

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

October 24, 2008

President Simon called the meeting of the Board of Trustees to order at 9:40 a.m. in the Board Room.

Trustees present: Joel Ferguson, Melanie Foster, Dorothy Gonzales, 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, and June, Interim Vice President Cash, and Senior Advisor and Director Granberry Russell. Faculty liaisons present: Mark Largent, Deborah Moriarty, James Potchen, Alvin Smucker, and Rand Spiro. Student liaisons present: Christopher Kuleszka, Manish Madan, Maweza Razzaq, and Michael Webber.

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

1. On a motion by Trustee Foster, supported by Trustee Nugent, **the BOARD VOTED to approve** the agenda as amended.
2. On a motion by Trustee Romney, supported by Trustee Foster, **the BOARD VOTED to approve** the minutes of the September 12, 2008 meeting.
3. President's Report
  - A. Annual Enrollment Report

President Simon asked Provost Wilcox to discuss the annual enrollment report.

Provost Wilcox said that 7,378 first year students were admitted from the over 25,000 applications received. The total undergraduate population of 36,337 consists of 86 percent Michigan residents and 14 percent non-residents. That represents an increase of 265 students in the undergraduate population from 2007. The total graduate professional population of 10,311 is an increase of 350 students from 2007.

B. Student Tuition

President Simon noted that the State of Michigan is continuing to experience economic and financial difficulties to a degree greater than those experienced nationally. Economists expect these difficulties to continue for some time at both the state and national level. Under the Budget Guidelines adopted by the Board of Trustees for the current fiscal year, the President is authorized to adjust tuition by a rate sufficient to offset, on an annualized basis, the difference between the base main campus operating appropriation that the University anticipated it would receive in the initial Budget Guidelines and the actual State appropriation received. The Budget Guidelines also indicate that tuition adjustments, either upward or downward, should generally be reflected in the tuition for the next semester after the condition for the tuition adjustment is met.

The tuition rate schedules will be changed for spring semester 2009 to reflect a tuition increase of 1.2 percent. Given the economic difficulties and uncertainties that MSU students and their families are experiencing, an offset in the spring tuition bills will cover that increase for both undergraduate and graduate students. As a result, actual tuition paid by students during the spring semester will not increase. The revised tuition schedule will be in effect, without offset, beginning summer semester 2009.

C. Homecoming 2008

President Simon indicated that Homecoming 2008 was a tremendous success. She asked Interim Vice President Cash to comment on the many events held during Homecoming 2008.

Interim Vice President Cash noted that over 30 Olympian and Paralympian athletes participated in Homecoming festivities. On behalf of the MSU Alumni Association, she also presented the Trustees with commemorative medallions reflecting the theme at Homecoming 2008.

D. Upward Bound Program

President Simon announced the creation of a new scholarship, the MSU Upward Bound Legacy Award. Upward Bound students are identified by their teachers in the 8<sup>th</sup> grade as having college potential. The program provides them with support services until they graduate from high school. The MSU Upward Bound Legacy

Award ensures that some Upward Bound students will receive gift assistance sufficient to cover tuition and fees for four years, effective Fall 2009.

E. Ask the Expert Initiative

President Simon stated that the Land Policy Institute at MSU is embarking on a new “Ask the expert” project to provide a stronger linkage in the areas of land use and sustainable development between the faculty and other experts in higher education and citizens, professionals, government officials, media, and students. Through this web-based initiative, members of the public will become more familiar with the expertise of MSU faculty who work in these areas. The project is designed to help inform land use and economic development decision making.

F. MSU Expands Role in National Children’s Study

President Simon noted that MSU has secured \$57 million in funding from the National Institutes of Health to expand its role in the largest research project ever to study children’s health and the causes of conditions such as autism, cerebral palsy, and asthma. As part of an alliance with Michigan’s top research universities, health care systems and state and local health agencies, MSU is leading the State’s part of the National Children’s Study. More than 100,000 children will be monitored from before birth to age 21.

G. MSU Receives Bill and Melinda Gates Foundation Grant

President Simon stated that MSU recently announced a \$4 million grant from the Bill and Melinda Gates Foundation to lead a project designed to improve research and analysis of agricultural markets in sub-Saharan Africa. Under the three-year project, MSU will analyze the region’s small farm markets and infrastructure and will develop strategies to increase agricultural productivity and create more efficient, sustainable markets for small farmers.

H. MSU Awards Scholarships to ‘Extreme Makeover’ Family

ABC’s “Extreme Makeover: Home Edition” worked around the clock earlier this month to build a new home for the Nickless family. The three sons will now have a chance to become Spartans, thanks to an educational partnership between MSU and Lansing Community College. The MSU Tuition Promise Grant will fund the full cost of tuition and fees for two years of baccalaureate study at

MSU. President Simon noted that MSU, like 'Extreme Makeover' has a commitment to investing in families now and in the future.

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

5. Personnel Actions

There were no personnel actions presented.

6. Gifts, Grants, and Contracts

Vice President Gray introduced Dr. Terrie Taylor, University Distinguished Professor of Osteopathic Medicine, for a research presentation regarding MSU's medical presence in Malawi. (Appendix A)

7. Finance Committee

Trustee Nugent presented the Trustee Finance Committee Report and recommendations.

- A. The 2009-10 Appropriation Request

It was recommended that the Board of Trustees adopt the Appropriation Request, including needs for the University General Fund, the Michigan Agricultural Experiment Station, and Michigan State University Extension. (Appendix B)

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

**THE BOARD VOTED to approve** the recommendation.

- B. Modification to the University Non-Contributory Retirement Plan

It was recommended to the Board of Trustees that the University Non-Contributory Retirement Plan (UNCRP) be modified to provide three annual five percent increases in benefit levels, effective January 1, 2009, January 1, 2010, and January 1, 2011, to support MSU retirees who receive a fixed UNCRP benefit with no automatic increment. This increase will apply to all individuals receiving benefits only from the UNCRP and all individuals receiving benefits through a comparison to the UNCRP.

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

**THE BOARD VOTED to approve** the recommendation.

C. Fund Functioning as an Endowment Stephen Renfer Scholarship

It was recommended to the Board of Trustees that the University establish a fund functioning as an endowment entitled the Stephen Renfer Scholarship.

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

**THE BOARD VOTED to approve** the recommendation.

D. Authorization to Plan—Music Building—Replace Electrical Substation

It was recommended to the Board of Trustees that it authorize the administration to plan for the project entitled Music Building—Replace Electrical Substation.

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—Master Plan

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

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

Assistant Vice President Vennie Gore stated that this plan allows the administration to look comprehensively at Brody Complex in order to better plan programmatic support for students while enhancing the student experience through space. The plan will address mechanical, electrical, accessibility, security, and life safety.

**THE BOARD VOTED to approve** the recommendation.

F. Authorization to Plan—Owen Graduate Hall—Space Improvements

It was recommended to the Board of Trustees that it authorize the administration to plan for the project entitled Owen Graduate Hall—Space Improvements.

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

Assistant Vice President Gore said that the plan will allow for Just-In-Time maintenance and selected upgrades related to the student experience. The public areas will be completed this year, with the remaining work to be completed in 2010.

**THE BOARD VOTED to approve** the recommendation.

G. Project Approval—Authorization to Proceed—Giltner Hall—Roof Replacement

It was recommended to the Board of Trustees that it authorize the administration to proceed with the project entitled Giltner Hall—Roof Replacement and to approve a budget of \$1,700,000.

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

**THE BOARD VOTED to approve** the recommendation.

Policy Committee

Trustee McNamara presented the Trustee Policy Committee Report and recommendations.

A. Executive Management Appointments

It was recommended to the Board of Trustees that it approve the “Principles and Procedures for Establishing Executive Management Positions and Titles,” to replace the Board of Trustees’ delegation action of October 23, 1981 and its action of June 26, 1981. (Appendix C)

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

Provost Wilcox noted that the Principles and Procedures document resulted from a review of the Executive Management appointment system conducted during the last academic year. The intent of the review was twofold: first, to streamline and make transparent the

principles for establishing and modifying executive management positions and titles; second, to evaluate and compare executive manager compensation at MSU with that at peer institutions. The results of the review are part of the resolution presented.

**THE BOARD VOTED to approve** the recommendation.

B. Revised Bylaws for the MSU Health Team

It was recommended that the Board of Trustees adopt the MSU HealthTeam Operating Bylaws, and that the ongoing management of the MSU HealthTeam be the responsibility of the President, the Provost and their designees. (Appendix D)

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

Provost Wilcox indicated that the proposed set of Operating Bylaws would create an Operating Board with participation and representation from faculty, department chairs, deans, and the Office of the Provost. The HealthTeam would be managed like other academic units at the University by a delegation of management authority through the President and the Provost, without a direct role for the Board.

**THE BOARD VOTED to approve** the recommendation.

C. Approval of Contract Terms: *Draths Corporation*

It was recommended to the Board of Trustees that it approve the execution of a License Agreement with *Draths Corporation*, consistent with earlier public notice given at a Board meeting and with the "License Agreement Term Sheet" presented to the Board. (Appendix E)

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

**THE BOARD VOTED to approve** the recommendation

9. Audit Committee

Trustee Perles presented the Trustee Audit Committee Report and recommendations.

- A. Acceptance of the audited financial statements for the year ended June 30, 2008

It was recommended that the Board of Trustees accept the audited financial statements for the year ended June 30, 2008.

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

**THE BOARD VOTED to approve** the recommendation.

10. Trustees Comments

Trustee Ferguson thanked Vice President Gray for arranging the research presentations at every meeting. The faculty members are outstanding and represent the best of Team MSU.

Trustee Romney stated that the research presentations are very inspiring.

Trustee Owen asked Dr. Rand Spiro, faculty liaison to the Board, to discuss the liaison meeting.

Dr. Spiro stated that the group discussed strategic planning and prioritization. The University always faces difficult choices; however, those choices will become more difficult in these tough economic times. Now is the time to plan for the future and to be proactive, not reactive. The faculty hope to work with the administration and the Board to strategically prioritize to retain quality.

Trustee Nugent said that Homecoming went very well and thanked everyone for their efforts. He noted that the Facility for Rare Isotope Beams (FRIB) site visit had taken place on campus, and he was hopeful that MSU would receive the contract.

Trustee Gonzales thanked everyone for their hard work on behalf of MSU.

Trustee Foster commended the students for their participation in the FRIB competition. The 'Bring FRIB to our Crib' slogan was featured on WJR radio and demonstrates the level of student involvement in issues on campus.

15. On a motion by Trustee Owen and supported by Trustee Ferguson, **THE BOARD VOTED to adjourn** at 10:50 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Beekman', with a stylized, cursive script.

William R. Beekman  
Secretary of the Board of Trustees

# **RESEARCH PRESENTATION**

**TO THE MSU BOARD OF TRUSTEES**

**OCTOBER 24, 2008**

**TERRIE TAYLOR**  
**COLLEGE OF OSTEOPATHIC MEDICINE**

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

# MSU's medical presence in Malawi: medical students, malaria and the MRI

Terrie E. Taylor, D.O.

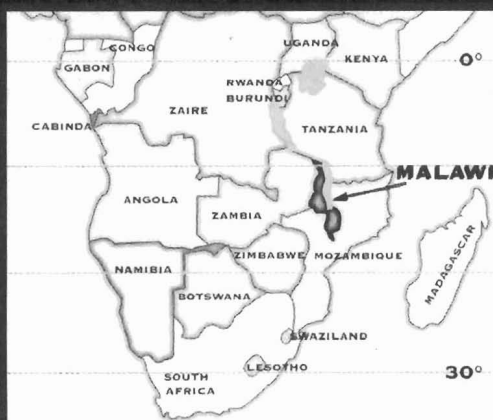
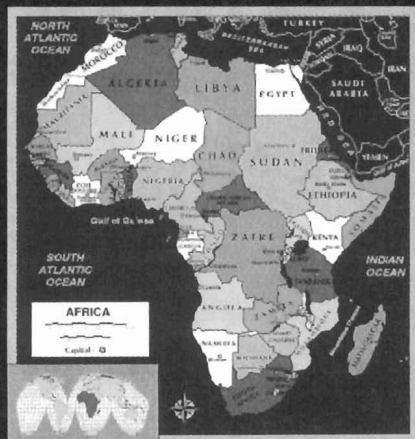
Department of Internal Medicine  
College of Osteopathic Medicine,  
Michigan State University

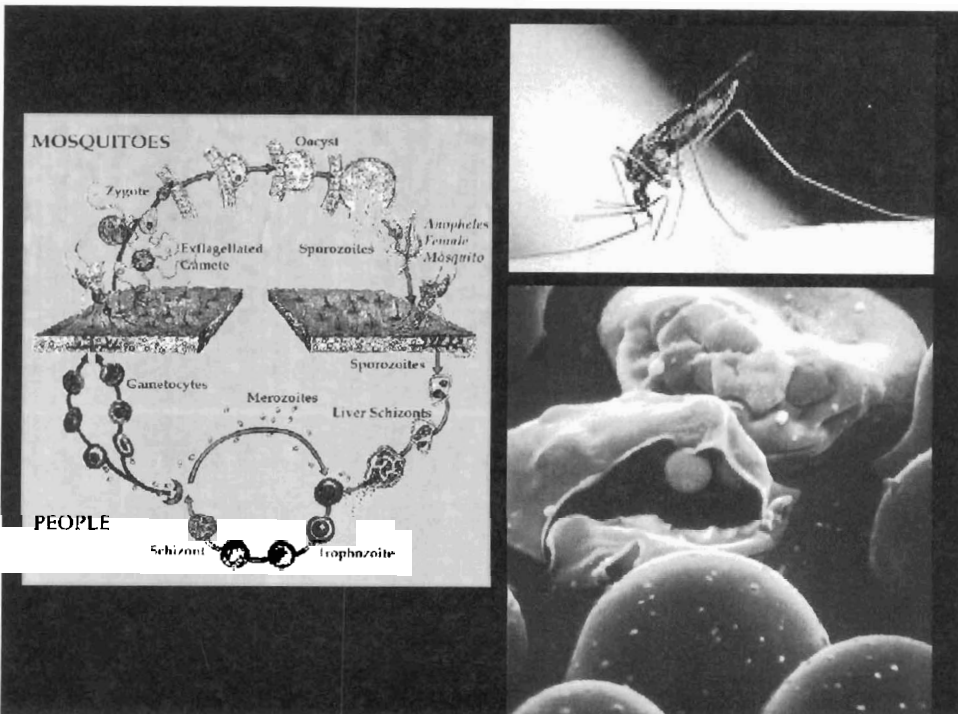
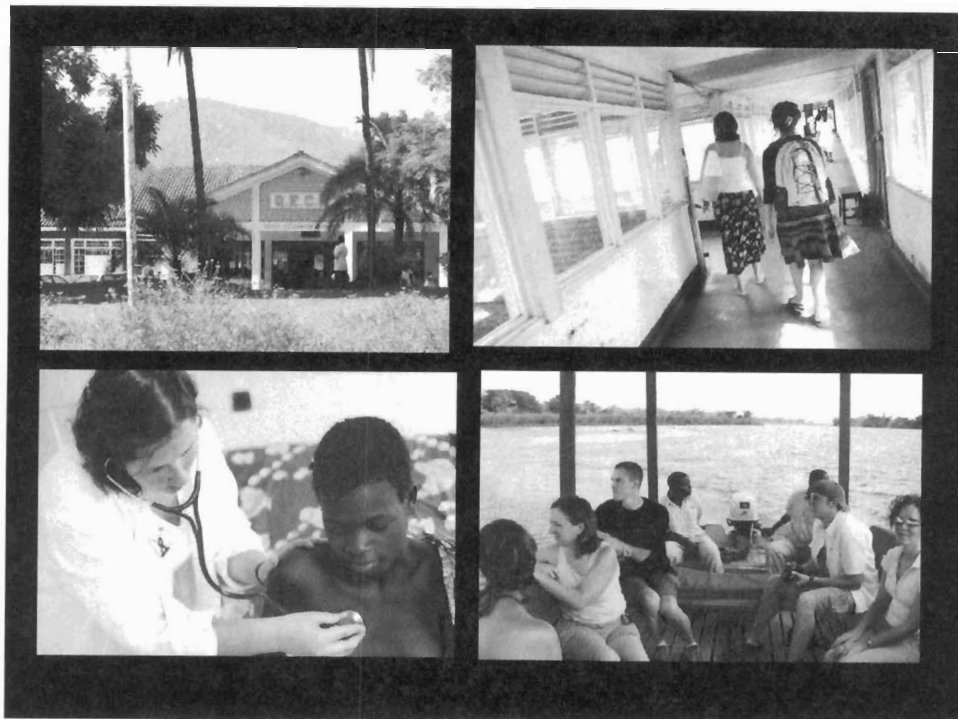
*and*

Blantyre Malaria Project,  
University of Malawi College of Medicine



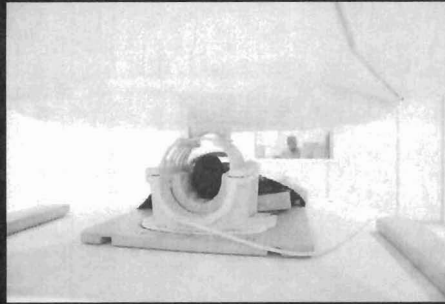
MICHIGAN STATE  
UNIVERSITY







....and yet, 80% recover....



Safunsa anadya phula....



## Michigan State University 2009-10 Appropriation Request

*"Through powerful partnerships established in communities from Michigan to Malawi, MSU researchers are helping develop sustainable solutions that address the world's pressing problems."*

*—Lou Anna K. Simon, MSU President*

Michigan State University ranks in the top 100 research universities in the world. It provides internationally competitive undergraduate and graduate education, research, and outreach for the benefit of Michigan with the goal of becoming known as the leading world-grant university by 2012.

Whether by assisting in the creation of jobs for thousands of people, attracting funding for research that can change and even save lives, or simply enhancing contributions to the State's coffers because its alumni earn high-end salaries, Michigan State University's economic impact on the State of Michigan (State) is enormous. According to a 2007 study, economic activity in the Michigan related to Michigan State University's activities was more than \$3 billion in 2005.

The three University Research Corridor (URC) universities, including Michigan State University (MSU), serve as engines for economic recovery in the State. In 2007, they created over 69,000 jobs, educated more students than any of the nation's best comparable R&D clusters, and produced \$13.3 billion in economic impact in 2007.

MSU provides world-class graduate and undergraduate education, while being uniquely positioned to foster the emerging bioeconomy and alternative energy research with the agricultural and manufacturing sectors of the economy. MSU is prepared to meet society's expectations for a global university, helping to build the local and national economy with breakthrough discoveries and new knowledge with worldwide impacts. In partnership with leaders in Michigan and the nation, MSU is working to find solutions for the critical problems facing society.

MSU calls upon the State to:

- Adopt a stable, predictable approach for allocating funding to MSU while recognizing the critical importance of research universities with medical programs, and emphasizing outcomes — graduations in addition to enrollments
- Increase public investment in higher education
- Fund initiatives that maintain and enhance MSU's preeminence in fields that position Michigan for leadership in the bioeconomy

*"We need many more people, companies, and universities trying many more things and a market that will quickly scale the most promising new ideas."*

*—Thomas Friedman, Author*

*"Hot, Flat, and Crowded: Why We Need a Green Revolution — and How It Can Renew America"*

- Fund the programs of the Michigan Agricultural Experiment Station (MAES) and MSU Extension (MSUE), which, among other outcomes, support Michigan's food and fiber industries, and equally important tourism industry. These industries are growing in size and importance in Michigan. The MAES and MSUE provide many services that assist Michigan's families, businesses, and communities
- Address capital outlay needs critical to keeping MSU research and instruction leading-edge and world-ranked.

## **A fair approach for allocating scarce resources across institutions**

In order to arrive at a stable, predictable, "investment" approach to funding, it is essential to recognize the differential costs associated with world-ranked instruction and research missions. The State must provide full funding support for research-extensive universities with health care programs, because these universities will shape the future for Michigan.

State funding must consider the total number in the graduate/undergraduate mix of students served, and must emphasize graduation outcomes. The proposed funding model for 2009-10 includes higher base funding per Fiscal Year Equivalent Students (FYES) for MSU, UM, and WSU plus additional differential funding based on graduation rates in Science Technology Engineering Math (STEM) and plant and animal sciences disciplines provided by a given institution. State funding must also recognize all types of external funding that are part of the research mission of the university and consider the extraordinary cost associated with offering health care education including M.D., D.O., D.V.M., Nursing degrees, and Ph.D. graduates.

Appropriations for operating expenditures for higher education in Michigan have ranked last among all 50 States for the past ten and five-year periods and next to last for the two and one-year periods ending in 2008. Michigan appropriations lag comparison States, such as California, New York, and North Carolina, many by a considerable margin. Appropriations fall far short of both Consumer Pricing Index (CPI) and Higher Education Price Index (HEPI) measures over the last ten years – see the Appropriations History attachment.

## **MSU funding supports Michigan**

More than ever, it is essential that every dollar work on behalf of the people of Michigan in ways that will bring the greatest value and return, strengthen our communities, fuel our economy, and provide all of our citizens with a better quality of life.

MSU faculty and academic programs benefit Michigan by importing over \$376 million in externally funded research. In addition, industry, foundations, and individuals from around the globe invest in MSU academic programs and the State, contributing over \$1 billion to the MSU Capital Campaign.

MSU has secured \$57 million in funding from the National Institutes of Health to expand its roles in the largest research project ever to study how environment affects the health and development of children. As part of an alliance with Michigan's top research universities, health care systems and state and local health agencies, MSU is leading the state's role in the study, which will monitor more than 100,000 children from before birth to age 21 in Genesee,

Grand Traverse, Lenawee and Macomb counties. The \$57 million is in addition to \$18.5 million announced last fall for study work in Wayne County.

The Great Lakes Bioenergy Research Center (GLBRC), a joint effort with the University of Wisconsin at Madison, is one of three new U.S. Department of Energy Bioenergy Research Centers established in 2007. MSU was awarded approximately \$50 million for basic science research aimed at solving some of the most complex problems in converting natural materials to energy.

The National Superconducting Cyclotron Laboratory is the leading rare isotope research facility in the United States and received over \$18 million last year from the National Science Foundation in continuing support for its research programs. MSU has the No. 2 ranking for nuclear physics graduate programs in the nation.

A Blue Ribbon Committee on Physician Workforce predicts Michigan will be short 900 physicians by 2010, 2,400 by 2015, and 4,500 by 2020. MSU Medical School expansions are addressing this shortage by the addition of a College of Human Medicine program in Grand Rapids and two new sites in Southeast Michigan for the College of Osteopathic Medicine – Detroit and Macomb Counties.

MSU always has been consistently accountable to Michigan citizens and to the world. It has the highest number of in-State students among Michigan public universities, and 76 percent of those who receive a bachelor's degree from MSU stay and work in Michigan based on 2007 data. Michigan is always the first beneficiary of MSU's graduates as it delivers high-quality academic programs and global networks with Michigan applications.

## **Financial aid: preserving access**

MSU is committed to preserving access to higher education for Michigan students. Nearly 87 percent of undergraduate students come from Michigan's 83 counties. The average resident student at MSU comes from counties with lower per capita personal income than either of the two other URC universities. In 2008-09, MSU continued to increase financial aid at a rate greater than increases to tuition with approximately \$69.5 million budgeted in financial aid programs, representing a total increase of more than 12 percent.

Currently, 50 percent of MSU students receive some form of financial aid and 25 percent of undergraduate students receive Pell Grants. The Spartan Advantage program provides grants and work study to MSU's neediest students relieving them of the cost of debt to finance their education. MSU has maintained its share of Pell Grant recipients, despite rising costs and increasing academic quality, and is committed to continuing its work with students in the economic tier just above Pell eligibility, who otherwise might not qualify for adequate aid.

*U.S. News & World Report* gives MSU a plus-16 rating in graduations – signifying that MSU's rate is 16 points better than the predicted graduation rate for similar institutions. MSU's plus-16 rate is the highest in the State and leads the Big Ten, exemplifying MSU's willingness to take risks on a student's potential. Moreover, it is a measure of quality that demonstrates how well MSU is using its educational resources to graduate students, even in difficult budgetary times.

## Michigan's unique position in the post-petroleum bioeconomy

In the bioeconomy, biomass from trees and agricultural crops is transformed into a range of clean, safe, and renewable necessities, including fuels, chemicals, and building materials. Michigan has the natural resource base, industrial infrastructure, intellectual capabilities, and leadership commitment critical to a thriving bioeconomy. Building the bioeconomy will give Michigan a competitive advantage in meeting the growing demand for products made from renewable plant resources and can point the way to a more thoughtful relationship with the land and the environment. More specifically:

- Michigan has an abundance of raw materials – wood and crops – that provide biomass – the seminal ingredient in the production of plant-based energy, chemicals and materials;
- Michigan has the industrial infrastructure and the intellectual capacity to provide value to the entire bioeconomy production chain, from very basic genomic work to the delivery of biofuels and products;
- Michigan's automotive and furniture industries want to incorporate more biobased materials into their products;
- In addition to the State's network of community colleges and universities, MSU Extension is poised to provide initial and ongoing educational programs necessary for development of the workforce that will propel the bioeconomy;
- Michigan is strategically located near tens of millions of consumers; it has proximity to major markets, diverse manufacturing markets, and Canada;
- The governor and the Michigan Legislature have made alternative fuels an important focus of the \$2 billion 21<sup>st</sup> Century Jobs Fund program;
- MSU is committed to helping build the bioeconomy and created the Office of Biobased Technologies in 2006 to use MSU research and resources to help foster connections with public and private sector initiatives;
- The GLBRC at MSU is exploring scientifically diverse approaches to converting various plant feedstocks – agricultural residues, wood chips, and nonfood grasses – into liquid transportation fuels. In addition to its broad range of research projects, the GLBRC is also collaborating with agricultural researchers and producers to develop the most economically viable and environmentally sustainable practices for bioenergy production;
- MSU is working with State officials, Michigan Technological University, and several other universities on a group of innovative Michigan Centers of Energy Excellence to position Michigan as a national leader in alternative energy production and help reduce dependence on foreign oil;
- BioCollaborate, a partnership between MSU and the Biotechnology Institute, will place the university and partner bioeconomy company researchers side by side in cutting-edge lab space to solve problems, test new technology, and minimize the risks associated with commercializing new technology;

- MSU as a whole is supporting the bioeconomy through a number of efforts that increase the sustainability of MSU facilities. All diesel trucks, tractors, and other equipment use a blend of 20 percent biodiesel made from soy and 80 percent petroleum diesel. Manure, animal bedding, leftover animal feed, and leaves from south campus farms are composted to provide more than 12,000 cubic yards of mulch each year.

MSU calls upon the State to invest further in these emerging industries to position Michigan as a leader in the bioeconomy.

## Michigan Agricultural Experiment Station and MSU Extension

As Michigan's only land-grant university, MSU has a presence in every county and community in the State in the form of MAES and MSUE. With agriculture among the fastest-growing and largest sectors in the State's economy, MSU, in partnership with MAES and MSUE, boosts Michigan's agricultural economy in numerous ways, moving beyond the traditional production agriculture model into alternative fuels and composite materials. Agricultural jobs are growing in areas hardest hit by the global economic restructuring, which include Michigan's urban settings and its most rural settings.

MAES and MSUE have broadened their traditional roles to address the challenges we face today and anticipate for tomorrow. Access to the cutting-edge knowledge necessary is provided in every community around the State – even those without a research university nearby. That was the original, historic role of Extension and the Experiment Station and remains a powerful model MSU believes will continue to work for the future. The missions of these organizations are driven by "local" needs as identified by local leaders. Programs are constantly reviewed and enhanced to meet emerging needs.

## New challenges

Michigan and Michigan's research-extensive universities face daunting challenges as society and the economy are transformed. The growing connections among local, State, national, and international economies provide additional challenges and competition as MSU seeks to bring the best students, faculty, and staff from around the world to Michigan. Competition for public and private funds and strategic partners also becomes international in scope.

Therefore, Michigan State has embraced a set of five strategic imperatives, called *Boldness by Design*, that will position us to meet those challenges for Michigan. We make these commitments to our constituents, our stakeholders, and the State. Included in the following list are examples of initiatives in progress:

**Expand international reach**, as we've been doing since MSU established its International Studies and Programs Office nearly half a century ago, and as we continue to expand with MSU offices in China and Brazil. MSU is the first North American university in the newly created Dubai International Academic City, with classes having recently started in fall 2008.

**Enrich community, economic, and family life**, whether through cutting-edge programs that reach around the globe like the Rwandan coffee project in Africa or the SmartZone and Prima Civitas initiatives designed to fuel economic development and talent centers in mid-Michigan. **MSU will be the home of a new world-class art museum focusing on modern and contemporary art, thanks to a gift of \$26 million from MSU alumnus Eli Broad and his wife, Edythe.**

**Enhance the student experience** by strengthening connections between traditional academic and co-curricular experiences, through expanded undergraduate research, internships, international programs, and innovations such as the Residential College in the Arts and Humanities that opened fall 2007, with common core courses emphasizing world history, visual and performing arts, ethics, and culture.

**Increase research opportunities**, particularly in key areas like development of biofuels and the bioeconomy, plant and animal sciences, health and biomedical sciences, and nuclear science, while looking to our colleagues in the arts, humanities, and social sciences for assistance in defining the nature of social problems facing the world and helping create solutions for those problems. The Facility for Rare Isotope Beams (FRIB) is a half-billion dollar federal science project for important nuclear science research and MSU is competing for it. FRIB would have an estimated positive economic benefit of about \$1 billion over the next two decades and create hundreds of construction jobs. It could generate spin-off ventures commercializing applications in materials science, medical diagnosis and treatment, national security, and other sectors for years to come. Having FRIB located in Michigan would keep the State at the forefront of nuclear science research, attracting leading scientists from around the world to Michigan. It would be a significant asset to the URC, and having MSU as a site for FRIB would keep education as a key component of this research area.

**Strengthen stewardship**, as we successfully meet our endowment goal, and continue to be among the top 10 percent of colleges and universities in return on our investments. We will maintain our commitment that a degree earned at MSU will continue to increase in value in the coming years.

MSU's research laboratories continue to deliver breakthrough discoveries. We engage with Michigan communities and are national leaders in defining outreach and engagement as a research-extensive university of international scope. We collaborate with our public and private partners to apply our research strengths toward economic development and entrepreneurship in addressing society's most complex and perplexing challenges while using our internationally competitive research to address problems and opportunities in Michigan.

To build on our momentum, the State must acknowledge the essential role that world-ranked, research-extensive universities play in building a State's economy. Further, it must assure that MSU is able to offer the kinds of cutting-edge educational programs that our students will need to compete in the global marketplace and help transform Michigan's economy.

We must also address the continued erosion of the university's budget, driven by growing health care and energy costs, as well as the increasing need for physical plant maintenance and renovation. The people of Michigan have made investments in this institution and its infrastructure, and we must build on these investments.

## **Capital outlay**

This request to the State follows from both extensive planning efforts and the academic direction of the university. The request recognizes that capital funding has not been provided by the State for a major MSU capital outlay project in over a decade. The requests support programs that have strong national reputations, expanding research bases, and high enrollment demand. Additional capacity for research and teaching is consistent with the university's master plan as well as the State's interest in expanding access to higher education. Funding of these requests will provide economic development in the State, now and in the long term.

### **Renovations and Additions**

Requests for renovations and/or additions address extensive programmatic and maintenance improvements required by buildings previously funded by the State. Renovations may be needed to the configuration of the space in order to support the work of the programs housed in those facilities, upgrades to building systems, and provisions for barrier-free access. In other cases, due to program requirements, condition, age, and long-term value, an entire renovation of a building is warranted.

Requests for major renovations and/or additions include the Plant Sciences/Engineering Bioeconomy, Nursing, and Music facilities.

### **New Construction**

New construction is needed to support high-priority programs in both the sciences and the arts. Facilities are needed to support current and future programmatic initiatives and economic development of the State, now and in the long term.

Requests for new construction include an Interdisciplinary Science and Technology Building, College of Music Facility, and Biological Safety Level 3 Containment Laboratories.

### **Major Systems Replacement**

Over the next five years, current forecasts anticipate general fund facility and infrastructure needs of approximately \$171.0 million. In view of the extensive facility needs it faces, MSU has had to draw upon an increasing amount of internal university resources to address the most critical facility maintenance and programmatic requirements.

The university seeks funding for more targeted and specific building systems maintenance and instructional space facility upgrades. Examples of systems in need of repair or replacement include roofing, windows, electrical, mechanical, chiller, refrigeration, steam, fire, security, and barrier-free access. Instructional space upgrades may include replacement of furniture, ceiling, lighting, painting, power, data and technology support; lab benches and fume hoods.

## Conclusion: MSU is an engine for recovery of Michigan's economy

MSU is uniquely positioned to contribute to critical challenges facing Michigan and the nation. It is a site for creativity, for invention, and discovery all contributing to a long-standing tradition of innovation and a diverse range of partnerships that align resources to produce the greatest impact for the greatest good. State support remains critical to making this happen.

During times of increasingly strained financial resources, MSU continues to reinvest in the academic core of the university while insuring that its strategic imperatives are integrated into all academic and financial decisions across the university. MSU applies technology for greater effectiveness in instruction and administration, emphasizes cost-saving measures, and manages its physical plant wisely.

MSU continues to be a leader as a global agenda for American higher education takes shape, building on its extraordinary foundation to look across disciplines and boundaries to help solve problems, and prepare students of the 21<sup>st</sup> century. When people think about great international universities, we want them to think of Michigan State University.

We remain committed to Michigan businesses, students, families, and national and

## Appropriations History

Fiscal Year	State Operating Appropriations	Appropriations % Change from Previous Year	CPI	CPI % Change Prev. Year	HEPI*	HEPI % Change Prev. Year
1998-99	\$286,849,000	2.8%	164.8	1.8%	184.7	3.5%
1999-00	\$303,754,000	5.9%	167.6	1.7%	189.1	2.4%
2000-01	\$321,198,600	5.7%	172.5	2.9%	196.9	4.1%
2001-02	\$326,016,600	1.5%	178.4	3.4%	206.5	4.9%
2002-03	\$326,016,600	0.0%	181.6	1.8%	215.0	4.1%
2003-04	\$293,383,700	-10.0%	185.5	2.1%	221.2	2.9%
2004-05	\$287,500,000	-2.0%	189.6	2.2%	231.5	4.7%
2005-06	\$283,730,300	-1.3%	195.3	3.0%	239.5	3.5%
2006-07	\$287,185,500	1.2%	202.7	3.8%	251.8	5.1%
2007-08	\$290,139,800	1.0%	208.0	2.6%	260.3	3.4%
2008-09	\$293,041,200	1.0%	215.7	3.7%	269.7	3.6%
Ten Year Average Annual Change		0.2%		2.7%		3.9%
2008-09	\$375,444,959	If change from 1998-99 base according to CPI				
2008-09	\$418,858,556	If change from 1998-99 base according to HEPI				

\*The HEPI measures a fixed market basket of goods and service purchases by colleges and universities each year. It is a more accurate indicator of cost changes for colleges and universities than the CPI.

# MICHIGAN STATE UNIVERSITY

October 15, 2008

## MEMORANDUM

**TO:** MSU Board of Trustees

**FROM:** Lou Anna K. Simon, President

**SUBJECT:** Executive Management Appointments



## RESOLUTION

Be it resolved that the Trustee Policy Committee recommends to the Board of Trustees that it approve the "Principles and Procedures for Establishing Executive Management Positions and Titles," presented as Attachment 1, to replace the Board of Trustees' delegation action of October 23, 1981 (Attachment 3) and its action of June 26, 1981 (Attachment 4).

## BACKGROUND

The current executive management appointment system and compensation and benefit programs, which cover the President, vice presidents, and other senior University administrators, result from Board of Trustees' actions in May and June 1981. They have remained largely unchanged over the last 27 years except for title changes, a modest increase in the number of executive management positions, and elimination of an executive management severance compensation program in 1985.

## Executive Management System Review

At my request, Dr. Robert F. Banks, Associate Provost and Associate Vice President for Academic Human Resources Emeritus and Senior Consultant to the Provost, reviewed the executive management system and the compensation and benefits of executive managers, conducted interviews with the vice presidents and executive officers to solicit their input, and obtained information from other CIC universities.

The intent of the review was twofold: first, to streamline and make transparent the principles for establishing and modifying executive management positions and titles, including updating old policy language and clarifying longstanding appointment practices; second, to validate the compensation program for executive managers to ensure that MSU is competitive externally and equitable internally in recruiting and retaining individuals for these positions.



OFFICE OF  
THE PRESIDENT

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The review did not contemplate a significant expansion in the scope of the executive management system or an encroachment on positions now included in other University personnel systems. Nor did the review contemplate substantial changes in benefits offered to executive managers, which are generally comparable to benefits for tenure-stream faculty members.

The results of the review are summarized below and are reflected in the attached documents, “Principles and Procedures for Establishing Executive Management Positions and Titles” (“Principles and Procedures”) (Attachment 1) and “Executive Management Benefits Summary” (Attachment 2).

### **A. Executive Management Positions and Titles**

As noted above, the first goal of the review was to streamline and make transparent the principles for establishing and modifying executive management positions and titles. Two basic concepts shape how the Principles and Procedures achieve this goal: (1) the Board should maintain control over the appointments of the University’s key senior managers; and (2) the President should be responsible for the appointment of other executive managers and for overseeing the University’s executive management personnel system, the latter to include an annual report to the Board and appropriate consultation with the Board’s Compensation Committee. Both concepts are discussed below.

The Board of Trustees currently approves appointments to key senior management positions at the University, including:

- The President.
- All vice presidents, including the Provost; the Secretary of the Board of Trustees; the Director of Intercollegiate Athletics; the Senior Associate Provost; the Deputy General Counsel; and each Senior Associate Vice President.
- Academic deans and specified athletic coaches (football, men’s and women’s basketball, ice hockey).

Under the proposed Principles and Procedures, the Board will retain appointment authority for these positions, as well as the other positions listed on Attachment 5.

As University programs, requirements, and directions change, it will be necessary to create new executive management positions, restructure existing positions, change titles, modify responsibilities, and re-delegate personnel action authority. Currently, the establishment of a new executive management position title must be approved by the Board of Trustees; by longstanding practice, a change in the title of an existing position is approved by the President.

To increase efficiency and transparency, I propose that the Board of Trustees delegate to the President the authority to establish and modify executive management positions and titles, including the approval of individual appointments and personnel actions for such positions,

except for the positions listed on Attachment 5, over which the Board would retain appointment authority. The Board would also retain control over all personnel actions relating to the President. This delegation is incorporated in the Principles and Procedures and would replace the Board's delegation action of October 23, 1981 (Attachment 3).

Consistent with the President's oversight of the executive management system, the President would set the number of full-time equivalent (FTE) executive management positions and titles assigned to each vice presidential area. The President would be able to delegate authority for the approval of appointments and/or other personnel actions for the more junior executive management positions to the proper vice presidents.

To facilitate continuing oversight of the executive management system by the Board, the President would submit an annual report to the Board by June 30 of each year, beginning June 30, 2009, that would include the number of executive management FTEs by vice presidential area and the salary of each executive manager. The President will review this report with the Board Compensation Committee.

#### **B. Executive Management Compensation and Benefits**

As noted above, a second objective of the review was to ensure fair and equitable treatment among executive managers at MSU and enhance the competitiveness of MSU's executive management compensation program.

In order to accomplish this objective, several adjustments to the executive management compensation and benefit program are warranted. These adjustments are reflected in the attached Benefits Summary. They include: conducting a regular review of executive management salaries using the mid-point of salary rates at CIC universities as a standard; providing professional development support for executive managers; introducing a modest increase in vacation entitlement to be more consistent with practices at other CIC institutions; and establishing a limited program of transitional support following termination, subject to approval by the President on a case by case basis.

The President will continue to work with the Board's Compensation Committee within the scope of its charge on matters of executive compensation, including benefits for executive managers.

cc: Provost Kim A. Wilcox  
Vice President Fred L. Poston  
Vice President J. Ian Gray  
Vice President Robert A. Noto  
Secretary Bill Beekman  
Associate Provost Theodore Curry II  
Associate Provost Emeritus Robert F. Banks  
Deputy General Counsel Kristine Zayko

# MICHIGAN STATE UNIVERSITY

## Principles and Procedures for Establishing Executive Management Positions and Titles

### **Terms of Appointment**

Executive management positions are held by senior University level administrators, including the President, vice presidents, Senior Associate Provost, Deputy General Counsel, Senior Associate Vice Presidents, associate and assistant vice presidents/provosts/general counsels, and specified directors. Apart from the President, the terms of whose employment are established by the Board of Trustees, individuals holding executive management positions serve at the pleasure of the administrative superior to whom responsibility for personnel actions has been delegated and may be removed from their executive management positions at any time without notice or cause. Neither this summary nor the terms of the policies applicable to executive management positions shall be construed to alter an individual's at-will employment status. An individual executive manager's status as a tenured faculty member is not affected by the at-will status of his/her executive management appointment. As approved by the President, executive management positions may be filled on a full- or part-time basis and with a continuing or fixed term appointment; in all cases, the appointment has at-will status.

### **Principles and Procedures for Establishing Executive Management Positions and Titles**

Executive management positions are established for senior University level administrators who have responsibilities and authority for which employment-at-will status is appropriate. While the specific focus of each position varies as a result of organizational needs and requirements, the following characteristics are relevant to a determination of executive management status: integration of internal and external program/policy issues; organizational representation and liaison; direction of and guidance for programs, projects or policy development, including review of implementation and results; administration of significant and material resources and management and utilization of human resources.<sup>1</sup>

The President has the authority and responsibility to establish the number of full-time equivalent (FTE) executive management positions assigned to each vice presidential area.<sup>2</sup> After consultation with the relevant vice president, the President may increase, decrease, or maintain the number of FTE executive managers in that vice presidential area, and may change or modify any executive manager's title, except for titles for positions over which the Board retains appointment authority.<sup>3</sup> The number of FTE positions and the position titles will reflect factors such as University objectives, organizational needs, and market competition.

The Executive Assistant to the President and the Associate Provost and Associate Vice President for Academic Human Resources will advise the President on

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<sup>1</sup> Adopted from the United States Office of Personnel Management, A Guide to Executive Qualifications.

<sup>2</sup> The Board retains authority for the appointment of vice presidents.

<sup>3</sup> See Appendix I. Appendix I is a current list of executive management position titles that will be updated from time to time to remain accurate.

requests from the vice presidents regarding additional executive management FTEs and the titles for those positions, title modifications, and personnel actions delegated to the President. Hiring procedures for executive managers are included in Appendix II.

### **Authority for Approval of Personnel Actions for Executive Management Positions**

The Board of Trustees retains authority for the appointment of, and all other personnel actions relating to, the President.

The Board of Trustees approves the appointment of, and the President approves all other personnel actions relating to, the following executive management positions:<sup>4</sup>

- All vice presidents, including the Provost and Vice President for Academic Affairs and the Vice President for Legal Affairs and General Counsel
- The Senior Associate Provost, Deputy General Counsel, and each Senior Associate Vice President<sup>5</sup>
  - The Director of Intercollegiate Athletics
  - The Secretary of the Board of Trustees

The President approves the appointment of, and all other personnel actions relating to, all other executive management positions. The President may delegate to the relevant vice president the authority for approval of the appointment of, and all other personnel actions relating to, specific executive management positions. The President shall submit an annual report to the Board of Trustees by June 30<sup>th</sup> of each year that includes the number of executive management FTEs by vice presidential area and the salary of each executive manager. The President will review this report with the Board Compensation Committee.

The attached Executive Management Benefits Summary provides a brief description of benefits provided to executive managers, which generally parallel the benefits for tenured faculty. Only the President has the authority to provide benefits that are different than the benefits summarized in the Executive Management Benefits Summary. Any employment agreement that provides benefits that are different than the benefits summarized in the Executive Management Benefits Summary must be approved by the President in writing.

Any part of the Executive Management Benefits Summary or of these Principles and Procedures for Establishing Executive Management Positions and Titles may be changed unilaterally by the University with written notification to executive managers. Detailed information is available from the Associate Provost/Associate Vice President for Academic Human Resources (353-5300) and MSU Human Resources Benefits (353-4434 or, if out of the Lansing area, 1-800-353-4434).

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<sup>4</sup> See also Appendix III. Appendix III lists positions outside of the executive management system for which the Board of Trustees retains appointment authority.

<sup>5</sup> Within each vice presidential area, only one individual may hold a position whose title denotes the senior subordinate to the Vice President in that area, i.e., Senior Associate Provost, Deputy General Counsel, or Senior Associate Vice President. With the approval of the President, the prefix of “senior” or “deputy” may be added to titles to indicate significant professional advancement, so long as those titles do not suggest a status equivalent to a Vice President’s senior subordinate.

**Board of Trustees approves all personnel:**

resident

**Board of Trustees approves appointment;**

Provost and Vice President for Academic Affairs

Vice President for Advancement

Vice President for Finance and Operations and

Vice President for University Projects

Vice President for University Relations

Director of Intercollegiate Athletics

Deputy General Counsel

Senior Associate Provost

Senior Associate Vice President for Student Affairs and Services

Secretary of the Board of Trustees

**President approves all personnel actions:**

Associate General Counsel

Associate Vice President for Advancement Services

Associate Vice President for Alumni Relations and Executive Director of the MSU Alumni Association

Associate Vice President for Development

Associate Vice President for Finance and Operations

Associate Vice President for Governmental Affairs

Associate Vice President for Research and Graduate Studies

Associate Vice President for Student Affairs and Services

Associate Vice President University Relations

Assistant General Counsel

ant Vice President for F

ant Vice President for C

ant Vice President for F

ant Vice President for F

ant Vice President for I

ant Vice President for I

Assistant Vice President for  
Executive Assistant to the President  
Associate Director of MSU Alumni Association  
Director of Internal Audit  
Senior Advisor to the President and Director of the Office for Inclusion and Intercultural Initiatives  
Vice Provost for Libraries, Computing and Technology

**President approves appointment; Provost approves all other personnel actions:**

Associate Provost  
Associate Provost and Associate Vice President for Academic Human Resources  
Associate Provost for Academic Services  
Associate Provost for Academic Student Services and Multicultural Issues  
Associate Provost for Graduate Education  
Associate Provost for Human Health Affairs  
Associate Provost for Undergraduate Education  
Associate Provost for University Outreach and Engagement

**Provost and Vice President for Academic Affairs approves all personnel actions:**

Director of Enterprise Information Stewardship

Director of Facilities Planning and Space Management

Director of Performing Arts Facilities and Programs

Director of MSU Student Health Center

Director of University Archives and Historical Collection

**Vice President for Finance and Operations and Treasurer approves all personnel actions:**

Director of Auxiliary Services

Director of Benefits

Director of Building Services

Director of Campus Planning and Administration

Director of Contract and Grant Administration

Director of Employee Relations

Director of Financial Investments and Financial Management

Director of Human Resources Administrative Services

Director of Human Resource Services

Director of Land Management

Director and Police Chief of MSU Police

Director of Telecommunications and Transportation

Director of University Housing  
Director of University Services  
Director of Utilities Services  
University Architect  
University Engineer  
Assistant Chief Police and Public Safety

**Vice President for Advancement approves all personnel actions:**

Director of the Capital Campaign  
Director of College Programs  
Director of Corporate Relations  
Director of Development  
Director Development, Director of Administrative Services  
Director of Foundation Relations  
Director of Major Gift Program  
Director of Principal Gifts  
Director of Special and Annual Giving

**Vice President for Research and Graduate Studies approves all personnel actions:**

Director Technologies

Director of Intellectual Property

**Vice President for Student Affairs and Services approves all personnel actions:**

Director of Career Services and Placement

Director of Counseling Center

Director of Intramural Sports and Recreative Services

Director of Residence Life

**Vice President for University Relations approves all personnel actions:**

Director of Public Relations

**Vice Provost for Libraries, Computing and Technology approves all personnel actions:**

Director of Academic Technology Services

Director of Administrative Information Services

Director of Broadcasting Services

**Associate Provost for Academic Services approves all personnel actions:**

Director of Admissions

Director of Financial Aid

Registrar (previously approved by the Provost)

Associate Provost for Human Health Affairs approves all personnel actions:

Administrative Director Clinical Center

Assistant Vice President for Finance, CFO and Controller approves all personnel actions:

Director of Risk Management and Insurance

Hiring Procedures and Guidelines for Executive Management Positions

1. The Academic Hiring Procedures (<http://www.hr.msu.edu/HRsite/Documents/Faculty/Handbooks/Hiring/>) are applicable for all executive management (Appendix I) positions.
2. The Academic Hiring Procedures do not apply to the appointment of a person in an “acting” capacity or to changes in title or responsibility that result from reorganization or reclassification.
3. Executive managers are “at-will” employees and serve at the pleasure of their immediate supervisor; there is no tenure or job security in executive management positions.
4. For executive managers who also have faculty status, the academic appointment and related personnel actions are treated as separate employment issues and are processed by the Office of the Provost.
5. The procedure for selecting the President and the conditions of employment for the President are established by action of the Board of Trustees.
6. The selection of the Provost, Vice President for Research and Graduate Studies and Vice President for Student Affairs and Services is covered by the Procedure for Faculty and Student Participation in the Selection of Specified University Level Administrators.
7. Search procedures and criteria for selection are approved by the administrator responsible for the personnel recommendation after consultation with the President.
8. Positions will be posted unless an exception is granted by the President. In all cases, the administrator responsible for the personnel recommendation must be able to document that good faith efforts were made to recruit and give consideration to a diverse set of candidates.
9. The administrator responsible for the personnel recommendation must be able to demonstrate that criteria used to evaluate the candidates did not discriminate against or inappropriately screen out candidates in violation of the University’s Anti-Discrimination Policy.

The administrator’s report to the President, applicable vice president, or designee will include a list of the candidates considered, a summary of the credentials of the final candidates, documentation of good faith efforts to include diverse candidates in all phases of the selection process, and the rationale for the recommended personnel action. The report will include the assessment from individuals and/or groups who interviewed the final candidate.

## Appendix III

### Positions Outside of the Executive Management System for Which the Board of Trustees Retains Appointment Authority

Dean, College of Agriculture and Natural Resources  
Dean, College of Arts and Letters  
Dean, Residential College in the Arts and Humanities  
Dean, Eli Broad College of Business  
Dean, Communication Arts and Sciences  
Dean, College of Education  
Dean, College of Engineering  
Dean, College of Human Medicine  
Dean, James Madison College  
Dean, Lyman Briggs College  
Dean, College of Music  
Dean, College of Natural Science  
Dean, College of Nursing  
Dean, College of Osteopathic Medicine  
Dean, College of Social Science  
Dean, College of Veterinary Medicine  
Dean, Graduate School  
Dean, Honors College  
Dean, International Studies and Programs  
Dean, Undergraduate Studies  
Director, Libraries  
Director, National Superconducting Cyclotron Laboratory  
Head Basketball Coach (Men)  
Head Basketball Coach (Women)  
Head Football Coach  
Head Ice Hockey Coach  
Faculty Grievance Official  
Ombudsman  
Secretary for Academic Governance

PERSONNEL ACTIONS, EXECUTIVE-MANAGEMENT AND ACADEMIC ADMINISTRATORS

Delegation      On October 23, 1981, the Board of Trustees voted to continue to approve, without delegation, appointments for the following positions and delegated to the President authority for other personnel actions, including salary increases, leaves, resignations and terminations for these positions. Positions approved by the Board since October 23, 1981, are incorporated.

## Provost

Vice President for Finance and Operations and Treasurer

General Counsel

Vice President for University Relations

Vice President for Research and Graduate Studies

Vice President for University Development

Vice President for Student Affairs and Services

Vice President for Health Services and Facilities

Vice Provost for Agriculture and Natural Resources

Vice Provost for Human Health Programs

Associate Vice President for Business and Finance and

Assistant Treasurer

Associate Vice President for Development

Associate Provost

Associate General Counsel

Executive Director of MSU Alumni Association

Secretary to the Board of Trustees

Dean of the College of Agriculture and Natural Resources

Dean of the College of Arts and Letters

Dean of the College of Business

Dean of the College of Communication Arts and Sciences

Dean of the College of Education

Dean of the College of Engineering

Dean of the College of Human Ecology

Dean of the College of Human Medicine

Dean of James Madison College

Dean of the College of Natural Science

Dean of the College of Nursing

Dean of the College of Osteopathic Medicine

Dean of the College of Social Science

Dean of the College of Veterinary Medicine

Dean of Lifelong Education Programs

Dean of International Studies and Programs

Dean of Urban Affairs Programs

Director of Academic Computing

Director of Honors College

Director of the Libraries

Director of Intercollegiate Athletics

Head Basketball Coach

Head Football Coach

Head Hockey Coach

Faculty Grievance Official

Ombudsman

Secretary for Academic Governance

On October 23, 1981, the Board of Trustees delegated to the President authority for appointments and other personnel

actions for these administrative positions. Positions approved by the Board since October 23, 1981, are incorporated.

Assistant Vice President for Personnel and Employee Relations  
Assistant Vice President for Administration and Public Affairs  
Assistant Vice President for Administration  
Assistant Vice President for Finance  
Assistant Vice President for Physical Plant  
Assistant Vice President for Housing and Food Services  
Assistant Vice President for Research  
Assistant Vice President for Services and Industrial Assistance  
Assistant Vice President for Student Affairs and Services  
Assistant Provost for General Academic Administration  
Assistant Provost for Academic Personnel Administration  
Assistant Provost for Undergraduate Education

On October 23, 1981, the Board of Trustees approved the recommendations to delegate to the President authority for appointments and other personnel actions for the following positions, with authority to redelegate in accordance with a plan for redelegation filed with the Board of Trustees. Positions approved by the Board since October 23, 1981, are incorporated.

Assistant to the President  
Assistant to the Provost  
Assistant to the Vice President for Student Affairs and Services  
Director of Admissions and Scholarships  
Director of Automotive and Utilities Services  
Director of Financial Aids  
Director of Human Relations  
Director of Instructional Media Center  
Director of Internal Audit  
Director of Instructional and Public Television  
Director of Personnel Administration  
Director of Public Relations  
Director of Campus Park and Planning  
Director of Olin Health Center  
Director of Planning and Budgets  
Director of Placement Services  
Director of Public Safety  
Director of University Services  
Director of Major Gifts Programs  
Director of Corporate Relations  
Director of Foundation Relations  
Director of Facilities Maintenance and Telecommunication Systems  
Executive Assistant to the President  
Manager of University Housing  
University Architect  
Director of Facilities Planning and Space Management  
University Engineer  
Administrative Director/Clinical Center  
Controller

Director of Contract and Grant Administration  
Director of Administrative Information Services  
Director of Employee Relations  
Director of University Housing Programs  
Registrar

-- Director of Performing Arts Facilities and Programs  
Director of Development

D. OTHER ITEMS FOR ACTION, cont.

June 25-26, 1981

16. Compensation & Benefit Program

Resolved that the compensation and benefit program for the positions listed in Exhibit I (on file in the Secretary's Office) be approved.

Approved by a vote of 8 to 0 on motion by Trustee Fletcher, seconded by Trustee Krolkowski.

Trustee Bruff said that by adopting the above item it is not the Board's intent to create or recognize any group of employees but action is being taken relative to individuals.


Other Positions for which the Board of Trustees retains appointment authority

Dean, College of Agriculture and Natural Resources  
Dean, College of Arts and Letters  
Dean, Residential College in the Arts and Humanities  
Dean, Eli Broad College of Business  
Dean, Communication Arts and Sciences  
Dean, College of Education  
Dean, College of Engineering  
Dean, College of Human Medicine  
Dean, James Madison College  
Dean, Lyman Briggs College  
Dean, College of Music  
Dean, College of Natural Science  
Dean, College of Nursing  
Dean, College of Osteopathic Medicine  
Dean, College of Social Science  
Dean, College of Veterinary Medicine  
Dean, Graduate School  
Dean, Honors College  
Dean, International Studies and Programs  
Dean, Undergraduate Studies  
Director, Libraries  
Director, National Superconducting Cyclotron Laboratory  
Head Basketball Coach (Men)  
Head Basketball Coach (Women)  
Head Football Coach  
Head Ice Hockey Coach  
Faculty Grievance Official  
Ombudsman  
Secretary for Academic Governance

**MICHIGAN STATE**  
**UNIVERSITY**

October 16, 2008

**MEMORANDUM**

**To:** Trustee Policy Committee  
**From:** Kim A. Wilcox   
**Subject:** Revised Bylaws for the MSU HealthTeam

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Policy Committee recommends to the Board of Trustees the adoption of the attached MSU HealthTeam Operating Bylaws; and

BE IT FURTHER RESOLVED that the ongoing management of the MSU HealthTeam shall be the responsibility of the President, the Provost and their designees.

**BACKGROUND**

The Board of Trustees established a faculty group practice plan in 1976, which is known as the MSU HealthTeam. At that time, the plan's bylaws (copy attached) reflected a role for the Board of Trustees in making certain leadership decisions in conjunction with the Vice President for Health Services and Facilities.

Since the formation of the MSU HealthTeam, the University has changed the administrative structure of the University, including eliminating the position of Vice President of Health Services and Facilities. Further, the operations of the MSU HealthTeam have increased dramatically during the intervening 32 years, in keeping with the growing complexities of health care. The President and Provost have provided administrative leadership for the MSU HealthTeam as these changes have occurred.

The attached Bylaws capture the roles of the President and Provost in providing oversight for the MSU HealthTeam and set forth a day-to-day governance



OFFICE OF THE  
**PROVOST**

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**MICHIGAN STATE UNIVERSITY FACULTY PRACTICE PLAN  
MSU HEALTHTEAM  
OPERATING BYLAWS**

**ARTICLE I  
PURPOSE**

The MSU HealthTeam (MSUHT) is established to coordinate the clinical provider practice of the mid-Michigan campus of the College of Human Medicine (CHM) of Michigan State University (MSU), MSU's College of Osteopathic Medicine (COM), MSU's College of Nursing (CON), and MSU's Olin Student Health Center (OSHC). The purpose of the MSUHT is to develop and maintain a high quality, productive clinical operation which provides (a) CHM, COM and CON (collectively the "Colleges") with a resource to meet their goals in teaching, research, and patient care; (b) the Colleges with the financial resources and clinical experiences necessary to recruit and retain high quality medical and nursing faculty; and (c) the MSU student population and the greater Lansing area with access to high quality health care.

**ARTICLE II  
MEMBERSHIP**

- 2.10 Criteria for Membership. All MSUHT credentialed providers who have CHM, COM, or CON faculty appointments or who work at OSHC shall be Members of the MSUHT.
- 2.11 Responsibilities. Members shall comply with all MSU and MSUHT policies and procedures, including, but not limited to, those pertaining to credentialing, billing, and compliance.
- 2.12 Termination. Membership in the MSUHT shall terminate if:
- 2.12.1 The Member's MSU employment ends; or
- 2.12.2 The Member loses his or her MSUHT credentialed status.
- 2.13 Meetings of the Membership. The Membership shall meet in general session annually at a location designated by the Chair of the MSUHT Operating Board. Notice of the annual meeting shall be distributed to the Members at least two weeks prior to the meeting.

ARTICLE III  
MSU OPERATING BOARD

3.10 Authority. Subject to the approval of the MSU Provost pursuant to Bylaw 6.10, below, the MSUHT Operating Board (Board) shall have the authority to establish strategies, policies, rules, and procedures governing the operations of the MSUHT. This authority shall be exercised in accordance with MSU policies.

3.11 Board Members. The Board shall be comprised of the following:

3.11.1 Ex-Officio Board Members – Voting

- 3.11.1.1 MSU Assistant Vice President of Planning and Budgets
- 3.11.1.2 MSU Associate Provost for Human Health Affairs (Chair)
- 3.11.1.3 Dean, CHM
- 3.11.1.4 Dean, COM
- 3.11.1.5 Dean, CON
- 3.11.1.6 Director, OSHC
- 3.11.1.7 **Chief Executive Officer, MSUHT (Vice Chair)**

3.11.2 Ex-Officio Board Members – Non-voting

- 3.11.2.1 Provost and Vice President for Academic Affairs

3.11.3 Appointed Board Members

- 3.11.3.1 Chair Representative, CHM
- 3.11.3.2 Chair Representative, COM
- 3.11.3.3 Faculty Representative, CHM
- 3.11.3.4 Faculty Representative, COM
- 3.11.3.5 At Large Board Member

3.11.4 Terms. Ex-officio Board Members shall remain members of the Board as long as they remain in the designated position. Terms for all appointed Board Members shall be three years. There shall be no limit to the number of terms an individual may serve.

3.11.5 Appointment Process. Appointed Board Members shall be appointed as follows:

- 3.11.5.1 Chair Representative, CHM – appointed by the Dean of CHM
- 3.11.5.2 Chair Representative, COM – appointed by the Dean of COM

- 3.11.5.3 MSUHT Member Representative, CHM – elected by the CHM Members
  - 3.11.5.4 MSUHT Member Representative, COM – elected by the COM Members
  - 3.11.5.5 At Large Board Member – appointed by the Chair of the Board
- 3.12 Report to Membership. The Board shall report on the activities of the MSUHT, in writing, to the Membership at the annual meeting.
- 3.13 Meetings. The Board shall meet on a monthly basis at such time and location as the Board shall determine. Minutes, including attendance, shall be taken at all meetings of the Board.
  - 3.13.1 Quorum. One-half (1/2) of the Board shall constitute a quorum.
  - 3.13.2 Majority. A simple majority vote shall prevail on all motions presented for approval.
  - 3.13.3 Substitutes. Board Members who are unable to attend a meeting may send a substitute, but only with the prior approval of the Chair of the Board. However, no substitute may vote on any matter that comes before the Board. Substitutes shall not be counted for the purpose of establishing a quorum.
- 3.14 Committees. The standing committees of the Board shall meet on a regular basis, with minutes and attendance taken at each meeting. The minutes shall be forwarded to the Chief Executive Officer of the MSUHT. All committee members who are not members by virtue of the MSU position they hold shall have three-year terms. Board committees are advisory; their recommendations are submitted to the Board for action. Bylaws 3.13.1, 3.13.2, and 3.13.3 are applicable to the operations of the Board committees.
  - 3.14.1 The Quality Council shall be responsible for credentialing providers, for establishing the quality standards for the Members, and for monitoring Member performance against these standards. In performing its responsibilities, the Quality Council may appoint subcommittees to focus on specific areas of credentialing, quality assurance, and patient safety. The Board shall appoint the chair and members of the Quality Council.
  - 3.14.2 The Finance and Facilities Committee shall be responsible for monitoring the annual budget of the MSUHT, monitoring compliance with the Medical Service Plan, and reviewing and making recommendations on facility development and clinic relocation requests. In performing its responsibilities, the Finance and Facilities Committee may appoint a subcommittee to focus on facilities. The

Board shall appoint the chair and members of the Finance and Facilities Committee.

- 3.14.3 The Compliance Committee shall be responsible for developing, maintaining and monitoring compliance policies that are consistent with external regulations, MSU policies, and Board compliance mandates. The Board shall appoint the chair and members of the Compliance Committee.
- 3.14.4 The Risk Management and Insurance Committee shall be responsible for establishing a risk management process, recommending procedural changes to reduce risk, monitoring malpractice cases from the filing of a notice of intent to final disposition, and monitoring the malpractice fund balance. The chair of this committee shall be the Chief Executive Officer of the MSUHT. The Risk Manager of Michigan State University and the Risk Manager of the MSUHT shall be members of this committee. The Board shall appoint all remaining members of the Risk Management and Insurance Committee.
- 3.14.5 The Health Information Technology Steering Committee shall be responsible for recommending a strategic plan for information technology and for prioritizing technology projects. In performing its responsibilities, the Health Information Technology Steering Committee may appoint subcommittees to focus on specific aspects of health information technology. The chair of this committee shall be the Chief Information Officer of the MSUHT. The Board shall appoint the other members of the Health Information Technology Steering Committee.
- 3.14.6 The Departmental Advisory Committee shall be comprised of the Chair of the Board, the MSUHT Member Representatives of CHM and COM on the Board, one representative of each department in CHM and COM, a faculty representative of CON selected by the Dean of CON, the Director of OSHC, and a provider representative of OSHC selected by the Director of OSHC. The departmental representatives from CHM and COM shall be MSUHT Members elected by the MSUHT Members in their respective departments. The Department Advisory Committee may provide input on issues to be considered by the Board and may place recommendations on the Board agenda.

#### ARTICLE IV MEDICAL SERVICE PLAN

- 4.10 Development. A Medical Service Plan (MSP) shall be developed to describe the process of distribution of MSUHT income. It shall show the flow of funds into the MSP, the expenses that may be applied to the MSP, and the process

to be used in allocating net income to Members. This MSP document shall contain the following details:

- 4.10.1 A comprehensive definition of all income that is to be included in the MSP;
- 4.10.2 A comprehensive definition of all direct clinical expenses that may be applied to MSP income;
- 4.10.3 An identification of all indirect expense allocations that may be applied to MSP income; and
- 4.10.4 A process for allocating the net income to Members.

## ARTICLE V BUSINESS OPERATIONS

- 5.10 Administrative Leadership. A Chief Executive Officer (CEO) shall manage the MSUHT, pursuant to the policies and procedures established by the Board. The CEO is appointed by, and reports to, the Associate Provost for Human Health Services.
- 5.11 Budgeting. The CEO and his or her staff shall prepare an annual operating budget reflecting the MSUHT's projected income and expenditures. The budget will be presented to the Finance and Facilities Committee for review and then to the Board for final approval.
- 5.12 Financial Reporting. The CEO and his or her staff shall prepare monthly financial reports for the Finance and Facilities Committee and the Board. The financial reports will present the MSUHT's consolidated actual income and expenditures, with the corresponding budgets, for both the current month and year to date.
- 5.13 Billing Responsibility. A central MSUHT billing office shall be maintained under the direction of the CEO. All professional fees that are within the scope of the MSP, unless otherwise specified by the Board, shall be billed and collected by the MSUHT's central billing office, in accordance with the procedures approved by the Board. All sums collected shall be deposited into an MSP account.

## ARTICLE VI THE PROVOST

- 6.10 Approval of Board Actions. Each action of the Board is subject to the approval of the Provost.

- 6.11 Recommendation to the President. The Provost may recommend amendments to the Bylaws to the President.
- 6.12 Other Actions. The Provost may take any other action concerning the MSUHT that is delegated to the Provost by the President.

## ARTICLE VII THE PRESIDENT

- 7.10 Authority. The President is responsible for the ongoing management of the MSUHT. The President may delegate this responsibility, except for the Reserved Authority set forth in Bylaw 7.11, below.
- 7.11 Reserved Authority.
  - 7.11.1 The President may amend the Bylaws at any time, with or without a recommendation from the Board or the Provost.
  - 7.11.2 The President may repeal the Bylaws and dissolve the Board at any time.

## ARTICLE VIII COMPLIANCE AND ETHICS

- 8.10 Compliance and Ethics. Members shall perform their MSUHT activities in an ethical manner and in a manner that is consistent with the compliance policies established by the Board and the University.
  - 8.10.1 Each Member must follow the code of ethics adopted by that Member's professional society (American Medical Association, American Osteopathic Association, and American Nursing Association). In addition, the MSUHT specifically recognizes the following general principles of ethics for all Members, who shall:
    - 8.10.1.1 Be dedicated to providing competent health care with compassion and respect for human dignity and rights.
    - 8.10.1.2 Uphold the standards of professionalism, be honest in all professional interactions, avoid conflicts of interest, and strive to report providers deficient in character or competence or engaging in fraud or deception.

- 8.10.1.3 Respect the rights of patients, colleagues, and other health professionals, and safeguard patient confidences and privacy in a manner consistent with applicable law.
  - 8.10.1.4 Continue to study, apply, and advance scientific knowledge, maintain a commitment to education, make relevant information available to patients, colleagues, and the public, obtain consultation, and use the talents of other health professionals when indicated.
  - 8.10.1.5 While caring for a patient, regard responsibility to the patient as paramount.
- 8.10.2 The Board shall appoint a Compliance Officer. The Compliance Officer shall develop a compliance plan which documents the process for developing compliance policies and training of Members and MSUHT staff on the policies. The Compliance Officer shall also report to the Board, on a routine basis, but not less than annually, on MSUHT compliance efforts and Members' variances with compliance policies.

#### ARTICLE IX AMENDMENT OF BYLAWS

- 9.10 By the Board. The Board may recommend to the President, with approval from the Provost, amendments to the Bylaws.
- 9.11 By the Provost or President. The Provost may recommend amendments to the Bylaws, pursuant to Bylaw 6.11, and the President may amend or approve amendments to the Bylaws, pursuant to Bylaw 7.11.1.

MICHIGAN STATE UNIVERSITY MEDICAL SERVICE PLAN  
of the  
College of Human Medicine  
and the  
College of Osteopathic Medicine

Submitted for amendment  
July 1, 1981  
Revised March 31, 1983

Approved by the  
Board of Trustees of  
Michigan State University  
June 23, 1976

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MICHIGAN STATE UNIVERSITY MEDICAL SERVICE PLAN  
of the  
College of Human Medicine  
and the  
College of Osteopathic Medicine

PREAMBLE

The primary goal of the college of Human Medicine and the College of Osteopathic Medicine at Michigan State University is the improvement and maintenance of human health with an emphasis upon the needs of all the people of Michigan and upon cost-effective modes of providing patient care which yield greater public benefits. The medical colleges pursue this goal through their educational, research and service programs in collaboration with other relevant units of the University.

Essential to these programs is the provision of patient care, a consequence of which is the generation of professional fee income. This Medical Service Plan is predicated on the principle that such income should be used to enhance and further these programs to better serve the public interest. It is for this purpose that this Medical Service Plan, containing policies, rules and procedures relevant to the management of professional fee income, has been developed.

# 1 POLICIES

## 1.1 The establishment of a Medical Service Plan

1.1.1 A Medical Service Plan is hereby established for the College of Human Medicine and College of Osteopathic Medicine of Michigan State University.

1.1.2 All policies, rules and procedures as contained in this document and rules, procedures and practices derived therefrom shall conform with established University policies, rules, procedures and practices.

## 1.2 Title

1.2.1 Michigan State University Medical Service Plan of the College of Human Medicine and the College of Osteopathic Medicine.

## 1.3 Purpose

1.3.1 To provide policies, rules and procedures relative to the effective use of the Medical Service Plan Income to enhance and further the programs of the medical colleges so as to better serve the public interest.

1.3.2 To specify procedures by which Medical Service Plan Income shall be managed to supplement basic support of such programs; to sustain and enhance faculty incentives to engage in patient care which results in benefits to programs to the public, and to the professional development of faculty; and to make it financially feasible to recruit and retain highly capable faculty necessary to develop and sustain quality programs.

## 1.4 Scope

1.4.1 The Plan covers and includes all Medical Service Plan Income as herein defined.

## 1.5 Organization of the Medical Service Plan

1.5.1 The overall administrative responsibility for the Medical Service Plan as it relates to both medical colleges shall be vested jointly in the deans of the

College of Human Medicine and the College of Osteopathic Medicine. With respect to Plan matters which relate uniquely to a given college, each dean shall have overall administrative responsibility thereof.

- 1.5.2 Direct administration of day-to-day operations of the Plan shall be delegated to a Plan Manager who shall report conjointly to the deans and to the Vice President for Health Services and Facilities(2.4).
- 1.5.3 The Plan recognizes and acknowledges the proper and necessary involvement of departmental chairpersons and Plan Members in decision-making related to the Plan. this recognition is accomplished by prescribing Plan committees drawn from these groups to advise and assist the deans in discharging their collective and individual administrative responsibilities under the Plan. These committees shall be:
  - 1.5.3.1 A College Plan Committee in each medical college comprised of specified chairpersons and elected Plan Members of the college(2.3.4) with which the respective dean shall consult or seek advice on those matters of the Plan which relate uniquely to the respective college(2.3.9).
  - 1.5.3.2 A Joint College Plan Committee comprised of members drawn from the individual College Plan Committees(2.3.2) with which the deans conjointly shall consult or seek the advice on those matters which relate to both colleges and to the overall administration of the Plan(2.3.8).
- 1.5.4 The specific responsibilities vested in the deans for the Plan are detailed in this document(2.3.8 and 2.3.9). Among these responsibilities are the following:
  - 1.5.4.1 Overseeing the general management of the Plan with authority for day-to-day administration delegated to the Plan Manager.
  - 1.5.4.2 Recommending to the Provost and the Vice President for Health Services and Facilities where called for in this document, guidelines for the determination of allocations from Plan Income.
  - 1.5.4.3 Recommending to the Vice President for Health Services and Facilities and to the Provost guidelines for determining Costs of

the Plan with particular attention to determining the reasonable costs to be assessed against Plan Income in areas where the Plan and the medical colleges share common fiscal obligations.

- 1.5.4.4      Reviewing and approving all proposed budgets as called for by the Plan and, where required, submitting these to the Provost for University administrative approval.
  - 1.5.4.5      Authorizing disbursements from the Plan Income on the basis of guidelines approved by the Provost, other University officers and the Board of Trustees as may be required.
  - 1.5.4.6      Ensuring that Plan Income is used first to cover Costs of the Plan before any other disbursements allowable under the Plan are authorized.
  - 1.5.4.7      Ensuring that after Costs of the Plan have been covered, the remaining Net Plan Income is distributed, consonant with University approved guidelines, as follows: first priority to the Health Services Related Component(HSRC); i.e., that portion of Plan Members' total compensation which may be derived from Net Plan Income; second priority to Program Support, i.e., to the education, research, and service programs of the colleges and, where appropriate, of their departments and other units which share program responsibilities.
  - 1.5.4.8      Ensuring that appropriate and specified financial statements and management reports necessary in conjunction with the Plan's operation are prepared - a conjoint responsibility to be shared with the Vice President for Health Services and Facilities.
  - 1.5.4.9      Ensuring that all policies of the Plan and practices, procedures, and rules derived therefrom are regularly monitored to insure their uniformity of application and conformity with established University policies, rules, practices, approved guidelines and agreements.
- 1.5.5      The deans of the two medical schools, in discharging their collective and individual responsibilities under this Plan, shall be directly accountable to the Provost, and the Vice President for Health Services and Facilities.

## 2 RULES AND PROCEDURES

### 2.1 Definitions

- 2.1.1 Plan. "Plan" or "Medical Service Plan" whenever used are intended to be synonymous and refer to this document.
- 2.1.2 Plan Member. "Plan Member" or "Member" refer to (1) a State of Michigan licensed physician, medical doctor or osteopathic doctor, having full-time faculty appointment in the College of Human Medicine and/or the College of Osteopathic Medicine who has also been appointed as a member of this Plan according to procedures established by the deans in consultation with the Joint College Plan Committee, and to (2) a non-physician faculty or part-time physician faculty member of either of the two medical colleges nominated and approved for membership according to the provisions of this Plan(2.2.1).
- 2.1.3 College Plan Committee. There shall be two College Plan Committees, one in each of the two medical colleges, comprised of specified departmental chairpersons and elected Plan Members. The dean and Plan Manager shall also serve as ex-officio members of this committee (2.3.4).
  - 2.1.3.1 It shall be incumbent upon the dean to consult with and seek the advice of the College Plan Committee(as these modes of participation are defined by the Michigan State University Bylaws for Academic Governance, 1975) on those Plan matters unique to the given college for which the dean has administrative responsibility(2.3.9).
- 2.1.4 Joint College Plan Committee. This committee shall be comprised of members drawn from the two College Plan Committees. The two deans and the Plan Manager shall also serve as ex-officio members on this committee(2.3.3).
  - 2.1.4.1 It shall be incumbent upon the deans to consult with and seek the advice of the Joint College Plan Committee (as these modes of participation are defined by the Michigan State University Bylaws for Academic Governance, 1975) on those matters which relate to both medical colleges and to the overall administration of the Plan.
- 2.1.5 Plan Fiscal Year. A Plan Fiscal Year shall be established to provide the accounting base for Plan Income. The Plan Fiscal Year, along with guidelines

governing the expeditious disbursement of Plan Income generated therein, shall be recommended by the deans, after consultation with Plan Committees, to the Vice President for Health Services and Facilities and the Provost for approval.

2.1.6 Medical Service Plan Income. For purposes of this Plan, "professional income" refers to and includes all receipts (less refunds, return checks, and other uncollected remittances) related to the diagnosis, treatment, and care of patients. Medical Service Plan Income or simply Plan Income refers to all professional income, as defined above, generated on- and off-campus by full-time appointed faculty of the College of Human Medicine and the College of Osteopathic Medicine in their capacity as Plan Members. The conditional phrase, "in their capacity as Plan Members," recognizes that Members may engage in outside work for pay under established University policy. Where such outside work for pay includes patient care or regularized administrative or consulting activities significantly related to but not directly involved in the provision of patient care, income derived therefrom by Plan Members shall be subject to 2.1.15.2 and 2.1.16.1 of this document.

2.1.6.1 With respect to part-time appointed faculty of the College of Human Medicine and the College of Osteopathic Medicine who have been appointed as Plan Members, Plan Income covers and includes all professional income generated by such faculty when serving as agents of Michigan State University. For the purpose of this document, part-time Plan Members serve as agents of Michigan State University when engaged in professional practice which falls under the aegis of this Plan. Such professional practice shall be identified by the appropriate dean of the medical college in which the Member has an appointment.

2.1.7 Net Plan Income. Plan Income less Costs of the Plan(2.1.8) constitutes Net Plan Income. Net Plan Income shall be used for two purposes - for the Health Services Related Component(2.1.15) and for Program Support(2.1.16).

2.1.8 Costs of the Plan. Costs of the Plan is a general term which subsumes Costs of Practice, Costs of Billing and Collection, and Costs of Administration. The first disbursement of Plan Income shall be to meet Costs of the Plan.

2.1.8.1 Guidelines for determination for Costs of the Plan shall be developed by the deans after appropriate consultation with Plan Committees. These recommendations shall be submitted to the Vice President for Health Services and facilities for

approval. These guidelines shall reflect the following principles: (a) that in a "pure" service setting the costs associated with provision of health care are traditionally and primarily covered by professional and related fee income; and (b) that administrative, billing and collection, and practice costs created by virtue of the presence of medical teaching and research programs in such patient care settings should be the fiscal responsibility of the educational budgets of the medical colleges, not of the Medical Service Plan.

2.1.8.2 Each Plan Member or appropriate combination(s) of Plan Members shall be assessed a fair share of Costs of the Plan. Such assessments may contain certain common cost components and variable cost components - these latter taking into account that Plan Members, in generating Plan Income, may create differential overhead costs reflecting, for example, the settings and/or delivery modes in which they provide patient care services and the resource requirements associated with the practice of their respective disciplines.

2.1.9 Costs of Practice. Costs of Practice comprise reasonable and necessary practice and support expenditures directly involved in the generation of Plan Income and, in general, are related to or allocable on a college, department, and/or individual basis within the context of accounts approved by the University for this purpose. Costs of Practice include but are not limited to the following expenses:

2.1.9.1 Practice facilities and occupancy.

2.1.9.2 Practice equipment, furniture and fixtures and their maintenance and depreciation.

2.1.9.3 Practice office supplies and services.

2.1.9.4 Non-physician salaries and benefits of practice support personnel.

2.1.9.5 Professional liability insurance.

2.1.9.6 Travel exclusively for medical diagnosis, treatment and care of patients.

2.1.9.7 Licenses and fees.

2.1.10 Costs of Billing and Collecting. These costs comprise reasonable and necessary expenditures directly related to the accumulating of professional charges, processing of related data, billing and collection of Medical Service Plan Income. These expenditures are allocable to accounts approved by the University for this purpose.

2.1.11 Costs of Administration of the Plan. These costs comprise reasonable and necessary expenditures related to the administration of the Medical Service Plan. These expenditures accrue to the benefit of all Plan Members and are allocable to those accounts approved by the University for this purpose. This category of accounts includes but is not limited to the following expenses.

2.1.11.1 Manager's salary and benefits.

2.1.11.2 Legal and accounting.

2.1.11.3 General liability insurance.

2.1.11.4 Salary and benefits of the office staff and bookkeeping.

2.1.11.5 Office equipment fixtures, furniture and their maintenance.

2.1.11.6 Office supplies and services.

2.1.11.7 Expenses of the Joint College Plan Committee related to the administration of the plan.

2.1.11.8 Reasonable indirect costs as may be incurred by the University in relation to the administration of the Plan.

2.1.12 MSP Accounts. Whenever used in this Plan, "MSP Accounts" refers to those accounts approved by the University for the purposes of recording, managing and making disbursements of Plan Income called for in this document. MSP Accounts may be authorized at all levels of the Plan proper, the colleges and/or departments or accounting sub-units thereof. Accounting procedures shall be such that Plan Income generated is recorded by individual Plan Member, by college, by department and, where appropriate, by sub-unit thereof.

2.1.13 Ceiling Agreements and Ceiling Limits. Each Plan Member shall sign an annual Ceiling Agreement which shall include a recommended base salary, normally to be derived from sources other than Plan Income, and a recommended "Health Services Related Component"(2.1.15) which is a range with a Ceiling Limit of additional compensation that may be derived from Net Plan Income.

2.1.13.1 Ceiling Limits for Plan Members shall be formulated on the basis of and consistent with guidelines developed by the deans, in consultation with Plan committees, which have been submitted to and approved by University administrative officers and the Board of Trustees.

2.1.13.2 Ceiling Limit guidelines shall be consistent with purposes for which the Plan is established(1.3). They should stipulate that a Member's Ceiling Limit normally should reflect a base salary plus a Health Services Related Component for which the Member may qualify which could yield medical schools, allowing for such differences as rank, specialty, and professional competencies.

2.1.13.3 The appropriate college-level or unit administrator, after consultation with a Plan Member, shall make the recommendation for base salary and Ceiling Limit. It is expected that the recommendation on base salary shall normally not involve a reduction from current base. In exceptional circumstances, such as a special and/or expanded involvement of a Member in patient care activities, a reduced base may be recommended. Normally this should be off-set by a recommended Ceiling Limit which would provide the Member with a reasonable expectation of increased compensation through the Health Services Related Component.

2.1.13.4 The actual recommendations for Plan Members' Ceiling Limits require approval by the appropriate dean(s) and are to be submitted to the Provost for approval at the University administrative level. Ceiling Limits approved by University administration shall be submitted to the Board of Trustees as an information item.

2.1.14 Prespecified Percentages. Net Plan Income accruing to each of the medical colleges shall be used for two purposes: for the Health Services Related Component(2.1.15) and for Program Support(2.1.16).

2.1.14.1 The first priority for Net Plan Income shall be for the Health Services Related Component(HSRC). Net Plan Income available for HSRC shall be determined on the basis of a percentage of Net Plan Income prespecified for this purpose. Normally at least 80% and no more than 90% of Net Plan Income generated by a Plan Member will go to the Plan Member's HSRC. Where Net Plan Income generated by a Plan Member exceeds the Member's Ceiling Limit, the excess shall be available for Program Support and, with appropriate authorization, may also be used for HSRC for Plan Members who, for reasons dictated by necessity of educational program requirements, have academic assignments which minimize their opportunity to engage in patient care.

2.1.14.2 The second priority for Net Plan Income shall be for Program Support. Normally at least 10% and no more than 20% of the Net Plan Income generated by a Plan Member will go to Program Support. However, this percentage may be greater under the circumstances noted in 2.1.14 and 2.1.15.5.

2.1.15 Health Services Related Component(HSRC). The HSRC is that portion of a Plan Member's total compensation that may be derived from Net Plan Income. It involves a range with a defined Ceiling Limit(2.1.13) and is not guaranteed but contingent upon Net Plan Income normally generated by the Plan Member and available for this purpose.

2.1.15.1 Initial recommendations for payment of HSRC to Plan Members shall be made by the appropriate administrative officer at the college, departmental or unit level, after consultation with the respective Plan Member. These shall be subject to review and approval by the dean(s) and shall be submitted to the Provost for review and approval at the University administrative level. Under no circumstances shall HSRC payments to a Plan Member exceed the Member's approved Ceiling Limit.

2.1.15.2 Under the Medical Service Plan a member may engage in outside work for pay under established University policy. If

such outside work for pay includes patient care or regularized administrative or consulting activity significantly related to but not directly involved in the provision of patient care, such income shall apply against meeting full HSRC approved for the Plan Member.

2.1.15.3 Actual HSRC payments as authorized for Plan Members shall be made according to guidelines governing the expeditious disbursement of Plan Income, as recommended by the deans after consultation with Plan Committees, and as approved by the Vice President for Health Services and Facilities and the Provost(2.1.5).

2.1.15.4 Actual HSRC payments as authorized for Plan Members shall be subject to continuing review with particular attention to outside work for pay as covered under 2.1.15.2 and to Plan Members' assessed share Costs of the Plan(2.1.8.2). On the basis of this review, if required, HSRC payments are to be adjusted normally no later than the last quarter of the pay-out year.

2.1.15.5 At their own initiative Plan Members, individually or collectively, may relinquish claim to any part of HSRC for which they may qualify and may stipulate that it be used instead for Program Support and/or for HSRC for Plan Members who, for reasons dictated by the necessities of educational program requirements, have academic assignments which minimize the opportunity to engage in patient care.

2.1.16 Program Support. Program Support constitutes a prespecified percentage of Net Plan Income authorized for educational, research, and service programs of the colleges and, where appropriate, of their departments and other units with which they share programmatic responsibilities. Net Plan Income for Program Support may also result under circumstances described in 2.1.14.1 and 2.1.15.5.

2.1.16.1 Under the Medical Service Plan a Member may engage in outside work for pay under established University policy. If such outside work for pay includes patient care or regularized administrative or consulting activity significantly related to but not directly involved in the provision of patient care, such income shall be subject to the prespecified percentage approved for Program Support(2.1.14.2).

2.1.16.2 Disbursements for Program Support shall follow the guidelines as called for in 2.1.5.

2.1.17 MSP College Fund. this fund shall be established in each of the two medical colleges from Plan Income. The MSP College Fund shall be administered by each dean, and, depending on the MSP Account approach employed by the college(2.5..3), shall be used to meet Costs of Program, for Program Support and/or, where appropriate, to meet HSRC.

2.1.17.1 With respect to disbursements form a MSP College Fund for Program Support, it shall be the responsibility of the respective dean of each college to consult with the College Plan Committee and the Provost regarding how Net Plan Income available for this purpose can be best used. If the MSP College Fund is used for HSRC, section 2.5.3 and 2.1.13 through 2.1.15 of this document shall guide the dean(s) in discharging their responsibilities pertaining thereto.

2.1.18 MSP Departmental Funds. Either or both deans, with the advice of their College Plan Committee, may authorize MSP Departmental Funds for their respective colleges. When authorized, such funds shall be established in all departments of the medical college which have Plan Members with the financial base of each MSP Departmental Fund being the Plan Income generated by Members of the unit. Plan Income of a MSP Departmental Fund shall first be used to cover Costs of the Plan created by the unit's Plan Members. The remaining Net Plan Income available to a MSP Departmental Fund shall be used by the chairperson or unit director (a) to meet HSRC for unit Plan Members and (b) for Program Support of the unit.

2.1.18.1 With respect to HSRC available to a MSP Departmental Fund and to procedures pertaining thereto to be followed by a chairperson or unit director, these shall be in conformity with sections 2.1.13 through 2.1.15 of this document.

2.1.18.2 With respect to Net Plan Income available to aMSP Departmental Fund for Program Support, this shall include a portion of Net Plan Income for under 2.1.14.2 and 2.1.14.1 which has been generated by departmental Plan Members collectively. What this portion will be shall be a matter of negotiation between the dean and the chairperson or director of

the unit. These negotiations shall be consonant with the following guidelines: (a) that this portion of this prespecified percentage to a MSP Departmental Fund shall reflect fairly the level of Net Plan Income generated by Plan Members collectively for Program Support and (b) that the remaining portion shall go to the MSP College Fund for Program Support.

2.1.18.2.1 In addition to the above, a MSP Departmental Fund for Program Support may be augmented further under circumstances provided for in 2.1.15.5.

2.1.18.3 A MSP Departmental fund for Program Support shall be the administrative responsibility of the chairperson or director who shall discharge this responsibility with the advice and consultation of Members of the unit.

## 2.2 Eligibility for Membership.

2.2.1 All full-time clinical faculty of the College of Human Medicine and/or the College of Osteopathic Medicine who are licensed physicians in the State of Michigan and whose duties include the diagnosis, care and/or treatment of patients shall be Plan Members. Non-physician faculty and part-time physician faculty may also be nominated as Plan Members by their respective department chairperson or unit director after consultation with Members of the Unit. With approval of these nominations by the relevant dean, after consultation with the College Plan Committee, such nominees shall become Plan Members. Specific exemption from Plan membership can be granted by the dean, after consultation with the College Plan Committee, to anyone meeting the above eligibility criteria on the grounds that such an individual is contractually or otherwise barred from generating Medical Service Plan Income.

## 2.3 General Administration of the Medical Service Plan.

2.3.1 The overall administrative responsibility for the Medical Service Plan shall be vested in the deans of the College of Human Medicine and the College of Osteopathic Medicine. In discharging their conjoint and individual responsibilities under this Plan, the deans shall seek the assistance and advice of a Joint College Plan Committee(2.3.3 and 2.3.8) and College Plan

Committees(2.3.4 and 2.3.9). The modes of participation of faculty members and of such committees are specified in this document and take the form of "consultation" and "advisory" as these terms are defined in the Michigan State University Bylaws for Academic Governance, 1975. To further assist the deans, there shall be a Plan Manager(2.4) responsible for the direct administration and day-to-day operations of the Plan and accountable directly to the deans and the Vice President for Health Services and Facilities.

- 2.3.2 The deans, in discharging their collective and individual administrative responsibilities under this Plan, shall be directly accountable to the Provost, and the Vice President for Health Services and Facilities, these reporting lines being specified in this document where applicable.
- 2.3.3 The Joint College Plan Committee shall consist of the following:
  - 2.3.3.1 The Dean of the College of Human Medicine.
  - 2.3.3.2 The Dean of the College of Osteopathic Medicine.
  - 2.3.3.3 Five members from the College of Human Medicine College Plan Committee including the Chairperson, Vice-Chairperson, and Secretary. Of these five, at least two shall be from among those elected to the College Plan Committee by Plan Members(2.3.4.1.3, 2.3.7.1).
  - 2.3.3.4 Five members from the College of Osteopathic Medicine College Plan Committee including the Chairperson, Vice-Chairperson, and Secretary. Of these five, at least two shall be from among those elected to the College Plan Committee by Plan Members(2.3.4.2.3, 2.3.7.1).
- 2.3.4 Each medical school shall have its own College Plan Committee, as follows:
  - 2.3.4.1 The College Plan Committee of the College of Human Medicine shall consist of the following:
    - 2.3.4.1.1 The Dean of the College of Human Medicine.
    - 2.3.4.1.2 The chairpersons or directors of the following departments or units of the College of Human Medicine:

2.3.4.1.2.1 Family Practice.

2.3.4.1.2.2 Pediatrics and Human Development.

2.3.4.1.2.3 Medicine.

2.3.4.1.2.4 Obstetrics, Gynecology, and Reproductive Biology.

2.3.4.1.2.5 Community Health Science.

2.3.4.1.2.6 Pathology.

2.3.4.1.2.7 Psychiatry.

2.3.4.1.2.8 Radiology.

2.3.4.1.2.9 Surgery.

2.3.4.1.3 Four additional members of the Plan from the College of Human Medicine to be elected by Plan Members of the college.

2.3.4.1.4 The Plan Manager shall be a non-voting member.

2.3.4.2 The College Plan Committee of the College of Osteopathic Medicine shall consist of the following:

2.3.4.2.1 The Dean of the College of Osteopathic Medicine.

2.3.4.2.2 The chairpersons of directors of the following departments, or units of the College of Osteopathic Medicine.

2.3.4.2.2.1 Biomechanics.

2.3.4.2.2.2 Community Health Science.

2.3.4.2.2.3 Family Medicine.

2.3.4.2.2.4 Osteopathic Medicine.

2.3.4.2.2.5 Internal Medicine.

2.3.4.2.2.6 Pathology.

2.3.4.2.2.7 Psychiatry.

2.3.4.2.2.8 Radiology.

2.3.4.2.2.9 Pediatrics.

2.3.4.2.3 Four additional members of the Plan from the College of Osteopathic Medicine to be elected by Plan Members of the college.

2.3.4.2.4 The Plan Manager shall be a non-voting member.

2.3.5 Members elected to the Joint College Plan Committee and to the College Plan Committees shall serve for two years, beginning April 1 ending March 31. The terms of elected members shall be staggered with two of the four elected in the start-up year serving one year terms and annual elections subsequently to fill two of the four positions.

2.3.6 In the event of a vacancy, the respective dean shall appoint a replacement to fill the unexpired term.

2.3.7 The Joint College Plan Committee and the College Plan Committees shall:

2.3.7.1 Elect a Chairperson, Vice-chairperson, and Secretary. Terms shall be for two years and elections staggered in the case of a Chairperson and Vice-chairperson to facilitate continuity in the conduct of committee functions. In the case of the College Plan Committees, elected officers shall include at least one person elected to the College Plan Committee by Plan Members(2.3.4.1.3).

2.3.7.2 Establish, as required, standing and/or ad hoc committees deemed necessary for the conduct of committee functions. Where appropriate, such a special committee shall be representative of its parent committee.

2.3.8 The deans of the two medical schools, in the context of their conjoint responsibility of the overall administration of the Plan, have the following specific obligations. In discharging these responsibilities, it shall be incumbent upon the deans to consult with or seek the advice of the Joint College Plan Committee:

2.3.8.1 To recommend to the University the appointment of a Plan Manager(2.4) and to recommend additional positions as may be required to carry out the functions for which the Plan Manager is responsible.

2.3.8.2 To recommend to the Provost and the Vice President for Health Services and Facilities guidelines for the determination of the allocations from Plan Income.

2.3.8.3 To determine, on the basis of approved guidelines, prespecified percentages for allocations for HSRC and Program Support.

2.3.8.4 To recommend or authorize, consonant with the provisions of this document, specific disbursements for HSRC and Program support.

2.3.8.5 To recommend to the Vice President for Health Services and Facilities guidelines for professional standards and policies and fee schedules consistent with the University's commitment to uniformity of fees for similar levels of service and standards of excellence for all health care services.

2.3.8.6 To recommend to the Vice President for Health Services and Facilities and to the Provost guidelines for determining Costs of the Plan with particular attention to determining the reasonable costs to be assessed against Plan Income in areas where the Plan and the medical schools share common fiscal obligations.

- 2.3.8.7 To develop rules and procedures, on the basis of approved University guidelines and agreements, for the disbursement of Plan Income for:
- 2.3.8.7.1 Costs of Practice.
  - 2.3.8.7.2 Costs of Billing and Collecting.
  - 2.3.8.7.3 Costs of Administration of the Plan.
  - 2.3.8.7.4 Health Services Related Component.
  - 2.3.8.7.5 Program Support.
- 2.3.8.8 To review and approve, for submission to University administrative officers for approval, proposed agreements and/or contracts with hospitals, clinics and other outside organizations where these involve matters relating to the Plan.
- 2.3.8.9 To review and approve all financial statements and management reports called for and prepared in conjunction with the Plan. This responsibility shall be conjoint with the Vice President for Health Services and Facilities.
- 2.3.8.10 To approve proposed agreements, after review by the Plan Manager, of arrangements by a departmental chairperson to recommend appointment of a part-time faculty member to provide services under the Plan.
- 2.3.8.11 To review and approve proposed Medical Service Plan budgets and, where required, to submit them for approval by the Provost.
- 2.3.8.12 To monitor policies of the Plan and practices, procedures, and rules derived therefrom to insure uniformity of application and conformity with University policy, rules, practices, guidelines and agreements.

- 2.3.8.13 To approve budgets for the costs of Practice, Costs of Billing and Collecting, and Costs of administration of the Plan as prepared and submitted by the Manager of the Plan in conformity with University guidelines and agreements(2.4.3).
  - 2.3.8.14 To consult with the College Plan Committees and to determine the distribution of the Costs of the Plan among the accounts of the two medical colleges which cannot be attributed directly to one of the colleges and/or departmental MSP Accounts.
  - 2.3.8.15 To review and approve joint recommendations from the College Plan Committees regarding rules for determining proration of Plan Income and Costs of the Plan for jointly administered departments.
  - 2.3.8.16 To call an annual meeting of Plan Members for the purposes of reporting on the fiscal status of the Plan and other matters relating to the operations of the Plan.
  - 2.3.8.17 To take other actions consonant with their conjoint administrative responsibility for the Plan and necessary to its implementation and operation in consultation, as appropriate, with Plan committees and University officers.
- 2.3.9 Within their respective medical schools, each dean shall have overall administrative responsibility for Plan matters which relate uniquely to their respective college. In discharging these responsibilities it shall be incumbent upon the dean to consult with or seek the advice of the College Plan Committee and to act in conformity with other relevant sections of this Plan. The dean's responsibilities at the college level are:
- 2.3.9.1 To review, approve and forward to the Joint College Plan Committee the names of non-physician faculty and part-time physician faculty nominated by chairpersons and unit directors(2.2.1) and approved by the dean for Plan membership.

- 2.3.9.2 To review and act upon requests for exclusion from Plan membership faculty who would otherwise meet eligibility criteria but who feel they are contractually or otherwise barred from generating Plan Income(2.2.1).
- 2.3.9.3 To review and approve all financial statements and management reports called for and prepared by the college an/or its units in conjunction with the Plan.
- 2.3.9.4 To monitor, within the college, policies of the Plan and practices, procedures, and rules derived therefrom to insure uniformity of application and conformity with University policy, rules, practices, procedures, guidelines and agreements.
- 2.3.9.5 To review, if MSP Departmental funds are authorized within the college, proposed plans for disbursements therefrom for Program Support.
- 2.3.9.6 To authorize disbursements of Plan Income within the college as called for in this document.
- 2.3.9.7 To consider, approve and submit recommendations to the Provost for specific disbursements from Net Plan Income for the Health Services Related Component to Plan Members.
- 2.3.9.8 To advise and/or submit recommendations as required to the Joint College Plan Committee on:
  - 2.3.9.8.1 Guidelines for establishing professional standards and policies and fee schedules for those participating in the Medical Service Plan.
  - 2.3.9.8.2 Rules and procedures for computing Costs of the Plan.
  - 2.3.9.8.3 Proposed agreements an/or contracts with hospitals and clinics, and other outside

organizations involving matters relating to the Plan.

- 2.3.9.8.4 Medical Service Plan budgets of the college, its departments and/or accounting sub-units thereof as required.
- 2.3.9.8.5 Formulation of recommendations relating to guidelines for the determination of HSRC.
- 2.3.9.8.6 The distribution of the Costs of the Plan to MSP Accounts of the two medical colleges which cannot be attributed directly to the individual colleges, and/or to departmental and accounting sub-units therein.
- 2.3.9.8.7 Formulation of rules for determining proration of Plan Income and Costs of the Plan for jointly administered departments.

#### 2.4 Plan manager and Administration of the Medical Service Plan

- 2.4.1 The deans of the medical colleges and the Vice President for Health Services and Facilities have the conjoint responsibility to recommend the appointment of a Plan Manager. In consideration of applicants the deans shall seek the advice of the Joint College Plan Committee.
- 2.4.2 The Plan Manager shall report directly to the two deans and to the Vice President for Health Services and Facilities.
- 2.4.3 The Plan Manager shall have the following responsibilities:
  - 2.4.3.1 To verify the eligibility of Plan Members.
  - 2.4.3.2 To attend all meetings of the Joint College Plan Committee and College Plan Committees as a non-voting member.
  - 2.4.3.3 To determine that the policies of the Plan are being followed, and that the practices, procedures, and rules derived therefrom are consonant with Plan and University policies, approved

guidelines and agreements, and to advise the deans and Joint College Plan Committees of any and all areas of non-compliance.

- 2.4.3.4 To carry out, in conformity with University policies and practices, the necessary day-to-day business operation of the Plan relating, but not limited to, billing, collecting, transfer of receipts to MSP Accounts, payment of Costs of Billing and Collecting, Costs of Administration of the Plan and Costs of Practice. These responsibilities are to be discharged in ways which interface appropriately with operating procedures of any health care facility in which the colleges function.
- 2.4.3.5 To prepare and provide regular and timely financial statements and management reports of the Plan's performance to the deans, the Vice President for Health Services and Facilities, the Treasurer of Michigan State University, the Joint College Plan Committee, the College Plan Committees, and each administrative and accounting sub-unit of the Plan. These statements shall include but not be limited to an annual financial statement. In addition, the Plan Manager shall distribute to all Members the annual financial statement.
- 2.4.3.6 To prepare and submit, for review by the deans, the Vice President for Health Services and Facilities, the Joint College Plan Committee and College Plan Committees annual budgets for the Costs of Practice, Costs of Billing and Collecting and Costs of Administration of the Plan.
- 2.4.3.7 To insure the safeguarding of Plan receipts in a manner approved by and consistent with University policies and practices.
- 2.4.3.8 to maintain adequate books and records of all Plan Income and Costs of the Plan.
- 2.4.3.9 To maintain records of patient fee income which may be earned by Plan Members under the University outside work for pay policy adequate to permit compliance with 2.1.15.2 and 2.1.16.1 of this document.

- 2.4.3.10 To insure that accounting procedures are such that Plan Income is recorded by individual Plan Member, by college, by department and, where appropriate, by sub-unit thereof.
- 2.4.3.11 To record the costs of Administration of the Plan and to distribute subject costs to the appropriate MSP Accounts.
- 2.4.3.12 To record the Costs of Billing and Collecting and to distribute these costs among the appropriate MSP Accounts.
- 2.4.3.13 To record the Costs of Practice and prorate them monthly to the appropriate MSP Accounts on the basis of the actual costs according to accounting principles recommended by the deans after consultation with the Joint Plan Committee and approved by the Vice President for Health Services and Facilities.
- 2.4.3.14 To record costs of professional liability insurance and charge them to the appropriate MSP Accounts in accordance with the rates assigned to each specialty by the insurance carrier and on the basis of the reasonable costs to the Plan for such insurance as recommended by the deans, after consultation with the Joint College Plan Committee, and approved by the Vice President for Health Services and Facilities.
- 2.4.3.15 To insure that the first disbursement from Plan Income is to meet the Costs of the Plan.
- 2.4.3.16 To compute, after Costs of the Plan have been met, Net Plan Income available; to compute on the basis of approved prespecified percentages, Net Plan Income available for the Health Services Related Component and Program Support; and to inform the deans, the Joint College Plan Committee, and the College Plan Committees, as appropriate, of amounts available for these purposes.
- 2.4.3.17 To effect the transfer of Plan Income to the appropriate MSP Accounts when so authorized.
- 2.4.3.18 To advise the deans and the Joint College Plan Committee and the College Plan Committees of any anticipated deficits in any

MSP Accounts and to recommend a plan to eliminate these deficits by the end of the Plan Fiscal Year.

## 2.5 Medical Service Plan Income

- 2.5.1 Medical Service Plan Income(2.1.6) for the two medical colleges shall be accounted for separately and the expenses of one medical college shall not be charged to the other, nor shall funds from one college be transferred to the other.
- 2.5.2 Plan Income shall be recorded in a separate series of MSP Accounts(2.1.12) approved by the University for this purpose. plan Income shall not be transferred from such accounts except for the expressed purposes prescribed by the Plan.
- 2.5.3 Each medical college shall have the option of recording Plan Income either in a single college level MSP Account or in multiple MSP Accounts. The first approach involves management of Plan Income within the framework of a MSP College Fund(2.1.7). The second approach employs both a MSP College Fund and MSP Departmental Funds(2.1.8). The dean of the college, with the advice of the College Plan Committee, shall decide which option will be used. In both approached Plan Income shall be recorded by Plan Member, by college and by department or sub-unit thereof. If Plan Income is recorded in a single MSP College Fund, direct administrative responsibility for this fund shall rest with the appropriate chairperson or director who shall discharge this responsibility with the advice and consultation of Members of the unit.-
- 2.5.4 Plan Income attributable to all department that serve both of the medical colleges shall be prorated between the two colleges in accordance with procedures conjointly developed by the deans after consultation with their respective College Plan Committees and the Joint college Plan Committee.

## 2.6 Payment of Costs of the Plan(2.1.7 - 2.1.10)

- 2.6.1 The Costs of Administration of the Plan which cannot otherwise be allocated, as herein defined, shall be distributed to the appropriate MSP Accounts of the two medical colleges monthly, on a basis decided by the deans after consultation with their respective College Plan Committees and the Joint College Plan Committee.

2.6.2 The Costs of Practice and Costs of Billing and Collecting shall be charged monthly to the appropriate MSP Account(s) of the medical college that incurred the expense in the following manner:

2.6.2.1 The Costs of Practice shall be prorated monthly by the Plan Manager to the appropriate college-level MSP Accounts and/or MSP Accounts of departments or sub-units thereof on the basis of actual costs incurred in generating Plan Income.

2.6.2.2 Professional liability insurance is considered a component part of the Costs of Practice. The portion of the costs of professional liability insurance to be borne by the Plan shall represent a reasonable assessment against Plan Income reflecting the shared common fiscal obligations of the Plan and the medical colleges for such coverage(2.1.7.1). The determination of this assessment shall initiate with the deans who, after consultation with the Joint Plan Committee, shall submit recommendations to the Vice President for Health Services and Facilities. With approval of an assessment factor by the Vice President for Health Services and Facilities, the Plan's costs for professional liability insurance shall be charged to the appropriate MSP Accounts by the Plan Manager in accordance with rates assigned to each specialty by the University insurance carrier.

2.6.2.3 Costs of Billing and Collecting shall be charged to the appropriate MSP Accounts by the Plan Manager in accordance with procedures approved by the deans after consultation with the College Plan Committees and the Joint College Plan Committee.

2.6.3 Costs of the Plan attributable to all departments that serve both medical colleges shall be prorated between the colleges by the Plan Manager in accordance with procedures conjointly developed by the deans after consultation with their respective College Plan Committees and the Joint College Plan Committee.

## 2.7 Disbursements of Net Plan Income for HSRC and Program Support

2.7.1 After the Costs of the Plan have been covered, disbursements of Net Plan Income for HSRC(2.1.14) and Program Support(2.1.15) shall be recommended and authorized for this document.

2.7.2 If a medical college elects the option of recording Plan Income in a single college level MSP Account(2.5.3), that account shall constitute the MSP College Fund and serve as the means by which disbursements of Net Plan Income for HSRC and for Program Support as called for in this document shall be made. Under this option, direct responsibilities for Plan Income shall rest with the dean. However, the dean may delegate administrative responsibilities to appropriate college administrative officers, chairpersons and directors. In carrying out and/or delegating these responsibilities, the dean shall consult with the College Plan Committee in a manner consistent with the policies and procedures of this document.

2.7.3 If a college elects the option of recording Plan Income in both a MSP College Fund and MSP Departmental Funds, direct administrative responsibility for the former fund shall rest with the chairpersons or directors as specified in this document.

2.7.3.1 On the basis of approved HSRC and relating Ceiling Limit(2.1.13), a chairperson or director shall make recommendations to the dean for HSRC payments for each Plan Member within their respective unit. A given HSRC recommendation shall take into account the Net Plan Income approved for HSRC(2.1.14.1), and any income the Member may have earned under the University outside work for pay policy covered under 2.1.15.2. HSRC shall not exceed the Ceiling Limit approved for a Plan Member. -

2.7.3.2 Each chairperson or director shall have the responsibility for seeking the advice of Members of the unit and for consulting with the den regarding plans for disbursements of Net Plan Income available for Program Support of the unit's activities(2.1.4.2, 2.1.18.2).

2.7.4 In the event that Plan Income is insufficient to meet all liabilities and claims against it, Costs of the Plan shall represent the first obligation against Plan Income. The remaining Net Plan Income shall be used for HSRC and Program Support in accordance with the prespecified percentages called for under this document(2.1.14).

- 2.7.5 Membership in the Plan may terminate under several circumstances, e.g., if a Plan Member resigns or retires from the University, dies, or has a change in University assignment which makes him/her ineligible for Plan Membership.
- 2.7.5.1 If a Plan Member terminate, it shall be the responsibility of the Plan Manager to provide the appropriate administrator with all relevant information on Plan Income generated by the Member during the Plan Fiscal Year in which termination takes place, HSRC payments to the Member made during the same period, patient fee income the Member may have received under the University outside work for pay policy, and assessments made and still outstanding relating to the Member's share of the Costs of the Plan.
- 2.7.5.2 In the event that a Plan Member terminates who has received full HSRC, i.e., to the Ceiling Limit, said Member or designated beneficiary may not be considered for any additional HSRC.
- 2.7.5.3 In the event that a Plan Member terminates who has received a fair prorata portion of HSRC, as determined on the basis of the review called for in 2.7.5.1, such Member or designated beneficiary may not be considered for any additional HSRC.
- 2.7.5.4 In the event that a Plan Member terminates, and in the event that the review called for under 2.7.5.1 indicates that the Member or designated beneficiary may qualify for additional HSRC, such payments may be recommended, subject to the policies, rules and procedures of this document. Authorized payment(s) under such circumstances shall be made no later than the following June 30.
- 2.7.5.5 In the event that a Plan Member terminates, with the exception of HSRC as covered above, the Plan Member or designated beneficiary shall relinquish all rights and claims to any other benefits which may derive from Plan Income.
- 2.7.5.6 Accounts receivable are the property of Michigan State University and upon termination, a Plan Member shall have no right, title, or interest in said accounts receivable other than as stated in this document.

2.7.6 As a general rule, end-of-year funds in all MSP Accounts shall be kept to a minimum. Proposed carry-over of any substantial Plan Income to the next Plan Fiscal year must be justified on the basis of programmatic and/or staffing needs and shall be subject to the following administrative approval: for carry-over of MSP Departmental Funds and MSP College funds, approval by the appropriate dean(s), the Provost and the Vice President for Health Services and Facilities.

## 2.8 Method of Amending the Plan

2.8.1 To be considered as a possible amendment to this Plan, a proposal must conform to established University policies, rules, procedures and practices(1.1.2).

2.8.2 Proposed amendments to the Plan shall be promulgated by the Joint College Plan Committee and distributed in writing to all Plan Members. the formulation of a proposed amendment may be at the initiative of the dean(s) and/or Joint College Plan Committee. It may also be at the initiative of Plan Members who may, by a petition signed by 25% of the total Plan Members, submit a proposed amendment to the Joint College Plan Committee for promulgation and distribution to all Plan Members.

2.8.3 After a proposed amendment has been distributed in writing to Plan Members by the Joint College Plan Committee, a meeting of all Plan Members shall be called at least ten days after said distribution for review and discussion of the proposed amendment. Voting by Plan Members shall follow this meeting and shall be by means of mail secret ballot to all Plan Members.

2.8.4 A proposed amendment endorsed by two-thirds of Plan Members returning mail secret ballots shall be handled for final action in one of two ways:

2.8.4.1 A proposed amendment relating to Policies of the Plan shall be submitted to the Provost and Vice President for Health Services and Facilities for review and comment. It shall then be transmitted to the President of the University and then the Board of Trustees for final review and approval. With affirmation of the proposed amendment by the Board of Trustees, it shall become effective.

2.8.4.2 A proposed amendment relating to the rules and procedures of the Plan shall be submitted to the Provost and, where the proposed amendment falls under the preview of the Vice President for Health Services and Facilities, to the latter. with affirmation by the Provost and, where appropriate the Vice President for Health Services and Facilities, the proposed amendment shall become effective.

2.8.5 This document is an enabling instrument. Its implementation will require the development of additional rules and procedures consonant with the policies, rules and procedures contained therein. For this reason the Plan shall be reviewed by the Joint College Plan Committee, in consort with appropriate University administrative officers, on an annual basis during its initial three years of operation. thereafter this review shall take place every three years.

## 2.9 Effective Date

2.9.1 The effective date of this Medical Service Plan shall be July 1, 1976 provided that the Plan and the effective date are approved and ratified by the Board of Trustees of Michigan State University.

## 3 RECORD OF RATIFICATION AND AMENDMENTS

3.1 The Medical Services Plan was approved by the Board of Trustees of Michigan State University on June 23, 1976 and became effective July 1, 1976.

3.2 The Medical Services Plan was amended and the amendments approved by the Board of Trustees of Michigan State University on \_\_\_\_\_.  
The principal amendments were as follows:

3.2.1 Change all references to the Vice President for Business and Finance to the Vice President for Health Services and Facilities.

3.2.2 Delete all references to the Office of Health Services.

3.2.3 Make certain grammatical and punctuation corrections.

## LICENSE AGREEMENT TERM SHEET

- Party:** Draths Corporation
- License:** Limited exclusive license of MSU technology (see list below) commonly known as “green chemistry,” which provides an alternative to petroleum-based chemical methods and feedstocks. The technology allows for the manufacturing of “green” or biobased materials, such as nylons, polymers, paints, and other materials using microorganisms and more traditional chemical processes. This License Agreement supersedes the Exclusive License Agreement signed on January 26, 2006 and the Nonexclusive License Agreement signed on February 10, 2006 with Draths Industries, LLC, as well as the Amendment to the Exclusive License Agreement signed on August 14, 2008 with Draths Corporation.
- Term:** Extending to the expiration of the last to expire of the patents on the relevant technologies.
- Technology:** MSU Invention Disclosures: 98053 “Synthesis of Quinic Acid Using a Homologous Biocatalyst”; 99005F “Synthesis of 1,2,3,4-Tetrahydroxybenzenes from Biomass-Derived Carbon”; 00030 “Biocatalytic Synthesis of Quinic Acid”; 02058 “Antioxidant and Antimicrobial Agents and Methods of Use Thereof”; MSU ID 04013F “Synthesis of 1,2,4-Butanetriol Enantiomers from Carbohydrates”; No. 04027F “Creation of a Pyruvate-Based Shikimate Pathway”; 04126F “Synthesis of Caprolactam from Lysine”; 05021 “Synthesis of 1,3-Dihydroxybenzenes from Glucose (Phloroglucinol - Materials and Adhesives)”; 05022 “Synthesis of 1,3-Dihydroxybenzenes from Glucose (Phloroglucinol - Military and Construction)”; 06065F “Creation of a Pathway for Biosynthesis of Aminoshikimic Acid”; 06155F “Synthesis of D-1,2,4-Butanetriol from D-Xylose”; and 07102 “Catalytic Hydrodenitrogenation of Aminocaprolactam and Lysine”; and US Patent Nos. 5,821,266; 6,372,461; 6,472,190; 6,600,077; 6,613,552; 6,620,602; 6,472,169; 6,750,049; 7,002,047; and 7,399,855. Rights extend to divisions, continuations, reissues, renewals, re-examinations, foreign counterparts, substitutions, or extensions of these technologies.
- Payment Terms:**
- Payment of \$50,000 upon signing; running royalties ranging from 0.5% to 2.0% of net sales. In addition, Draths Corporation will pay \$1.85 per kilogram on shikimic acid manufactured through its nonexclusive license. The agreement includes annual minimums and commercialization milestones.

**Use of University Facilities/Services/Personnel:**

No University facilities, services, or personnel will be utilized by Draths Corporation under the terms of the License Agreement.

**Organization Type:**

Draths Corporation is a Delaware corporation with its principal place of business in Minnesota.

**Personnel Interest:**

Dr. John Frost, a Professor in the Department of Chemistry, and his immediate family own or have an option to buy an equity interest of more than 1% of Draths Corporation. Dr. Frost is also a member of the company. Dr. Karen Frost, an Assistant Professor in the Department of Chemistry, is an officer of the company.