

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 2
DATE: October 20, 2006

RECOMMENDATION

FY 2008 APPROPRIATION REQUEST

ACTION REQUESTED

It is recommended that the Board of Regents approve the FY 2008 appropriation Request.

STAFF SUMMARY

This request establishes the initial resource planning parameters for FY 2008. Its purpose is to identify the fiscal needs of the University for the Office of the State Budget. The University has identified its FY 2008 funding need of \$8.1 million to cover basic cost increases, in addition to identifying the need to establish a minimum appropriation increase and increase in tuition and fees.

FISCAL IMPLICATIONS

This establishes the initial resource planning parameters for FY 2008. It is to be used to preliminarily identify the fiscal needs of the University for the Office of the State Budget. It does not preempt the Board of Regents' approval of the operating budget that is under development.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board approval.

University Executive Officer

Date

EASTERN MICHIGAN UNIVERSITY FY2008 APPROPRIATION REQUEST EXECUTIVE SUMMARY

Eastern Michigan University is pleased to present this request for appropriations for FY2008.

Introduction

Eastern Michigan University is the sixth largest public university in Michigan with a comprehensive curriculum and a diverse student body. The *Princeton Review* recently recognized EMU as a "Best Midwestern College" for 2007. This marks the fourth consecutive year that EMU has received the honor.

For the third consecutive year, *Diverse* magazine (formerly "*Black Issues in Higher Education*") has recognized Eastern Michigan for its growing number of African-American students who earn undergraduate degrees.

The University has also been recognized by *The Advocate College Guide for LGBT Students* as one of the 100 best campuses for lesbian, gay, bisexual and transgendered students.

During its 157-year history, EMU has enjoyed a national reputation in the field of professional education. It continues its tradition as one of the top schools in the country for producing educational personnel. EMU students and graduates of the College of Education continue to earn state and national honors as student teachers, teachers, principals, counselors and superintendents.

Our students and faculty are also making a strong impact in Michigan communities by sharing their skills. One of our goals is to help make the college "dream" more attainable. EMU will be helping prepare middle school students for college as part of a six-year, \$3.4 million grant from the U.S. Department of Education. The program, called "GEAR-UP," helps low-income middle school students raise educational achievement and promote college enrollment.

The College of Education (COE) also has taken an active role in dealing with urban educational issues. The COE developed and hosted a statewide summit last summer, which dealt with issues facing African-American males in K-12 education. Due to its success, in November, EMU will host an evening program that deals with understanding the minds of young African-American males.

The College of Business (COB) enjoys elite accreditation from The Association to Advance Collegiate Schools of Business and, for the third consecutive year, was recognized as one of the "Best 282 Business Schools" in the nation by *The Princeton*

Review. The COB has a strong community outreach program through its Small Business and Technology Development Center; the U.S. Export Assistance Center; the Center for Entrepreneurship; and the Business Research Center, operated in partnership with the Michigan Small Business and Technology Development Center and Washtenaw Community College. In addition, it offers the Professional Education Center, which provides customized training to industry.

The COB's human resources program was also recognized nationally this year for its outstanding enrollment performance in specialized courses, which serve the needs of human resource professionals. The University's Society for Human Resource Management student group also received a Superior Merit Award that places them among the top 10 chapters nationwide. They are the only Michigan student chapter to be honored with this highest designation bestowed by the Society's national organization.

The College of Health and Human Services (CHHS) is known for its applied health and nursing education programs and its nationally-ranked occupational therapy program. The CHHS currently is working to expand its nursing education program to meet a state and national need for additional nurses. The CHHS has developed a strong graduate program in orthotics and prosthetics. All of the academic programs in the CHHS are well connected with community partners who provide clinical/field/internship opportunities for students and provide professional input into the curricula.

The College of Technology (COT) offers contemporary academic programs in polymers and coatings, quality engineering technology, information security, workforce education and many other areas. The COT has four centers and institutes that work with business, industry and governmental agencies to provide applied research and continuing education. These include the Center for Product Research and Development, the Center for Regional and National Security, the Coatings Research Institute and the Textile Research and Training Institute.

The University has also taken the lead in helping to establish the International Cyber-Security Education Coalition, a joint venture between the Centers of Academic Excellence in Information Assurance Education at EMU and the University of Detroit Mercy, and six other universities and community colleges. The coalition will help strengthen national security, establish business/industry partners in Michigan and nationally, and provide an articulated education that can lead to nationally critical cyber-security jobs.

The College of Arts and Sciences (CAS) is the largest college at EMU. In addition to its many pre-professional programs, the CAS supports the curricula of all of the University's other colleges. The CAS has a strong faculty with a reputation for quality teaching and research. The faculty includes distinguished researchers, novelists, artists, scientists, musicians, composers and playwrights.

The CAS has demonstrated a commitment to undergraduate research well ahead of national trends through its Undergraduate Symposium, the oldest continuously-running showcase of undergraduate student research in the nation. The CAS also has a long history of contributions to globalizing and internationalizing the curriculum as well as to public engagement.

As part of EMU's community outreach, the College of Education (COE) faculty have developed an innovative after-school program, "Designed by Nature," that introduces students to the growing field of environmental product design. The program uses everyday objects such as T-shirts and packing peanuts as a launching point for encouraging students to explore the science of materials use and project lifestyles. A workshop for practicing teachers during spring term 2007, and online dissemination will enable the program to reach hundreds of educators across the nation.

The COE's Institute for Geospatial Research and Education also provides essential community services.

EMU's Graduate School serves nearly 4,500 graduate students. There are more than 130 master's degree concentrations within 60 program areas along with 50 graduate-certificate programs. EMU also offers doctoral programs in technology, clinical psychology and educational leadership. More than 1,000 students graduate from EMU with master's degrees each year.

Impact of Reduced Appropriations

Eastern Michigan University reduced its FY07 budget by \$4.0 million and eliminated 18 additional positions, even with a \$2.0 million increase in state appropriations. Prior year reductions included 168 positions and \$36.4 million in the base budget.

EMU's FY07 appropriation of \$78,168,700 is approximately equal to its appropriation in FY99. However, its per-student appropriation of \$4,126 is \$62 less per student than it was in FY97 and \$662 less per student than in FY02. State appropriation comprises 32.4 percent of EMU's General Fund Operating Budget.

Despite having the state's sixth largest university enrollment, EMU ranks 10th in state appropriation per student among the 15 public universities.

Higher Education as a State Funding Priority

Higher education had experienced three consecutive years of declining state appropriations prior to last year when we received \$2,028,100 a 2.7% increase over FY06 funding. Prior to FY07 Eastern Michigan University had not received a base budget increase since FY02.

In establishing the Lt. Governor's Commission on Higher Education and Economic Growth, Governor Jennifer Granholm said, "If we want a high-performance economy,

we must work now to improve the strength, depth and adaptability of our colleges and universities.” The Commission Report stated, “As in the country as a whole, **education levels determine Michigan residents’ income levels and either limit or expand their opportunities for future economic gains**.” Further, the Commission Report notes, “There is also a strong correlation between the education level of a state’s workforce and its economic vitality. States that educate and nurture creative talent—keep and attract people and investment... The fact that postsecondary education leads to greater economic growth is undeniable.”

In remarks before the National Conference of State Legislators in August 2005, Bill Gates, chairman and chief software architect of Microsoft, said “There’s an almost perfect correlation between the number of jobs in a region and the strength of the universities.”

The strength of Michigan’s universities is being eroded by multiple years of declining state support. If we want a better-educated workforce, if we want to reverse the downward spiral of the economy of the last four years, we must make higher education a funding priority and begin to reinvest in public universities. We must not only stem the tide of budget cuts, but also address the loss of revenue of the last four years if we are to ensure the future strength of our public university system.

Fixed Costs

Eastern Michigan University is projecting \$8.1 million in unavoidable cost increases for FY08. These increases are detailed below.

<u>Faculty and Staff Compensation</u>	<u>\$3,567,661</u>
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The positive difference EMU makes in the lives of students is directly related to the quality of the faculty who delivers and supports its academic programs and the quality of the staff that provide support services. Competitive salaries are essential to attracting and retaining talented faculty and staff. Market studies and careful benchmarking are used to guide negotiations with EMU’s seven labor unions which represent almost 90 percent of EMU’s employees. A \$3.6 million increase is required to meet existing and anticipated contractual obligations for FY08.

<u>Health Care Cost Increases (medical and dental)</u>	<u>\$942,546</u>
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The cost of employee health care benefits continues to grow despite successful initiatives to consolidate health care plans, increase co-payment and share costs with employees. Cost increases are due, in large part, to both the cost of health care services and the cost and demand for prescription drugs, which continue to escalate. The estimated cost increase for FY08 is \$1.7 million. For FY08 it is anticipated that cost share will offset this increase by \$0.8 million, resulting in a net \$0.9 million increase.

Utilities

\$1,379,856

Despite continuing cost-saving initiatives, utility costs are forecast to increase \$1.4 million for FY08, primarily due to increases in fuel costs. On a daily basis, University engineers monitor utility markets to take advantage of pricing opportunities.

Student Scholarships and Financial Aid

\$947,869

Eastern Michigan University has always had a strong commitment to accessibility, affordability, diversity and attracting quality students as evidenced by its significant investment in student scholarships, fellowships and other campus aid. The University has more than doubled its investment in student scholarships and other campus aid during the last five years. Approximately 75 percent of EMU's students receive some form of financial aid. The projected increase to cover cost increases for existing scholarships, fellowships and other aid programs is \$0.9 million.

MPSERS – Retiree Health Care

\$719,011

Retiree health care benefits provided by the Michigan School Employees Retirement System (MPERS) contribute to the University's cost increases. The cost to EMU for this unfunded state mandate continues to grow and is projected to increase by \$719,011 in FY08.

Revenues to Support FY08 Expenditures

Eastern Michigan University's estimated FY08 General Fund expenses total \$249.5 million, \$8.1 million higher than FY2007 (3.3 percent increase). EMU is requesting from the State of Michigan a higher education CPI increase of 5.0 percent or \$3,908,435 in its state appropriation. A 5.0 percent increase in state appropriation would require a tuition and fee aggregate increase of 4.3 percent (offsetting an enrollment decline of 1.0 percent) to balance the University's FY08 budget.

Cost Containment

I. FY07 cost containment measures included:

1. Health Insurance Co-payments and Cost Sharing

As additional contracts with bargaining units on campus are negotiated, EMU will be discussing and partnering with the units to reduce overall health care cost expenditures. Non-Bargained for employees, in January 2007, will participate in cost sharing representing six months of savings.

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2. Utilization of Third Party Credit Card Vendor

The full-year implementation of using a third party to accept credit cards for tuition, room and board and fees is expected to save \$800,000 annually beginning in FY07.

3. Michigan Universities Coalition on Health (MUCH)

MUCH will work to achieve increased bargaining power with third party vendors by utilizing their ability to purchase in volume.

4. Banner/Process Improvements

Ongoing efforts to leverage Banner automation opportunities to improve processes and gain staffing and workflow efficiencies are underway.

5. Parking Fees

Implementation of a cost-sharing program to employees for parking privileges on campus.

6. Implementation of A Web Based Time Entry System

The University is in the beginning stages of implementing an on-line time entry system. This system is currently a module of the current ERP system. Once implemented, this system will replace the current paper payroll vouchers.

7. Energy Conservation

New air handlers at Ford and Snow provide for more efficient air distribution throughout both buildings.

Roof projects have been identified. Cost savings result from reduced nuisance work orders. Energy conservation is achieved as a result of added insulation. The east half of Sill is complete, DC2 is 95% complete, Downing is complete, Buell is complete, and Buildings C & D are complete in Westview. Roof inspections are on-going to identify other projects. Boone roof is planned for FY07.

Instantaneous domestic water heaters have been installed in multiple facilities across campus. Energy conservation will result as the water is only heated on demand.

Existing energy management systems across campus have been rehabilitated and two new systems have been purchased. These systems provide the opportunity for EMU to control temperature settings to tight tolerances resulting in improved creature comfort and energy conservation. Components critical to maintain control have also been identified and installed.

8. Travel and Expenditure Policy and Procedures

New policy and procedures were introduced this past fiscal year solidifying our fiduciary responsibility to the general public and clarifying what purchases the University considered fiscally responsible. The cost savings of implementing these procedures will be on-going.

II. FY08 cost containment measures will include:

1. Banner/Process Improvements

Ongoing efforts to leverage Banner automation opportunities to improve processes and gain staffing and workflow efficiencies (on-going initiative).

2. Rave Wireless

If the pilot project (Fall 06) is successful and the University proceeds with the program, we are planning to eliminate approximately 2,500 Residence Hall telephone lines which would save the University approximately \$400,000 annually.

Summary

Eastern Michigan University is projecting cost increases totaling \$8.1 million for FY08. Higher education has been identified as the key component to improving the state's economy. EMU urges the state to continue to support Higher Education with a state appropriation increase that reflects the Higher Education Price Index, and to fund higher education as a top priority. EMU requests an increase to its FY08 appropriation equal to the increase in the higher education CPI, estimated at 5.0 percent.

Eastern Michigan University
Multi Year Budget - Revenue
2006-07 to 2007-08

Revenues	2006-07		Economic Assumptions	Economic %	Impact \$\$	07-08 Base Budget
	General Fund	Oper. Budget				
State Appropriations	\$78,168,700		Increase equal to HEPI	5%	3,908,435	\$82,077,135
Tuition On-Campus	103,437,661					\$103,437,661
Less: Enrollment Forecast	23					
Provision for enrollment shortfall	(1,600,000)		eliminated in 06/07	-2.00%	(2,804,232)	\$(2,804,209)
Registration Fees	2,493,680			1%	1,600,000	\$0
Tuition -- Continuing Education	18,379,181					\$2,493,680
Tuition -- Estimated Increase	0					\$18,379,181
Academic Program Fees	10,205,081			5.00%	6,090,842	\$6,090,842
Program Fees -- Continuing Education	2,777,659			5.00%	510,254	\$10,715,335
Student Fees -- Special Purpose	4,963,000			5.00%	138,883	\$2,916,542
Application Fees	440,000			5.00%	248,150	\$5,211,150
Financial Aid/Admin. Expense	205,000					\$440,000
Investment Income	1,429,332					\$205,000
Indirect Costs Recovery	467,184					\$1,429,332
Miscellaneous Income	238,097					\$467,184
Athletics and ID revenue	1,380,933					\$238,097
General Fee	11,361,483					\$1,380,933
Technology Fees	5,410,230					\$11,361,483
Student Center Fees	1,623,069					\$5,410,230
Base Revenue	\$241,380,313				9,692,332	\$1,623,069
Estimate Of Bad Debt Expense(on)	(1,556,900)			1% of net effect to rev	-57839	\$251,072,645
Budgeted Revenue Plan	\$239,823,413				9,634,493	\$(1,614,739)
Estimated Expnses (see attached worksheet)						\$249,457,906
Net Revenue Projected over Expenses						249,457,906
						0

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Eastern Michigan University
Multi-Year Budget - Operating Expenditures
2006-07 to 2007-08

ACCOUNT	FTVACCT_TITLE	06-07 BASE BUDGET	Economic Assumptions	Economic %	Impact \$\$	07-08 Base Budget
1710	Faculty and Staff Compensation	115,447,866	Overall	3.10%	3,567,661	119,015,527
1730	Graduate Assistant -	2,954,749				2,954,749
1730	Doctoral Fellowship	747,500				747,500
1840	Student Help- CWSP	466,957				466,957
1870	Reg Student Help	2,741,002	Minimum Wage increases to \$7.15 or (\$\$.20*73,282)		14,657	2,755,659
	Total Student Help	6,910,208			14,657	6,924,865
2100	Fringe Benefits-Indirect	2,760,036			200,069	2,960,105
2500	Fringe Benefits- Direct	42,157,975	Increase in relationship to wages per composite rate*		1,461,488	43,619,463
	Total Fringe Benefits	44,918,011			1,661,557	46,579,568
3000	Supply Serv. & Material	24,560,676	Central budget requests zero based		109,362	24,670,038
3354	Utilities	8,337,445	Estimate submitted by Physical Plant		1,379,856	9,717,301
3595	Disbursement To Foundation	1,837,425				1,837,425
4000	Travel	2,664,992				2,664,992
5000	Equipment/Capital Outlay	2,199,253				2,199,253
5100	Library Acquisitions	2,223,099				2,223,099
7000	Student Financial Aid	19,842,367	Per request dated 3-31-06 BOR meeting		947,869	20,790,236
8020	Rchg Telecomm Dr	(40,678)				(40,678)
8040	Rchg Aux Adm/Oper Dr	(3,403,236)				(3,403,236)
8050	Recharge-Other	(22,000)				(22,000)
	Total Operating Expenses	58,199,343			2,437,087	60,636,430
9010	Mandatory Transfer	7,971,490	Plant Asset Preservation Funding		400,000	8,371,490
9520	General Fee Revenue	4,620,183				4,620,183
9550	Nonmandatory Out	4,994,056				4,994,056
9560	Nonmandatory Transfer In	(1,684,213)				(1,684,213)
	Total Transfers	15,901,516			400,000	16,301,516
	Expense Total	241,376,944			8,080,962	249,457,906

Fringe Benefit Increase breakdown:

Dental	191,632	10%
Health Care	1,572,412	9% increase proposed based on Cost share plan
Health Care Savings	(821,498)	Cost share implementation 1/2 year (6 mos. recognized in 2007)
Net impact Health Care	942,546	
MPRSERS	719,011	13.23% members, 12% health care, 6.85% ufl
Total	1,661,557	