

**MICHIGAN STATE
UNIVERSITY**

June 18, 2021

APPROVED
JUNE 18, 2021
BOARD OF TRUSTEES
MICHIGAN STATE UNIVERSITY

MEMORANDUM

To: Committee on Budget and Finance
From: Vennie Gore
Senior Vice President for Auxiliary Enterprises
Subject: 2021-22 Housing and Dining Rate Recommendations

RECOMMENDATION

The Trustee Committee on Budget and Finance recommends that the Board of Trustees authorize the Administration to implement academic year 2021-22 room and board rates.

RESOLUTION

BE IT RESOLVED, that the Board of Trustees of Michigan State University hereby adopts the basic residence hall double room and board rate of \$10,676 for first-year, transfer, and returning students who select the silver unlimited meal plan for the 2021-22 academic year.

BE IT FURTHER RESOLVED, that the Board of Trustees of Michigan State University hereby adopts no rate increase for 1855 Place, University Village, and Spartan Village apartments for the 2021-22 academic year.

BACKGROUND

Attachment A reflects recommended 2021-22 academic year housing and dining rates.

The proposed residence hall rates represent a 1.95% increase over the 2020-21 rates. The rate increase results from higher operating expenses for housing and food service facilities on campus. The increase in housing and dining rates for the 2020-21 academic year was 0%.

If the new rates are adopted, the residence hall double room rate for undergraduate students will go up \$84 per year, and the silver unlimited meal plan for first-year, transfer, and returning students will go up \$120 per year.



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It is anticipated that even with these rate increases, Michigan State University will continue to be competitively positioned among universities in Michigan and the Big Ten.

cc: Board of Trustees, President Stanley, T. Woodruff, M. Woo, L. Frace, N. Beauchamp, K. Wilbur, N. Barr, M. Zeig, B. Quinn, M. Haas, D. Byelich, R. Gasser, R. Selesky, R. Patterson, L. Gremel

ATTACHMENT A
MSU RHS 2021-22 Housing and Dining
June 18, 2021

The Division of Residential and Hospitality Services (RHS) is a self-supporting auxiliary of Michigan State University. RHS receives no State of Michigan or student tuition funding for the operation and maintenance of the University’s extensive award-winning housing and dining system.

Rate Increase Recommendation for Residence Halls and Dining:

The proposed residence hall housing and dining rate recommendation for academic year 2021-22 is as follows:

- 1.95% increase to pay for residence hall and dining operating expense inflation.

This residence hall increase is modestly higher than academic year 2020-21 which had no rate increase due to impacts of the COVID-19 pandemic. The room and board rate increases have been below 3% increase for the past six years. We are very conscious of the cost of education for our students and their families. Thus, we are focusing on managing expenses. The rate increases are also consistent with the forecasted increase presented to the MSU Board of Trustees in January 2013 as part of the RHS ten-year strategic direction.

Rate Increase Recommendation for University Apartments:

The proposed rate recommendation for 1855 Place, University Village, and Spartan Village for academic year 2021-22 is as follows:

- 0% increase

Again, due to the pandemic, there was no rate increase for university apartments for 2020-21.

Rate Analysis	2020-21 Rate	2021-22 Rate	Change
Residence Hall/academic year - Double	\$4,324	\$4,408	\$84
Residence Hall Meal Plan/academic year - Silver Unlimited	\$6,148	\$6,268	\$120
University Village Apt./month: 4 Bed	\$740	\$740	\$0
1855 Place Family Apt./month: 1 Bed	\$808	\$808	\$0
1855 Place Family Apt./month: 2 Bed	\$934	\$934	\$0
1855 Place Single Student Apt./month: Studio	\$995	\$995	\$0
1855 Place Single Student Apt./month: 2 Bed	\$884-\$904	\$884-\$904	\$0
1855 Place Single Student Apt./month: 4 Bed	\$793-\$859	\$793-\$859	\$0

Our residential living experience provides exceptional value for our residents. In one all-inclusive cost, we provide direct support for student success, award winning dining available 15 hours a day, seven days a week, high speed internet, cable TV, heat, water, electricity, furnishings, linen and laundry services, fitness centers, reception desk service, campus security, convenient access to academic classrooms, and a residential education model that builds community and Spartans for life. We understand the importance of keeping housing and dining rates affordable for our students, especially as the pressures of individual contribution to the cost of higher education continue to increase. This proposed rate increase attempts to strike a balance between affordability, enhanced service for our students and the continued renovation of our aging residence halls and apartment buildings.

Housing Option	Daily Cost
Residence Hall – Double (all-inclusive)	\$47.66
1855 Place Family Apt. 1 bedroom	\$26.56
University Village Single Std. Apartments	\$24.33
Williams Hall Apartment (room only)	\$21.97

RHS Financial Position Update – Pandemic Implications:

The FY21-22 proposed rate increase and operations budget will assist RHS to gradually recover from the COVID-19 pandemic. In order to best serve our students and University community, the Division must be financially viable. The pandemic has had a differential impact on our Division due to the institutional response to reduce transmission and to keep our community safe.

The RHS business model is based on an average academic residence hall house count of 14,400 students. Our auxiliary operations budget model aims to provide net income to supplement our support of the Division and University missions. RHS has three historical financial objectives to be achieved through our net income from operations:

1. Pay down debt service costs
2. Provide just-in-time maintenance funds for repairs and improvement
3. Maintain an adequate reserve balance to address unforeseen emergencies

On March 11, 2020, MSU suspended face-to-face instruction, moving coursework to virtual instruction. On March 13, President Stanley urged all units to make every measure possible to encourage employees who were able to work from home to do so. On March 24, the Governor of Michigan executed a stay-at-home order which resulted in our students leaving campus and returning to their permanent residences. As a result, RHS refunded \$13,751,000 in spring semester 2020 room and board revenue and canceled summer housing contracts valued at \$348,600. Cancellations of conferences, concessions, and event revenues from March through June 2020 totaled \$7,740,000. Additionally, the Kellogg Hotel and Conference Center closed once the stay-at-home order was issued and has been closed ever since.

Over the summer, operations were heavily modified to keep the community safe during the 2020-21 academic year. For the 2020-21 academic year, 14,000 students signed up for residence hall housing contracts. In order to safely provide services for the anticipated 14,000, several modifications were necessary. The installation of plexiglass sneeze guards at points of contact in dining venues and service centers, increased need for grab-and-go meal options and takeout containers, purchasing of

PPE for staff, design and installation of signage, technological innovations, increased staffing for enhanced cleaning, and disinfection schedules are just a few examples of the unusual, yet necessary costs to the division.

In July 2020, students were offered the option to learn from home and receive a full housing refund. On August 18, 2020, the institution decided students should stay at their permanent residence and take classes remotely. Consequently, RHS refunded \$70,000,000 in fall semester 2020 room and board revenue. Furthermore, the August directive resulted in an additional \$63,000,000 of refunded and cancelled room and board housing contracts for spring semester 2021. The Governor then issued a delay for spring semester 2021 move-in, which resulted in a room and board refund of \$1,200,000. Additional FY20-21 cancellations of conferences, events, retail, and concession revenues totaled an estimated 62,600,000 due to our pandemic safety response.

RHS significantly reduced expenses to compensate for the loss of revenue. Wages and benefits were reduced during the pandemic period over both fiscal years by \$52,746,000 which included 620 regular employees being furloughed, 114 vacant regular positions, and reduction of 1,800 part time and student staff. RHS reduced food supply expenses by \$39,400,000, spending just \$3,200,000 on food supplies through the first eight months of the fiscal year. RHS also reduced supplies and services costs by \$30,000,000, and annual maintenance cost by \$8,900,000.

The total debt service cost will remain constant at \$23,000,000 in FY20-21 and FY21-22. RHS long term debt obligations currently total \$316 million. Future debt service is anticipated to remain level until 2030. RHS did get relief from MSU IT for contract obligations, Provost Office support for Neighborhood services of \$855,000, and CATA bus service obligations totaling \$1,560,000.

RHS is projecting an operating loss of \$78,937,501 for FY20-21. This loss will deplete the Division's unrestricted reserve balance, but will still allow RHS to maintain a non-deficit financial position at the June 30, 2021 fiscal year end.

Student House Counts for Residence Halls:

As stated in the 2008, 2013, and 2019 RHS strategic direction documents, RHS requires an average residence hall house count of 14,400 students to maintain financial viability. Due to the COVID-19 pandemic and resulting concern for student health, MSU directed all on-campus residential students to learn from home for FY20-21. As a result, the FY20-21 residence hall house count average was 2,372.

Projected residence hall house counts total 13,000 for FY21-22. This amount is below the historical average of 14,400 due to a significantly smaller residence hall house count in FY20-21 from which to retain in the annual Live-On sign-up campaign. Fall semester 2021 new freshman enrollments should provide approximately 8,800 of the 13,000 residence hall occupants.

2020-21 Projection

The consolidated FY20-21 RHS financial contribution to repairs and reserves is projected to be negative \$79 million. FY19-20 year-end unrestricted reserves will be used to offset this loss. Approximately \$200 million in Divisional revenues were lost to the COVID-19 pandemic housing and dining closures. The Kellogg Hotel and Conference Center has also been closed since mid-March 2020 and now serves as an isolation/quarantine housing facility.

Operating expenses are projected to be -53% (-\$107 million) less than FY19-20 totals. In addition, FY20-21 just-in-time plant cash maintenance expenditures are anticipated to be -\$10 million below FY19-20 amounts. Almost all temporary, on-call, and student employees (approximating 1,800) were furloughed in the spring of 2020. In addition, over 620 regular full-time staff were furloughed in June 2020 to reduce expenses. All non-essential, discretionary spending including travel and building repairs were also eliminated.

Total RHS debt service cost will remain constant at \$23 million in FY20-21 and in FY21-22. RHS long-term debt obligations currently total \$316 million. Future annual debt service costs are anticipated to remain level until 2030.

2021-22 Proposed Operating Budget

Net RHS FY21-22 contribution to repairs and reserves is projected to break even, significantly improved over the 2020-21 loss of \$79 million due primarily to increased residence hall and apartment house counts. The anticipated reduction in COVID-19 infections and increased vaccinations for the MSU campus community will hopefully allow for the safe return of campus residential living. The Kellogg Hotel and Conference Center should reopen for business in FY21-22. We anticipate athletic events would allow for concessions revenues to return. In addition, RHS voluntary meal plan sales should increase as more faculty and staff return to campus.

Please see the attached RHS Financial Preview for additional budget details.

Planning for the Future:

Second Year On-Campus Living Requirement

Michigan State University wants to ensure every student has the opportunity to learn, thrive and graduate. Assessment studies indicate MSU students who live on campus for two or more years persist and graduate in higher percentages with higher grade point averages than for students moving off campus after freshman year.

Over the past 10 years, the university has invested in student success initiatives to support undergraduates in their pursuit of a college education. A campus-wide campaign encouraging students to take 15 credits or more each semester, the nationally recognized Neighborhood(s) model, and increased access to academic resources, have contributed to a higher graduation rate among Spartans — rising from 77% to 81% over the last five years.

For several years, university administrators have examined the student success outcomes of on- and off-campus living for undergraduate students. Descriptive analysis conducted by MSU's Office of Institutional Research shows that undergraduates who live on campus for their first two years at MSU have graduation rates about 2.5 percentage points higher than their peers who live on campus only their first year. The difference in graduation rates between students who live on or off in their second year is larger for students from some underserved groups, almost 10 percentage points.

This data leads university administrators to believe the reinstatement of a required second year on campus is the best next step toward ensuring students persist and graduate. Currently, first-year students are required to live on campus their first academic year. Beginning with students who start at MSU in fall 2021, the on-campus living requirement will be extended to include a second year, reinstating the two-year live-on requirement that MSU had waived since the 1980s.

The first two years of college are critical for students' momentum and living on campus provides them with greater access to resources and activities that correlate with their academic success. This

access supports students in graduating more quickly, keeping the cost of their degree lower (e.g., less student loan debt, fewer living expenses).

Programs such as Spartan Compass, which focuses on the first-year experience, and Spartan Navigator which focuses on the second-year experience, were developed to provide a framework for students during their first two years of college. The launch of Spartan Navigator was delayed due to the COVID-19 pandemic.

The second-year living requirement that currently exists at MSU can be found in the Housing Requirements and Procedures section of the Spartan Life Student handbook. However, it has not been enforced since the early 1980s, when former MSU President Cecil Mackey informed the MSU Board of Trustees the administration would continue waiving the second year live-on requirement for students — a waiver that had been implemented when university enrollment was at its peak.

The Second-Year Student Experience

Over the past several years, MSU has seen a decrease in the number of students choosing to live on campus their second year (55% in 2011 versus 45% of second-year students in 2017). Additionally, a study that looked at second-year students between 2013 and 2016 found 60 fewer students from each class persisted when they moved off campus their second year. The persistence rate for students living on campus who are Pell eligible is 50% greater than for those students living off campus. Likewise, MSU has students experiencing similarly improved persistence rates of 3-9% for African Americans, 2-7% for first generation students, and 1-2% for white students continuing to live on campus.

Second-year students can also experience what is often referred to as a “sophomore slump,” which is associated with feelings of uncertainty and dissatisfaction. This can be attributed to fewer support services and programs tailored to second-year students compared to their first-year experience. Many second-year students also begin to question their choice of major and overall reason for being in college.

To address some of these issues, REHS began building Spartan Navigator, a program specifically for second-year students. Some intended outcomes of the program include students’ enhanced sense of purpose and academic engagement, and advanced knowledge related to diversity, equity, and inclusion.

Another program, the Residential Learning Model, was created to assist residential staff in strategically facilitating growth and learning for those living on campus, thus enhancing the living-learning relationship.

Dining on campus can also foster a sense of belonging among students. RHS Culinary Services strives to support students and their academic success by creating dining communities and offering a variety of dining options to help them stay on track throughout their college career.

Implementation

The second year live-on requirement will begin with the first year entering class of fall 2021, who would then live on campus for a second academic year beginning fall 2022. Existing residence hall residents and the first-year incoming class of fall 2020 are exempt. Students who transfer to MSU will continue to be required to live on campus unless they meet the exception criteria.

MSU’s occupancy capacity is 18,203, which accounts for all residence hall room types and apartments. It is estimated the number of first- and second-year students living on campus would be roughly 16,000.

Exception criteria for second-year students is being finalized, along with the request process. Existing criteria for first-year students includes married students, students with dependents, veterans with one or more years of active service, students who will be 20 years old by the first day of classes of fall semester of the current academic year, students living with parent or guardian within 40 miles of campus, and students taking six or fewer semester credits and who live locally.

Updated 2019 Strategic Plan

In October 2008, under the direction of Vice President for Auxiliary Enterprises (VPAE) Vennie Gore, the previously named Division of Housing and Food Services embarked on a journey to prepare for challenges of a new millennium, creating a diverse set of buildings and units. By renaming itself Residential and Hospitality Services, the division signaled a culture of change, breaking down silos and creating opportunities for the future.

This strategic plan identified six strategic goals:

1. **SUCCESS** – Promote diverse experiential learning that supports retention, persistence, and academic success.
2. **TEAM CULTURE** – Create a culture that fosters team member engagement and student and guest satisfaction.
3. **GLOBALLY-MINDED** - Provide diverse environments that celebrate and enhance MSU’s 24/7 global community.
4. **DIVERSITY, EQUITY, AND INCLUSION** – Collectively, and as individuals, we are committed to a mindset of inclusive and equitable practices. We will work toward creating an environment that is safe, supportive, and welcoming to all.
5. **VIBRANT FACILITIES** – Establish a transformative, world-class model of residential and hospitality services that provides safe physical and emotional environments that are inclusive, accessible, and sustainable.
6. **FISCAL RESPONSIBILITY** – Maintain fiscal responsibility through long-term, value-driven financial planning, viability, and stewardship.

These strategic goals inspired many updates, including reorganizing the division into cohesive functional areas; playing an integral role in establishing Neighborhoods at MSU; developing and opening five Neighborhood Engagement Centers, consolidating Campus Living Services and the Department of Residence Life to Residence Education and Housing Services; and creating neighborhood dining centers with a focus on culinary excellence.

A follow-up plan in 2013 expanded on these areas and addressed the aging Spartan Village Apartments which resulted in the construction of 1855 Place Apartments, and other building infrastructure projects. It also included an additional strategic goal: Maintain fiscal responsibility to provide long-term financial viability and sustainability.

The 2008 and 2019 strategic plans have allowed RHS to evolve as a world competitor in the industry of university housing and dining, showcasing MSU as a marvel of revitalization. As the division begins to plan for the 2026 class, it must realize that this class represents a new generation and is expected to be quite different in terms of demographics, migration patterns and graduation rates. These differences could result in a significant change in student needs. Therein lies the RHS’ key challenge as it plans for the future – What will the Spartan experience look like in 2026?

MSU RHS ALL FUNDS: PRELIMINARY FINANCIAL PREVIEW

REVENUES:	RHS Projected 2020-21	RHS Proposed Budget 2021-22	\$ Increase / (\$ decrease)
Room & Board	\$42,567,000	\$143,114,310	\$100,547,310
Dining Cash Sales/Retail/Auxiliary	588,000	70,904,492	70,316,492
Academic Space Rental	225,000	2,057,945	1,832,945
Conferences	0	4,359,582	4,359,582
Total Revenues =	43,380,000	220,436,329	177,056,329
EXPENSES:			
Personnel Services / Benefits	56,741,000	87,720,389	30,979,389
Student Affairs / Res Life	191,000	1,054,420	863,420
Food Purchases	4,485,000	26,674,666	22,189,666
Utilities	7,166,000	11,624,040	4,458,040
General Expense/ CATA / Res Life	2,059,000	3,619,080	1,560,080
Supplies	7,263,000	37,774,152	30,511,152
Repairs & Maintenance	11,122,000	15,905,766	4,783,766
Communications/Bandwidth	1,220,000	3,211,374	1,991,374
Auxiliary Overhead Fee	2,700,000	2,700,000	0
Uniforms / Linen	187,000	1,682,114	1,495,114
Insurance	1,062,000	1,124,768	62,768
Equipment	814,000	344,426	(469,574)
Scholarships, Intangibles, Misc.	1,201,000	1,760,723	559,723
Travel	115,000	412,181	297,181
Administration Fee 1%	826,000	1,830,166	1,004,166
1% Facility Infrastructure Improv	346,000	0	(346,000)
Building Repair/Renov (Plant Cash)	1,821,437	0	(1,821,437)
Debt Service Cost	22,998,064	22,998,064	0
Total Expenses =	122,317,501	220,436,329	98,118,828
Contribution to J-I-T Repairs and Reserves =	(\$ 78,937,501)	\$ 0	\$ 78,937,501

NOTE:

RHS ACADEMIC YEAR 2020-21 RESIDENCE HALL HOUSE COUNTS AND REVENUES WERE REDUCED APPROXIMATELY 84% FROM ACADEMIC YEAR 2019-20 DUE TO THE MSU COVID-19 VIRUS PANDEMIC LEARN FROM HOME HOUSING DIRECTIVE IN AUGUST 2020.

MSU RHS RESIDENCE HALL RATE COMPARISON
Standard Double Room & Board Plan for 2021-22*

BIG TEN UNIVERSITIES	Actual 2020-21 Rate	Proposed 2021-22 Rate	\$ Increase	% Increase
Northwestern University: 20 meals/week	\$17,451	\$17,800	\$349	2.00% estimated
Rutgers University: 19 meals/week	\$13,075	\$13,402	\$327	2.50% proposed
Ohio State University: unlimited meals	\$13,026	\$13,352	\$326	2.50% proposed
University of Maryland: unlimited meals	\$12,874	\$13,131	\$257	2.00% estimated
University of Michigan: unlimited meals	\$12,224	\$12,591	\$367	3.00% proposed
University of Nebraska: unlimited meals	\$11,830	\$12,067	\$237	2.00% proposed
Penn State University: 17 meals/week	\$11,752	\$11,987	\$235	2.00% estimated
Indiana University: \$1,980 + debit meals	\$11,205	\$11,429	\$224	2.00% estimated
University of Illinois: unlimited meals	\$11,168	\$11,392	\$224	2.00% proposed
Univ. of Wisconsin: \$2,100 + debit meals	\$10,750	\$11,019	\$269	2.50% proposed
University of Iowa: unlimited meals	\$10,669	\$10,956	\$287	2.69% proposed
University of Minnesota: unlimited meals	\$10,358	\$10,939	\$581	5.60% proposed
Michigan State Univ.: unlimited meals	\$10,472	\$10,676	\$204	1.95% proposed
Purdue University: 13 meals/week	\$9,414	\$9,414	\$0	0.00% approved
MICHIGAN UNIVERSITIES	Actual 2020-21 Rate	Proposed 2021-22 Rate	\$ Increase	% Increase
University of Michigan: unlimited meals	\$12,224	\$12,591	\$367	3.00% proposed
Michigan Tech Univ.: unlimited meals	\$11,279	\$11,505	\$226	2.00% estimated
Northern Michigan Univ.: unlimited meals	\$10,796	\$11,012	\$216	2.00% estimated
Wayne State University: unlimited meals	\$10,779	\$10,995	\$216	2.00% estimated
Eastern Michigan Univ.: unlimited meals	\$10,748	\$10,963	\$215	2.00% estimated
Western Michigan Univ.: unlimited meals	\$10,720	\$10,934	\$214	2.00% estimated
Oakland University: 18 meals/week	\$10,691	\$10,905	\$214	2.00% estimated
Central Michigan Univ.: unlimited meals	\$10,535	\$10,746	\$211	2.00% approved
Michigan State Univ.: unlimited meals	\$10,472	\$10,676	\$204	1.95% proposed
Lake Superior State Univ.: 19 meals/week	\$10,332	\$10,539	\$207	2.00% estimated
Ferris State University: unlimited meals	\$10,294	\$10,500	\$206	2.00% estimated
Saginaw Valley State Univ.: unlimited meals	\$10,240	\$10,445	\$205	2.00% estimated
Grand Valley State Univ.: 19 meals/week	\$9,471	\$9,660	\$189	2.00% estimated

*MSU BASIC “SILVER” PLAN PROVIDES UNLIMITED ACCESS/MEALS AT ANY OF THE 9 RESIDENCE HALL DINING FACILITIES FROM 7 AM TO 9 PM SEVEN DAYS A WEEK. THIS PLAN ALSO INCLUDES 12 ACCESSES TO A COMBO-X-CHANGE MEAL AT ANY OF THE SPARTY’S, UNION, INTERNATIONAL CENTER, OR RIVERWALK MARKET RETAIL DINING LOCATIONS ON CAMPUS. MSU’S MEAL PLAN ACCESS AND FLEXIBILITY IS UNMATCHED BY ANY OTHER BIG TEN OR STATE OF MICHIGAN PUBLIC UNIVERSITY.

MSU RHS AVERAGE RESIDENCE HALL HOUSE COUNTS

<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
17,800	17,200	17,700	17,570	17,900	17,680
<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
16,100	15,354	15,551	16,100	16,437	16,800
<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
16,950	17,300	16,500	15,800	15,100	13,900
<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
14,126	13,972	13,964	13,965	14,234	14,181
<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
14,190	14,564	14,494	14,624	14,342	14,485
<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
14,844	14,733	14,611	14,506	14,385	14,010
<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
14,820	14,725	14,710	14,709	14,716	14,762
<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22 budget</u>	
14,357	14,523	14,400	2,372	13,000	