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TO: Faculty and Senior Research Staff

FROM: Robert A. Brown *Bob B*

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SUBJECT: Change in Tuition Subsidy for Graduate Research Assistants

During the preceding decade, MIT's faculty and research staff identified the cost of research assistantships to research contracts and grants as one of the most significant competitive issues facing MIT. The increase in the MIT endowment gave us the ability to moderate these costs by making significant changes in this cost structure. You will recall that over the Academic Years 1999 and 2000, the Institute began to fully subsidize the summer tuition for qualified graduate students and instituted a 65% tuition subsidy for qualified RA's Academic Year tuition.

Spurred by this change, faculty recruiting, and the economy, research activity at MIT has grown significantly over the last few years, increasing by over 10% in Fiscal Year 2002 with a similarly healthy increase expected for this year. These increases have helped alleviate some of the pressure on the Facilities and Administrative (F&A) rate (commonly referred to as overhead). Specifically, the on-campus F&A rate has decreased from 63.5% in FY98 to an expected rate of 61% in FY04. During the same period, the size of the research body (graduate students, post-doctoral associates and visiting researchers) has increased substantially. For example, the number of graduate students at MIT has increased by approximately 12% from 5,497 in FY98 to 6,139 in FY03. By all accounts, our research and our graduate programs are doing well.

The past reductions in the tuition for graduate research assistants were made possible by deploying a very significant amount of income generated by the MIT endowment. For Fiscal Year 2003, the total tuition subsidy amounts to over \$ 68M. We are all aware of the adverse impact of the continuing economic downturn on the financial health of the Institute. This impact is most clearly seen in the performance of our endowment and in the distribution of endowment income. In Fiscal Year 2004 (the year beginning July 1, 2003), the distribution of endowment will decrease from the previous year by approximately 2.3%, the first year-to-year decrease in the recent history of the Institute. We have made adjustments in the budgets for next year for both the academic and administrative units to compensate for this loss of revenue. Although the budget for next year is now set, Fiscal Year 2005 is shaping up to be equally as challenging. The

performance of the capital markets and of the MIT endowment in Fiscal Year 2003 has continued to be poor. A more substantial decrease in the income from the endowment in Fiscal Year 2005 is very possible. We are beginning the planning process for the FY05 budget.

To meet the challenges of the FY05 budget it will be necessary to reduce the subsidy that MIT provides for graduate research assistants during the academic year. The following subsidies will go into effect beginning July 1, 2004 (FY05) with respect to research projects that are in place on that date:

Summer Tuition:	100% subsidy
Academic Year Tuition:	50% subsidy

At tuition rates projected for Fiscal Year 2004 (the FY05 tuition rates will be announced in March 2004), the academic year tuition for a research assistant charged to research will go from \$10,290 (65% subsidy) to \$14,700 (50% subsidy). Although this is a substantial change, we do not believe that this difference will materially affect the competitive position of MIT on research contracts and grants.

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I have instructed the Office of Sponsored Programs to begin applying the new subsidy rate in all proposals going out of MIT, effective immediately. Awards that are in effect and that rely on the tuition subsidy for cost sharing will be subsidized by MIT to give the committed cost-sharing amounts. The determination of the need for such subsidy for meeting cost-sharing agreements will be made by the Office of Sponsored Programs and by the Vice President for Research and Associate Provost, Professor Alice Gast.

I fully realize the impact of increasing the cost of research assistants to the faculty and staff at MIT. Graduate research is the essential element in the fabric of research at MIT and it is painful to make it more difficult to fund graduate research assistants. However, as we navigate through turbulent economic times, it is equally important to use our resources to maintain the excellence of MIT across the Institute broadly. This is the philosophy that lies behind this adjustment.

We will continue to work to assure that MIT remains competitive with our peers for research support for graduate student based research.

RAB/cjh

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