotiate, execute and deliver, for and on behalf of the Board, such agreement or agreements (collectively, the "Liquidity Agreement") as an Authorized Officer may deem appropriate to acquire the Liquidity Facility and to provide for the repayment of draws thereunder, as provided herein.

No recourse shall be had for the payment of the principal amount of or interest on the Notes, or under the Liquidity Agreement, or any claim based thereon against the State of Michigan, or, except as provided in the Issuance Certificate and the Liquidity Agreement, the Board, or against any officer or agent of the Board or of the University, as individuals, either directly or indirectly, nor shall the Notes and interest with respect thereto or the obligations under the Liquidity Agreement become a lien on or be secured by any property, real, personal or mixed, of the State of Michigan, the Board or the University, other than the General Revenues and the moneys from time to time on deposit in the Note Payment Fund or Funds created by the Issuance Certificate and Available Investments.

3. The right is reserved to issue additional bonds, notes or other obligations payable from and secured by General Revenues on a parity basis with the Notes and other General Revenue Bonds and obligations as to the lien on General Revenues.

4. The Authorized Officers are, and either one of them is, hereby authorized and directed to select a bank or banks to be Issuing and Paying Agent, and one or more Dealers, and any one of the Authorized Officers is authorized and directed, in the name of the Board and as its corporate act and deed, to negotiate, execute and deliver the Issuance Certificate, the Paying Agent Agreement and one or more Dealer Agreements, consistent with the terms of this Resolution, as the Authorized Officer or Officers executing the same shall approve, which approval shall be conclusively evidenced by the execution of the respective documents.

5. The Authorized Officers are, and either one of them is, hereby authorized and directed to designate employees or agents of the University to act as Authorized Representatives with respect to the issuance of Notes, and to designate Authorized Persons, who may be employees or agents of the University or employees or agents of the Dealer, to take certain actions with respect to the issuance of Notes, all as provided in the Issuance Certificate, the Paying Agent Agreement, or any Dealer Agreement.

6. The President of the University or the Vice President for Finance and Operations and Treasurer are, and either one of them is, hereby authorized, empowered and directed, in the name and on behalf of the Board, and as its corporate act and deed, to execute the Notes by manual or facsimile signature and to deliver the Notes to the purchaser in exchange for the purchase price thereof, as provided in the Issuance Certificate and the Paying Agent Agreement. The Notes may be issued in the form of one or more Master Notes, as provided in the Paying Agent Agreement.

7. The Authorized Officers are, and either one of them is, hereby authorized to cause to be prepared and circulated the Offering Memorandum with respect to the Notes, and to update, or cause to be updated the Offering Memorandum, through supplements or otherwise, as an Authorized Officer shall deem appropriate, or as may be required by law. Any Dealer is

authorized to circulate and use, in accordance with applicable law, the Offering Memorandum, as the same may have been updated or supplemented from time to time, in the offering, sale and delivery of the Notes.

8. The Authorized Officers are, and either one of them is, hereby authorized to select the portions, if any, of the Board's outstanding bonds referred to in the preambles hereto as the "Bonds to be Refunded" and to provide for the call for redemption of such bonds, and to take any and all actions necessary and appropriate to provide for the payment when due of all amounts with respect to the Bonds to be Refunded from the proceeds of the Notes or other available funds of the University.

9. The President, the Vice President for Finance and Operations and Treasurer, the Director of Investments and Financial Management, the Secretary of the Board, the Vice President for Legal Affairs and General Counsel and any Deputy, Associate or Assistant General Counsel, and all other appropriate officers or representatives of the Board or the University are, and each one of them is, hereby authorized to perform all acts and deeds and to execute and deliver all instruments and documents for and on behalf of the Board or the University required by this Resolution or the documents authorized hereby, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Notes and the administration of the financing program represented by the Notes, from time to time, all as contemplated hereby or in connection with subsequent elections, approvals or determinations under the Issuance Certificate or other documents. Any reference to any specified officer of the Board or the University in this Resolution shall include any interim officer occupying such position.

10. All resolutions or parts of resolutions or other proceedings of the Board in conflict herewith shall be and the same are hereby repealed insofar as such conflict exists.

EXHIBIT A

PROJECTS

The Projects, as that term is used in the Resolution to which this Exhibit A is attached, include the following:

Category I

Project Description	Cost* (millions)
College of Human Medicine West Michigan Expansion	\$65.5
“Just-In-Time” and Enterprise Business System, relating generally to the new financial and payroll systems of the University	31.0
MSU Surplus Store and Recycling Center	13.3
Cyclotron Low Energy Experimental Research and Office Additions	13.0
Wharton Center for Performing Arts Alterations and Expansion	3.8
Mary Mayo Hall renovations, remodeling, furnishing and equipping	2.4

*Current estimated approximate cost to be funded from Note proceeds (exclusive of issuance expense)

Category II

All projects heretofore or hereafter approved by the Board with an identified total or partial funding source as the proceeds of bonds, the Notes or other debt obligations issued by the Board.

Category III

Miscellaneous building, renovation, remodeling, site improvement, equipment, utility, information system and similar capital projects of the University, each with an estimated cost of \$5,000,000 or less, including but not limited to, roof repairs and replacements; electrical, mechanical, chiller, refrigeration and steam system renovations, repairs, replacements and improvements; heating, cooling and air conditioning system renovations, repairs, replacements and improvements; structural repairs and improvements; utility distribution repairs and improvements; road and sidewalk repairs and improvements; building and building addition construction, renovation, furnishing and equipping; information and computing system acquisitions and improvements (including wiring and cabling); elevator repairs and improvements; miscellaneous landscaping and site work; and miscellaneous equipment acquisitions.

MICHIGAN STATE
UNIVERSITY

MEMORANDUM

June 13, 2008

TO: Board of Trustees Finance Committee

FROM: Kim Wilcox
Fred Poston

SUBJECT: 2008-09 Budget Development and Implementation

RECOMMENDATION:

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees adoption of the Guidelines for Development of the 2008-09 Budgets (Budget Guidelines), which include significant revenue and expenditure variables and tuition and fee rates.

In accordance with these Budget Guidelines, the administration is directed to develop and implement the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension, and Intercollegiate Athletics budgets.

BACKGROUND:

Attachment A summarizes revenues and expenditures for the 2008-09 General Fund budget. Attachment B contains student tuition and fee information. Attachment C is the summary of all proposed 2008-09 budgets.

The 2008-09 budget is designed to preserve and, where possible, build on MSU's strength and stature as one of the top 100 research universities in the world. Michigan State University continues to support the state and its people, enhancing economic competitiveness and quality of life. MSU's reach crosses international boundaries to share the best of Michigan with the world, and brings the best of the world to Michigan.

As our society and economy become increasingly global in character, access to a globally competitive education plays an ever more important role, both in each individual's potential for success and in collectively contributing to the State's economic vitality.



OFFICE OF THE
PROVOST

OFFICE OF THE
**VICE PRESIDENT
FOR FINANCE
AND OPERATIONS
AND TREASURER**

Action on the budget to preserve current accomplishments and realize the *Boldness by Design* vision is occurring during a period of economic uncertainty. In order to protect MSU's value to the state, a reasonable level of financial stability is required. The major sources of revenue to the University each fiscal year are the base main campus operating appropriation from the state and tuition and fees paid by students.

In the event anticipated state support is reduced, deferred, delayed, or withheld, contingent tuition and fee authority is provided to the President under paragraph 15 of the Budget Guidelines and Attachment B1 to protect the quality of MSU programs and simultaneously maintain student access in the event of a state revenue shortfall. The President will report to the Board, at a meeting prior to its implementation, any tuition and fee rate adjustment and any tuition and fee surcharge authorized by these Budget Guidelines.

In accordance with these Budget Guidelines, the proposed budgets for the General Fund, Michigan Agricultural Experiment Station, MSU Extension, and Intercollegiate Athletics will be developed and implemented.

Attachments

- c: Board of Trustees Policy Committee
President Lou Anna Kimsey Simon
William Beekman, Secretary to the Board

GUIDELINES FOR THE DEVELOPMENT OF 2008-09 BUDGETS

These guidelines identify projected 2008-09 revenues and expenditures, including appropriations, tuition and fee revenues, financial aid, utility requirements, compensation parameters for faculty and other employee groups, continuation of the program efficiency and reinvestment fund, and a \$3.5 million budget reduction.

Overview

The investment our students, their families and the state make in an MSU education today will continue to pay dividends in the years ahead. By sustaining and enhancing MSU's internationally acclaimed educational programs today for our students, we also serve as a catalyst for their and Michigan's economic prosperity in the future.

Board action authorizes the administration to develop and implement 2008-09 budgets in accordance with the following guidelines:

Revenues

1. Estimated appropriations support is budgeted at 3.0 percent.
2. The general fund operating budget for 2008-09 will be developed based on revenue estimates of \$940.0 million. This amount includes \$298.8 million in appropriations; \$542.1 million in tuition and fees; and \$84.8 million in other revenues, which is composed primarily of investment income and indirect cost recovery as well as other small institutional sources, but which also reflects a reduction of \$2.0 million due to the state's termination of the Michigan Students First Program. Additionally, there are pass-through allocations of \$12.1 million in revenue-based initiatives and \$4.2 million in framework revenue.
3. Tuition rates for resident undergraduates will increase by approximately 6.8 percent reflecting the following:

Faculty Recruitment & Retention 0.30%
Computing/Development 0.50%
Utilities 0.50%
Financial Aid 0.50%
Appropriations Backfill 1.00%
Baseline Adjustment 4.00%
* 4% adjustment based upon the HEPI average for the past five years

Over the past decade, MSU has made a series of internal budget reductions totaling approximately \$70 million and has effected further reallocations of \$44 million to make programs more responsive to students' needs and the requirements of the emerging knowledge economy.

To simplify the tuition and fee structure and improve the transparency of rate structures for students, energy and matriculation fees will be incorporated into a per credit hour structure phased in over three years starting with 2008-09. Rates are calculated from a restructured base which takes into account student credit loads and reporting requirements.

Value to our students results from world-class programs and access supported by financial aid, built on an effective history of and continuing commitment to cost containment. As technological and scientific advances continue at an ever-accelerating rate, MSU must continue to improve undergraduate and graduate education, hiring cutting-edge faculty and providing the necessary technology and infrastructure to assure that students are able both to participate in and lead development of the new knowledge-based economy.

Expenditures

4. Major expenditure increases will include funding for student financial aid; utilities and new space; employee compensation; supplies, services, and equipment increments; a \$3.5 million base budget reduction; and continuation of the 1 percent program efficiency and reinvestment fund. Specific expenditure recommendations are:
 - a. Regular student financial aid increases of \$7.2 million, or approximately 11.6 percent, inclusive of \$1.0 million for the third cohort of the Spartan Advantage, a program for new resident undergraduate students entering Fall 2002 and later whose resources are below the poverty level.
 - b. New utility and facility-related funding increases total \$6.3 million, including approximately \$6.1 million of adjustments due to a 17.6 percent increase in continuing utility costs; and \$0.2 million of new space requirements.
 - c. Employee compensation adjustments of approximately \$28.2 million, including \$6.4 million for benefits expenses and \$5.8 million to annualize the 2007-08 salary increments.
 - i. Faculty and academic staff salary adjustments will be determined based on merit. The general components of the raise are noted below; more specific information is included in the annual faculty and academic staff raise guidelines developed by the Office of the Provost.

Salary adjustments for faculty at 3.0 percent and academic staff at 3.0 percent are to be based on merit. Additionally, a faculty competitive position fund totaling \$2.3 million (plus benefits) is available to help faculty salaries remain competitive in the Big Ten. This fund is to be administered at the college level. As in past years, an additional 0.5 percent is recommended for market adjustments administered centrally and targeted for ranked faculty but open to all faculty and academic staff. All raises will be effective October 1, 2008.

- ii. Stipend ranges for those graduate assistants holding research or administrative appointments will increase by 3.0 percent. Stipend increases for individual assistants will be determined by the employing units. The tuition waiver and graduate assistant health care costs are updated to recognize planned increases, for an overall adjustment of approximately 3.2 percent. Compensation adjustments, including stipends, health care and graduate assistant tuition waiver, for assistants holding teaching appointments are determined through collective bargaining.
 - iii. Existing minima and maxima for student labor pay ranges will be increased by 3.0 percent. Similarly, returning student employees will receive a 3.0 percent increase. This increase is sufficient to address the mandated increase to the minimum wage that will take effect October 1, 2008, and reflects the importance that MSU has always placed on work as a component of institutional financial aid packaging.
 - iv. Rates for undergraduate and professorial assistants will be increased in parallel with student labor adjustments.
 - v. Salary and wage adjustments for most other employee groups are subject to collective bargaining agreements.
- d. An increment for supplies, services, and equipment of \$1.6 million, an increase of approximately 2.0 percent. Unit allocations can be differential, based upon identified programmatic need.
 - e. Funding for development programs is included at \$1.0 million and related public relations at \$0.3 million. This allocation allows development efforts to continue at the current level.

- f. An increment for other budgetary adjustments of \$1.7 million, which includes funding for debt service and other general university purposes.
 - g. Continuation of the 1-percent program efficiency and reinvestment fund. Reinvestments will address normal year-to-year programmatic adjustments. Over the past ten years, internal reallocations totaling approximately \$44 million have been implemented across campus.
 - h. Continuation of the \$10.4 million Technology/Teaching and Learning Fund. As in previous years, allocations from this fund will be made on a nonrecurring basis.
- 5. Expenditures for new revenue-based initiatives of \$12.1 million include the following:
 - a. Academic program and degrees offered by MSU Dubai, \$6.2 million;
 - b. Special academic programs, including Broad College of Business graduate programs, \$1.0 million;
 - c. Human Medicine in Western Michigan, \$1.4 million;
 - d. Osteopathic Medicine, \$0.9 million;
 - e. Virtual, Off-Campus, and other programs, \$1.7 million; and
 - f. Residential College in Arts & Humanities, \$1.0 million.
- 6. Continuation of the framework increments of \$4.2 million is budgeted, derived from the fourth year of the new student fee differential initiated in Fall 2005.
- 7. Critical space at \$2.2 million represents half of the base increment required to pay bonds totaling between \$65 million and \$70 million to fund critical space needs. This amount is sufficient to pay projected 2008-09 debt service. An additional \$2.2 million will be proposed for the 2009-10 budget to fully fund this initiative. Continuation of annual increments for five additional years is anticipated to fully fund currently identified facility needs.
- 8. MSU framework funding is included at \$2.5 million for administrative computing requirements, the second year of a four-year commitment.
- 9. Base budget reductions totaling \$3.5 million will be applied to all major administrative units according to their reducible bases due to escalating utility costs.
- 10. As in previous budgets, projected 2008-09 revenues are augmented by \$2.5 million from funds appropriated in the 2007-08 budget.

11. Overall expenditures will increase by approximately 4 percent for baseline increments; 0.3 percent to address compensation; 0.3 percent for critical space; 0.6 percent for energy costs; 0.5 percent for instructional quality allocations; 0.5 percent for financial aid; and 1.1 percent for pass-through and other allocations, including revenue-based initiatives.
12. General Fund expenditures over the 2008-09 fiscal year will be based on the budget, and upon completion of the current year, resources carried forward for subsequent expenditure. Carry forward amounts will be noted in the 2008-09 financial statements.
13. The 0.5 percent tax on auxiliary income derived from off-campus sources initiated in 2007-08 increases, in accordance with the original plan, to 1.0 percent in 2008-09. These funds are committed to continue development of the financial information system.

General

14. Other university budgets, including those for the Michigan Agricultural Experiment Station, the Michigan State University Extension Service, and the Department of Intercollegiate Athletics, have been developed within available resources and in accordance with university-wide guidelines for compensation adjustments as outlined above.
15. Realized gains from maturing previously established endowment trusts will be allocated to fund just-in-time infrastructure requirements and costs for the new financial information system on a continuing basis. Expenditures will be reported annually as part of the financial statements. Other sources of funds for these expenses include the 1.0 percent tax noted in paragraph 13 and debt financing.
16. In the event anticipated State support is reduced, deferred, delayed, or withheld, contingent tuition and fee authority is provided to the President under Attachment B1 to protect the quality of MSU programs and simultaneously maintain student access in the event of a state revenue shortfall. The President will report to the Board, at a meeting prior to its implementation, any tuition and fee rate adjustment and any tuition and fee surcharge authorized by these Budget Guidelines.
17. Attachment C contains the summary of proposed budgets for the General Fund, Michigan Agricultural Experiment Station, Michigan State University Extension, and Intercollegiate Athletics.

**Michigan State University
2008-09 Budget Guidelines**

Attachment A

	<u>2007-08 Budget</u>	<u>2008-09 Proposed Budget</u>
Revenues		
<hr/>		
Beginning Base	\$876.0	\$876.0
State Appropriations		8.7
Student Tuition and Fees		38.5
Other Investment Income		2.5
FFLEP Income Reduction		(2.0)
Estimated Revenues		\$923.7
Framework Revenue		4.2
Revenue Based Initiatives		12.1
Total Est. Revenues		<u>\$940.0</u>
Expenditures		
<hr/>		
Beginning Base	\$876.0	\$876.0
Financial Aid		7.2
Salary/Compensation		28.2
Utilities/New Space		6.3
Supplies/Services		1.6
Other Operating		1.7
Development/Public Relations		1.3
Critical Space		2.2
Administrative Computing		2.5
Base Budget Reduction		(3.5)
Estimated Expenditures		\$923.5
Instructional Quality		4.2
Revenue Based Initiatives		12.1
Total Est. Expenditures		<u>\$940.0</u>

MICHIGAN STATE UNIVERSITY
2008-09 Proposed Tuition and Fee Schedule

Rate Structure	Resident		Nonresident	
	Per Semester	Per Credit	Per Semester	Per Credit
Undergraduates				
Admitted Fall 2005 and After Lower Division		\$311.00		\$826.25
Continuing Lower Division		\$286.75		\$802.00
Admitted Fall 2005 and After Upper Division		\$342.75		\$853.75
Continuing Upper Division		\$318.25		\$829.25
Masters		\$434.00		\$892.75
Doctoral		\$434.00		\$892.75
Lifelong Education		\$434.00		\$568.00
Special Block Fees				
Broad MBA	\$10,219		\$14,576	
Human and Osteopathic Medicine	\$10,136		\$21,874	
Extended Medical Curriculum	\$6,946		\$14,775	
Medical Scientist Training Program	\$7,057		\$14,835	
College of Veterinary Medicine (CVM-8)	\$10,238		\$21,272	
CVM Clinical Year - Fall & Spring	\$9,052		\$18,938	
CVM Clinical Year - Summer	\$6,415		\$12,636	
Medical Scientist Training Program	\$6,653		\$13,519	
Fees per Semester				
	Full-time	Part-time		
Matriculation and Energy Fee	\$442.00	\$312.00		

NOTES:

- Beginning Fall 2005, all entering undergraduate students were assessed a per-credit fee in addition to the regular rate. These students and all subsequent newly admitted undergraduate students will be assessed the "Admitted Fall 2005 and After" undergraduate rate. The "Continuing" rate will be discontinued at the end of Summer Semester 2010.
- Special programmatic fees will be assessed to undergraduate juniors and seniors as follows: \$100 per semester (\$50 part-time) for students in science and technology intensive majors; \$100 per semester (\$50 part-time) for students in health sciences majors; and \$200 per semester (\$100.00 part-time for students in the Broad College of Business).
- All students will be assessed a Matriculation and Energy fee of \$442 per semester (\$312 part-time).
- Student tuition and fees include university support for student health services.
- Part-time students are defined as those enrolling for four credits or less per semester.
- Per semester fees include the matriculation, information/technology, infrastructure/technology, and energy fees.
- The Engineering Program fee is established at \$461 for full-time status (\$281 part-time except \$0 for summer) and applies to upper division and graduate level Engineering students.
- Block fee for Teacher Certification Internship year is \$5,070 for resident students and \$9,826 for nonresident students. This rate includes the matriculation, infrastructure/technology and energy fees.
- Tuition and fees for special programs and courses will be determined administratively, based on programmatic considerations.
- A registration fee of \$25 per semester will be assessed on all international students except those enrolling in Graduate Studies in Education Overseas.
- College of Education Masters, Doctoral, and Educational Specialist students will be assessed a special fee of \$33 per credit hour in addition to general tuition and fees applicable to all graduate students.
- Matriculation and Energy Fee are included in the Special Block Fees

CONTINGENT TUITION AND FEE AUTHORITY 2008-09

Exhibit B1

In adopting the Guidelines for Development of the 2008-09 Budgets (Budget Guidelines), it is the expectation of the Board that MSU's 2008-09 base main campus operating appropriation from the State will be \$298.8 million and that the State will not defer, delay, or withhold any payments due to the University as part of its 2008-09 base main campus operating appropriation from the State. The tuition and fee rates in the Budget Guidelines are established by the Board in reliance on the timely payment of the anticipated amounts from the State.

In the event the University's 2008-09 base main campus operating appropriation from the State is less than \$298.8 million, the President is authorized to raise tuition and fees by a rate up to that sufficient to offset, on an annualized basis, the loss of expected State support and to provide the additional financial aid which students will need because of this tuition and fee increase. Alternatively, if the University's 2008-09 base main campus appropriation from the State is more than \$298.8 million, the President is authorized to reduce tuition and fees by a rate that will reflect, on an annualized basis, the additional support received from the State.

Further, in the event that the State defers, delays, or withholds any part of any regularly scheduled 2008-09 base main campus appropriation payment to the University, or the State takes any other action that reduces or postpones, on a nonrecurring basis, or changes the traditional schedule for, the payment to the University of any part of its 2008-09 base main campus operating appropriation, the President is authorized to implement a tuition and fee surcharge to generate additional revenues up to the amount needed to make the University whole for the financial impact of the lost or delayed payments. Any such surcharge shall be for a specific period of time and shall be discontinued once the University has been made whole for the impact of the lost or delayed payments. Any such surcharge may be calculated to occur over a period of up to three years to moderate the impact of the surcharge on students during any one semester or academic year.

The President will report to the Board, at a meeting prior to its implementation, any tuition and fee rate adjustment and any tuition and fee surcharge authorized by the Budget Guidelines. It is the Board's expectation that any such tuition and fee rate adjustment and any such tuition and fee surcharge will be implemented promptly after the need for such an adjustment or surcharge becomes clear, generally in the next semester for which bills reflecting the adjustment or surcharge can then be issued. No tuition and fee adjustment or surcharge shall be implemented retrospectively for any semester for which bills have already been issued.

CONTINGENT TUITION AND FEE AUTHORITY 2008-09

Exhibit B1

CONTINUED

The Board notes that the contingent tuition and fee authority provided to the President under the Budget Guidelines is intended to protect the quality of MSU programs and maintain student access through appropriate financial aid in the event of a revenue short-fall from the State. It is also, and primarily, to preserve the integrity of the budget established by the Board, in recognition that the two primary sources of revenue for the University are tuition and fees paid by students and the annual base main campus operating appropriation from the State, and that they are interdependent. As in past years, cost containment measures and measures designed to optimize revenues from sources other than the State and tuition have been built into the Budget Guidelines. Therefore, the potential for mid-fiscal year cuts by the State in the resources it provides to the University necessitate granting the President authority to respond by generating sufficient additional tuition and fee revenues to protect the University's long-term financial health and its high standing in the academy, for the benefit of its students, alumni, faculty, staff, and other members of the University community.

MICHIGAN STATE UNIVERSITY
2008-09 BUDGETS
Overview

ESTIMATED REVENUES	State Appropriation	Federal Funds	University Funds	Other	Restricted	2008-09 Total	2007-08 Total
University General Fund	\$298,800,000		\$641,200,000			\$940,000,000	\$876,000,000
Michigan Agricultural Experiment Station	35,016,086	5,076,503			5,452,037	\$45,544,626	46,222,845
MSU Extension	30,201,969	10,529,714		5,629,501	4,774,978	\$51,136,162	50,922,504
Intercollegiate Athletics				73,133,400		\$73,500,000	73,133,400
Total Estimated Revenues	\$364,018,055	\$15,606,217	\$641,200,000	\$78,762,901	\$10,227,015	\$1,110,180,788	\$1,046,278,749

ESTIMATED EXPENDITURES	2008-09 Total	2007-08 Total
University General Fund	\$940,000,000	\$876,000,000
Michigan Agricultural Experiment Station	45,544,626	46,222,845
MSU Extension	51,136,162	50,922,504
Intercollegiate Athletics	73,500,000	73,133,400
Total Estimated Expenditures	\$1,110,180,788	\$1,046,278,749
		\$63,902,039

NOTE: Exclusive of FY08 carry forward funds.

Diversity and Inclusion Annual Report



FIRST TIME FALL ENROLLMENT

MSU saw a slight decline in 2007 minority undergraduate admissions for freshman and graduate students compared to 2006. Admissions for undergraduate minority transfer students increased during the same period. The total first time fall enrollment of minority freshman for fall 2007 was 1,227, a decrease of 106 compared to 2006. Minority freshman composed 16.8% of the freshman class. Total enrollment of minority undergraduate transfer students for fall 2007 was 146, a normal fluctuation of 21 less than 2006. Total enrollment of minority graduate students for fall 2007 was 180 compared to 197 for fall 2006.

First Time Fall Enrollment	Freshman		Transfer		Graduate	
	Fall 2007	Fall 2006	Fall 2007	Fall 2006	Fall 2007	Fall 2006
Black/African American	605	630	54	45	82	98
Asian/Pacific Islander	345	431	48	53	53	49
Hispanic/Latino	227	223	30	55	42	42
American Indian / Alaskan Native	50	46	14	14	3	8
Total Minority	1,227	1,330	146	167	180	197
Caucasian	5,584	5,525	1,100	1,166	957	921
Other/No Response	140	92	30	22	56	29
Domestic Total	6,951	6,947	1,276	1,188	1,193	1,147
International	367	258	130	121	441	503
University Total	7,318	7,205	1,406	1,476	1,634	1,650
Men	2,438	3,116	561	730	411	746
Women	3,146	4,089	539	746	546	904

ENROLLMENT

There was a slight decline in total minority student enrollments in fall 2007 and an even smaller decline in enrollment of women as compared to one year ago. Minority students represented 17.6 percent of the domestic student enrollment in fall 2007, and 54.0 percent of total students enrolled were women. International students represented 8.4 percent of total student enrollments.

Total Enrollment	Fall 2007		Fall 2006	
	Number	Percent	Number	Percent
Black/African American	3,408	8.1	3,523	8.4
Asian/Pacific Islander	2,368	5.6	2,388	5.7
Hispanic/Latino	1,309	3.1	1,360	3.2
American Indian / Alaskan Native	329	0.8	310	0.7
Total Minority	7,414	17.6	7,581	18.1
Caucasian & Other	34,762	82.4	34,412	81.9
Domestic Total	42,176	100.0	41,993	100.0
International	3,869		3,527	
University Total	46,045		45,520	
Men	21,189	46.0	20,695	45.5
Women	24,856	54.0	24,825	54.5

Undergraduate Enrollment	Fall 2007		Fall 2006	
	Number	Percent	Number	Percent
Black/African American	2,899	8.4	2,994	8.7
Asian/Pacific Islander	1,858	5.4	1,934	5.6
Hispanic/Latino	1,038	3.0	1,059	3.1
American Indian / Alaskan Native	256	0.7	255	0.7
Total Minority	6,051	17.5	6,242	18.1
Caucasian & Other	28,392	82.4	28,246	81.9
Domestic Total	34,443	100.0	34,488	100.0
International	1,629		1,333	
University Total	36,072		35,821	
Men	16,867	46.8	16,604	46.4
Women	19,205	53.2	19,217	53.6

Graduate Enrollment	Fall 2007		Fall 2006	
	Number	Percent	Number	Percent
Black/African American	509	6.6	529	7.0
Asian/Pacific Islander	510	6.6	454	6.0
Hispanic/Latino	271	3.5	301	4.0
American Indian / Alaskan Native	73	0.9	55	0.7
Total Minority	1,363	17.6	1,339	17.8
Caucasian & Other	6,370	82.4	6,166	82.2
Domestic Total	7,733	100.0	7,505	100.0
International	2,240		2,194	
University Total	9,973		9,699	
Men	4,322	43.3	4,138	42.7
Women	5,651	56.7	5,561	57.3

RETENTION AND GRADUATION

The first year persistence rates for undergraduate students overall and for students of color for the cohort of 2006 showed slight increases over the prior year (**90.9%** up from 89.9% overall; and **87.0%** up from 86.0% for students of color). Individually, American Indians and African Americans showed increases while the other student of color groups showed some slight declines over the prior year. The rate for Caucasians also showed a slight increase.

The six year graduation rates for undergraduate students overall (cohort of 2001) showed a very slight increase from the prior year (74.1% compared to 73.9%), while for students of color, as a group; there was an increase (from 59.9% to 61.8%). The 74.1% overall graduation rate represents an all time high for the last 10 years. The **61.8%** graduation rate for students of color as a group also represents an all time high for the last 10 years and is the first time over that period that the rate exceeded 60%. Individually, Asian Pacific Islanders, African Americans and Chicanos showed increases while American Indians and Hispanics showed some declines over the prior year. The rate for Caucasians showed a slight decrease.

EQUAL EMPLOYMENT OPPORTUNITY POLICIES AND PRACTICES

The U.S. Department of Labor's Office of Federal Contract Compliance Programs conducted a review of the university's equal employment opportunity policies and practices and determined not to proceed further with the compliance evaluation. On November 7, 2006, amendments to the State's Constitution (Proposal 2) were passed banning discrimination and the granting of preferential treatment based on race, ethnicity, gender, color and national origin. MSU completed a comprehensive assessment of its policies and programs to assure compliance with the changes in the State's Constitution.

ACADEMIC HUMAN RESOURCES

As in previous years, university academic units made diligent efforts to recruit, hire and retain a diverse workforce. From October 2006 to October 2007, the total academic workforce increased by 146 individuals, with a net increase of 98 women and 78 minorities. The academic workforce includes 106 self-identified individuals with disabilities, including 55 tenure system faculty, 21 continuing academic staff, 13 fixed term academic staff and 17 fixed term faculty.

During 2006-07, 114 new individuals were appointed in the tenure system, including 32 minorities (28.1%) and 36 women (31.6%). Overall, the number of tenure system faculty increased from 1,961 to 1,975, with a net gain of three women and 12 minorities.

The retention of minority and women tenure system faculty continues to need special attention by the University given the relatively limited opportunity to hire and the experience over the past several years in which gains in recruitment have been offset by a higher rate of resignation for women and minorities than for majority men. For 2006-07, the proportion of both women and minorities who resigned was higher than their overall representation in the tenure system.

Academic Workforce	Fall 2007		Fall 2006	
	Number	Percent	Number	Percent
Black/African American	298	6.0	284	5.9
Asian/Pacific Islander	612	12.4	547	11.4
Hispanic/Latino	140	2.8	141	2.9
American Indian / Alaskan Native	31	0.6	31	0.6
Total Minority	1,081	21.9	1,003	21.0
Caucasian	3,850	78.1	3,782	79.0
Total	4,931		4,785	
Men	2,796	56.7	2,748	57.4
Women	2,135	43.3	2,037	42.6

Tenure System Faculty	Fall 2007		Fall 2006	
	Number	Percent	Number	Percent
Black/African American	99	5.0	105	5.4
Asian/Pacific Islander	214	10.8	197	10.0
Hispanic/Latino	56	2.8	56	2.9
American Indian / Alaskan Native	17	0.9	16	0.8
Total Minority	386	19.5	374	19.1
Caucasian	1,589	80.5	1,587	80.9
Total	1,975		1,961	
Men	1,356	68.7	1,345	68.6
Women	619	31.3	616	31.4

SUPPORT HUMAN RESOURCES

During 2006-07 the university experienced an increase in support staff as a whole, with a corresponding increase in women and minority employees. Regular new hires increased by 46 (8.2%). The support staff workforce included 124 self-identified employees with a disability.

Support Workforce	Fall 2007		Fall 2006	
	Number	Percent	Number	Percent
Black/African American	436	7.3	437	7.4
Asian/Pacific Islander	140	2.3	128	2.2
Hispanic/Latino	315	5.2	308	5.2
American Indian / Alaskan Native	41	0.7	43	0.7
Total Minority	932	15.5	916	15.5
Caucasian	4,978	82.8	4,978	82.8
Total	6,011		5,894	
Men	2,121	35.3	2,049	34.8
Women	3,890	64.7	3,845	65.2

DIVERSITY AND INCLUSION INITIATIVES DURING 2006-07

The following 2006-07 information highlights a small sample of activities engaged in throughout the university community that supports diversity and inclusion at MSU. The activities are organized using the five strategic imperatives identified in the *Boldness by Design* initiative.

Enhance the student experience by continually improving the quality of academic programs and the value of an MSU degree for undergraduate and graduate students.

Eli Broad College of Business implemented the *Cultural Intelligence Project* to train Aides from the Office of Cultural and Academic Transitions to assist undergraduate students adjust socially and academically to MSU.

The College of Education developed, collaborated on and implemented a significant range of initiatives. Several are highlighted below:

- *Educating Culturally Responsive Teachers for Diverse Learners*, a project designed by faculty and graduate students in the Department of Teacher Education to study and increase an understanding of the effects of integrated diversity issues in teacher preparation courses.

Collaborations with 1) GLBT Safe Schools Group, *The Good, the Bad, and the Ugly: GLBTQ Literature for Young Adults* and 2) Partnership to Prepare Global & International Educators, *Teaching About Immigrants and Refugees: The Global and the Local*.

The Broad Partnership between MSU College of Education and Detroit Public Schools (DPS) offered three distinct program opportunities:

- *Broad Summer High School Scholars Program*—pre-college preparation for 11th and 12th grade students
- *Broad Future Teacher Scholarship Recipients*—loan-forgiveness program for DPS graduates who pursue a bachelor's degree and teacher certification at MSU
- *Broad Summer Teaching Fellows*—summer fellowship opportunity available to junior and senior standing teacher candidates and sophomore and junior standing students in relevant majors at MSU.

- Future Teachers for Social Justice aims to increase academic readiness and commitment of Detroit Public School students to pursue a career in teaching in urban schools. Specific program activities include research and advocacy workshop, parental outreach, mentoring and sustained support for high school senior.
- *Confucius Institute of MSU* offered online Chinese courses for high school and middle school students, and develops Chinese language and culture appreciation materials for middle and elementary school students.
- **Urban Education Cohort Program (UECP)** was launched in fall 2006 for students that intend to become urban educators at the elementary and secondary education levels, to enhance their understanding of issues related to social class, diversity, and economic conditions in urban settings.

The **College of Engineering** collaborated with the **Resource Center for Persons with Disabilities** through the senior capstone course for students majoring in Electrical and Computer Engineering, providing them the opportunity to gain insight and develop skills in project design as engineers through interactive learning and experience with people who have disabilities.

The **College of Osteopathic Medicine** implemented the following sample of diversity and inclusion initiatives:

- Web-based tool to prepare osteopathic students to provide culturally sensitive healthcare for Muslim patients.
- An elective course, "Multicultural Medical Skills and Health Disparities"

The **Office of Supportive Services** continued to enable students who lacked opportunities to prepare for a college education and to develop skills for success.

University Services partnered with the **Eli Broad Department of Marketing and Supply Chain Management** to provide students with internship opportunities, work experience, and class tours of operations.

Campus Planning and Administration and Facilities Planning and Space Management with the support of the **Resource Center for Persons with Disabilities** enhanced exterior way-finding to direct persons with mobility impairments to power assisted doors located at campus facilities.

Enrich community, economic and family life through research, outreach, engagement, entrepreneurship, innovation and diversity.

The **College of Agricultural and Natural Resources**, collaborated with the **Colleges of Natural Science, Arts and Letters, Education, Engineering, Communication Arts and Sciences, Social Science, Honors College and MSU Extension**, with support from the **MSU Alumni Association and School of Packaging Alumni Association**, to sponsor "*Grandparents University*", a summer camp for grandparents and grandchildren to engage in a variety of academic activities while providing an intergenerational learning experience.

The **Department of Crop and Soil Science in the College of Natural Science** collaborated with the Northwest Detroit Neighborhood Development, Inc., MSU Extension, Greening of Detroit, and *Project GREEN* to establish community garden plots and urban farming sites in the Brightmoor area of Detroit.

The **MSU College of Nursing** collaborated with the **Chief Nurse Executive, Lansing Community College** and the **Michigan Center for Nursing** to host a statewide *Nursing Diversity Summit* to identify issues and develop strategies to increase recruitment and improve retention of a diverse student population in Michigan's nursing education programs.

The **College of Social Science** engaged in the following notable diversity efforts:

- Conducted aggressive recruitment efforts to increase the diversity among students studying abroad, encouraging program participation in Africa and Asia and witnessed a record number of students applying to study in numerous locations beyond European programs.

- Collaborated with the Gender in Global Context Center (GenCen) to form linkages to the college's diverse faculty engaged in gender research.

Student Affairs and Services continued to engage in a variety of efforts that enhanced and supported diversity and inclusion:

- **MSU High School Equivalency Program (HEP)** students participated in a volunteer program at local homeless shelters, soup kitchens, and nursing homes; **MSU College Assistance Migrant Program (CAMP)** recruits eligible migrant students from Michigan, Texas, and Florida by developing partnerships with various service agencies and high schools. The MSU CAMP students included Mexican-American, Haitian and Native American populations.
- The Lesbian, Bisexual, Gay and Transgender (LBGT) Resource Center collaborated with executive offices and the Academic Council which led to the Board of Trustees approval to add gender identity to the MSU Anti-Discrimination Policy.

Intercollegiate Athletics through the Todd Martin Development Fund and its "First Tee" program provided opportunities to Lansing youth to learn about and develop skills in tennis and golf to expand their knowledge about these sports and to serve as healthy alternatives.

Expand international reach through academic, research, and economic develop initiatives and global, national, and local strategic alliances.

The Eli Broad College of Business MSU Center for International Business Education and Research (MSU-CIBER), MSU African Studies and the University of Memphis CIBER collaborated to raise awareness of the importance of international and interdisciplinary business education at Historical Black Colleges and Universities through a project entitled, "Globalizing Business Schools Program."

International Studies and Programs continued to apply "Creating Inclusive Excellence" Grant funding to implement and collaborate on a variety of program initiatives:

- **Crossing Borders, Bridging Gaps: The Asian Pacific American Experience Across Countries, Communities and Families**— was designed to provide greater recognition of the racial, ethnic and other issues faced by Asian Pacific Americans and foster greater understanding of this multifaceted group.
- Collaboration with the **Resource Center for Persons with Disabilities** toward greater integration of persons with disabilities into study abroad programs. A new study abroad program, "Disability In A Diverse Society" was operated in Dublin, Ireland during summer session 2007.
- **The Asian Studies Center, Center for Latin American and Caribbean Studies and Women and International Development** received a joint grant to sponsor: "Exploring Asia's Cultural Diversity," "The Multicultural and Economic Ties that Link the Americas: New Opportunities and Understandings," and "Job Skill Building, the Chilly Climate, and Glass Ceilings: Workshops Connecting International and U.S. Women."
- **Intercollegiate Athletics** collaborated with the Nike Corporation to review working conditions in Vietnam and Hong Kong, China; and established a Study Abroad partnership in Australia for student-athletes.

As part of the **Moscow Humanities University, Department of Intercultural Community, and the State of Michigan** through a nonprofit organization (CMP, Inc.) that facilitates intercultural educational exchanges between Michigan and Eastern Europe, Russian students visited the **Office of Cultural and Academic Transitions** and members of the **Council on Racial/Ethnic Students** to engage in cultural conversations and diversity education.

The President's Advisory Committee for Disability Issues and Study Abroad collaborated to offer several workshops for academic advisors on disabilities and Study Abroad.

Increase research opportunities by significantly expanding research funding and involvement of graduate and undergraduate students in research and scholarship.

The College of Agriculture and Natural Resources – The Institute of Agricultural Technology, in conjunction with three Michigan high schools and the Michigan Turfgrass Foundation developed an integrated curriculum that utilized turfgrass science to teach

higher level math and science in a mixture of urban, suburban and rural schools: Golightly Career and Technical Center-Agriscience Program in Detroit; Ross Beatty High School in Cassopolis and Roosevelt High School in Wyandotte.

The **Graduate School** demonstrated support of diversity and inclusion by engaging in the following sample of activities:

- Collaborated with the **MSU Center for the Integration of Research Teaching and Learning** to sponsor **FAST Fellows** to provide opportunities for a diverse group of graduate students to have mentored teaching experiences.
- The NSF-funded Alliances for Graduate Education and the Professoriate (AGEP): 1) developed and implemented innovative models for recruiting, mentoring, and retaining a diverse population of students in STEM and SBE doctoral programs, and 2) developed effective strategies to identify and support students from diverse racial and cultural backgrounds that want to pursue academic careers. A Michigan AGEP Alliance, consisting of four public research universities in the state was formed to achieve AGEP goals and objectives.
- The Graduate School continued to provide support of the McNair/Summer Research Opportunities Program (SROP) Scholars Program. The major activity of SROP was a research experience with students working one-on-one with faculty mentors.

The **Research Experience for Undergraduates (REU)** program in the **National Superconducting Cyclotron Laboratory** engaged in innovative recruitment efforts that led to increased diversity among graduate student participants.

Strengthen stewardship by appreciating and nurturing the University's financial assets, campus infrastructure, and people for optimal effectiveness for today and tomorrow.

- The new MSU **Work Life** website (<http://worklife.msu.edu/>) was a collaborative project between Academic Human Resources, Human Resources/Employment and the Office for Inclusion and Intercultural Initiatives. The site was designed to reflect MSU's commitment to a work environment that supports its employees' work and personal life. MSU's commitment extends to all who work at MSU and embraces individuals, their spouses, partners, immediate, blended, and extended families.
- **MSU Telecommunication Systems** has designed an accessibility feature package for the campus Avaya telephone system that will initially be used in the Resource Center for Persons with Disabilities and eventually expanded campus-wide, to allow sight-impaired users to gain access to several phone features and display information using the keyboard.
- **The Family Resource Center** listed 98 MSU students on their website as "Family Helpers", to provide babysitting, petsitting, house sitting, tutoring, and elder-care support services.

A short sample of other notable program initiatives implemented throughout the university:

- **Communication Arts and Sciences** hosted a variety of international film festivals and speaker series to improve dialogue and understanding of diverse cultures. The assortment of films include:
 - *"Last Angel of History"*
 - *"China"*
 - *"The Slaveship Injustice"*
 - *"Iraq, Lebanon, Palestine: Patterns of War and Peace in the Middle East"*
- **MSU Libraries** hosted the Michigan Writers Series, Film Series and Colloquia Series that were facilitated by faculty from different colleges. Following are sample titles:
 - *"Writing a Jewish Life"*
 - *"Blue Eyes of Yonta"*
 - *"From Swastika to Jim Crow"*
 - *"Salt of the Earth"*

MASTER RESEARCH AGREEMENT TERM SHEET

- Party:** TCH Pharmaceuticals, Inc.
- Contract:** Contract from TCH to MSU for ongoing research projects involving the synthesis and biological characterization of potential therapeutic agents for cancer treatment.
- Term:** February 1, 2008 to December 31, 2011
- Payment Terms:** Total costs not to exceed an aggregate of \$1,000,000. Payment terms for individual research projects performed pursuant to the master research agreement will be reviewed using established University procedures and at prevailing rates for industrial research.
- Services Provided:** By MSU to TCH: research, testing and evaluation related to potential therapeutic agents for cancer treatment
By TCH to MSU: none
- Use of University Facilities/Personnel:** Use of MSU facilities/personnel by TCH provided at prevailing rates for industrial research.
- Organization Type:** Incorporated, Michigan-based small business
- Personnel Interest:** Dr. Jetze Tepe, an Associate Professor in the Department of Chemistry, owns or has an option to buy an equity interest of more than 1% of the company. Dr. Tepe is also an officer in TCH.

RESEARCH SUBCONTRACT TERM SHEET

- Party:** KTM Industries, Inc.
- Contract:** Research subcontract from KTM Industries, Inc. to MSU for designing and engineering biodegradable starch based biofoam materials for the protective packaging market.
- Term:** July 1, 2008 to June 30, 2009
- Award Amount:** \$67,500 in research funding is being provided to MSU under the subcontract.
- Services Provided:** By MSU to KTM: research on biobased foam materials
By KTM to MSU: none.
- Use of University Facilities/Personnel:**
Use of MSU facilities/personnel provided at prevailing rates for industrial research.
- Organization Type:** Incorporated, Lansing, Michigan-based small business
- Personnel Interest:** Dr. Ramani Narayan, a Professor in the Department of Chemical Engineering & Material Sciences, Dr. Melvin Schindler, a Professor in the Department of Chemistry & Molecular Biology, and Dr. Marcos Dantus, a Professor in the Department of Chemistry, each own, or have an option to buy, an equity interest of more than 1% of the company. Dr. Narayan is also a director of *KTM Industries, Inc.*