

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 4

DATE:

October 24, 2008

RECOMMENDATION

FISCAL YEAR 2010 APPROPRIATION REQUEST

ACTION REQUESTED:

It is recommended that the Board of Regents approve the Fiscal Year 2010 Appropriation Request. We are requesting from the State of Michigan an appropriation increase of 5.9%.

STAFF SUMMARY:

EMU's FY2010 appropriation request is attached for your information and review. Consistent with our request of a year ago, we again are featuring EMU's many academic highlights and contributions to the State and our students. We are encouraging the State to support Higher Education with a State appropriation increase that would enable EMU to continue to offer students a first class education while holding tuition increases to a modest level. The request also provides information on EMU's cost containment actions in FY2009 and FY2010 as well as projected cost increases for FY2010.

The University is estimating FY2010 General Fund expenses of \$272.8 million, \$10.1 million (3.9%) higher than FY2009. EMU is requesting from the State of Michigan an appropriation increase of 5.9% which reflects the Higher Education Price Index (HEPI) increase of 3.8% as well as an additional 2.1% increase to begin to recover previous year's lower appropriations. A 5.9% increase in state appropriation would require a 3.8% increase in tuition and selected fees to balance the University's FY2010 budget.

Higher education has been identified as a key component to improving the State's economy and we are requesting a State appropriation for FY2010 reflecting that priority.

FISCAL IMPLICATIONS:

None for current fiscal year.

ADMINISTRATIVE RECOMMENDATION:

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

University Executive Officer

Date

EASTERN MICHIGAN UNIVERSITY FY2010 APPROPRIATION REQUEST EXECUTIVE SUMMARY

Eastern Michigan University is pleased to present this request for appropriations for FY2010. An investment in Eastern Michigan University is an investment in Michigan as about 90% of our students are from Michigan and upon graduation, 80% remain in Michigan.

Introduction

Eastern Michigan University is the seventh 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 2009. This marks the sixth consecutive year that EMU has received the honor.

For the fourth 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. EMU is ranked 67th out of more than 300 colleges and universities for the number of bachelor's degrees awarded to African American students.

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 159-year history, EMU has enjoyed a national reputation in the field of professional education. One of every four teachers in the State of Michigan has at least one degree from the EMU. It continues the 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. Its highly acclaimed Special Education Department is the only program in Michigan providing professional preparation in all areas of disability education.

The College of Education (COE) and the education unit received an "Exemplary" grade from the Michigan Department of Education. Our teacher preparation program earned 66 out of 70 possible points, making EMU the largest public program to receive this accolade. The COE is leading the way in new degree programs in FY09 and is starting the nation's first special education master's degree for autism spectrum disorders and a doctoral program with a concentration in nursing education will be the only one of its kind in the Midwest.

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 help 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 Business (COB) enjoys elite accreditation from *The Association to Advance Collegiate Schools of Business* and, for the fifth consecutive year, was recognized as one of the "Best 296 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 the industry. Also, the COB has signed an agreement with the Ansal Institute of Technology in Delhi, India as part of its goal to develop global partnerships.

The University's College of Business Human Resource Program and its Continuing Education Division were recognized in June 2008 for outstanding enrollment performance at the Society for Human Resource Management (SHRM)/Holmes Corporation National Conference. EMU was seventh in the country (out of 240 universities/colleges) with more than 275 local human resource professionals enrolled in the SHRM Learning System for 2007.

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 the 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. These initiatives were taken to a global level by our Fulbright Scholar Richard Douglass with his development of a system for tele-medicine in Ghana, Africa that brings much needed health care to remote villages.

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. EMU is one of only four schools in the United States offering a polymers and coatings program. Its faculty received a grant from the U.S Air Force to develop advanced coatings systems for aircraft.

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. COT's undergraduate program in Hotel and Restaurant Management recently became the first and only in the state to be granted accreditation from the Accreditation commission for Programs in Hospitality Administration.

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. Beginning in the Fall 2007, EMU launched a new General Education Program which has already received an award for its innovativeness: The 2007 Association for General and Liberal Studies Award for Improving General Education.

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 5,000 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. In November 2007, the commitment to doctoral programs and educational studies was made even clearer when the University's Board of Regents approved a new doctoral program in philosophy in educational studies.

More than 1,000 students graduate from EMU with master's degrees each year.

Impact of Reduced Appropriations

Eastern Michigan University reduced its FY09 budget \$3.9 million by eliminating 38 positions in anticipation of a small increase of 1% in state appropriations. These reductions are in addition to prior year staff and faculty reductions that have reduced the University's budget.

EMU's FY09 appropriation of \$78,551,000 is approximately equal to its appropriation in FY98, and is 10.3% below the FY02 appropriation. State appropriation comprises 29.9% of EMU's General Fund Operating Budget for FY09 as compared to 52.4% for FY98.

Despite having the state's seventh largest university enrollment, EMU ranked tenth in state appropriation per student among the 15 public universities in FY07.

Higher Education as a State Funding Priority

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."

The strength of Michigan's universities has been eroded by multiple years of declining state support. To achieve a better educated workforce and reverse the downward spiral of the economy, we must make higher education a funding priority and continue to reinvest in public universities. We must not only stem the tide of budget decline, but also address the loss of revenue in past years if we are to ensure the future strength of our public university system.

EMU's total impact on the Michigan economy of an estimated \$3 billion annually reflects a return of more than \$30 for each dollar received from the state. The University's total impact on the Michigan economy results in a contribution of \$115 million in state tax revenue. EMU's impact on state government tax revenue is \$1.25 in taxes for each dollar received from the state.

Fixed Costs

Eastern Michigan University is projecting a \$10.1 million or 3.9% increase in unavoidable costs for FY10. The most significant increases are highlighted below.

Faculty and Staff Compensation

\$4,540,000

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 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 \$4.5 million increase is required to meet existing and anticipated contractual obligations for FY10.

Health Care Cost Increases (medical and dental)

\$1,590,000

The cost of employee health care benefits continues to grow despite successful initiatives to consolidate health care plans, increase co-payments 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 FY10 is \$1.6 million.

Utilities

\$450,000

Although the University continues to implement cost-saving initiatives, utility costs are forecast to increase \$450,000 for FY10, 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

\$1,930,000

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, over an 8% increase from FY09, will be used to cover cost increases for existing scholarships, fellowships and other aid programs. This increase for FY2010 builds on the FY2009 increase in student financial aid of 10.3%.

MPSERS – Retiree Health Care

\$870,000

Retiree health care benefits provided by the Michigan School Employees Retirement System (MPSERS) 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 \$870,000 in FY10.

Revenues to Support FY10 Expenditures

Eastern Michigan University's estimated FY10 General Fund expenses total \$272.8 million, \$10.1 million higher than FY09 (3.9 percent increase). EMU is requesting from the State of Michigan an appropriation increase of 5.9 percent which includes the Higher Education Price Index (HEPI) increase of 3.8 percent as well as an additional 2.1 percent increase to begin to recover previous years reduced appropriations. A 5.9 percent increase in state appropriation would require a tuition increase of 3.8 percent (holding the majority of fees at FY09 levels) to balance the University's FY10 budget.

Cost Containment

I. FY09 Cost Containment Measures include:

1. Personnel Cost Containment

The University reduced its FY09 budget \$3.9 million by eliminating 38 positions from its base budget over FY08. In addition, University administration is aggressively managing its open positions and is holding open vacancies for an indefinite period of time.

2. Health Care Initiatives

- ◆ Effective January 1, 2009, all bargained for and non-bargained for unit employees will be participating in cost sharing, providing for contributions towards health care costs.
- ◆ University administration is aggressively looking at alternatives to managing its health care premiums and cost outlays, by exploring relationships with consortiums or cost managers.

3. Energy Conservation

- ◆ Despite reductions in staffing, the University is committed to energy conservation, and has invested in a Principal Plant Engineer, Energy Conservation and Sustainability Coordinator. This position is responsible for reducing the University's carbon footprint and the impact on the environment.
- ◆ In an effort to save on energy costs, the University has joined the State of Michigan Energy Consortium and is leveraging this group's large purchasing power to save on natural gas purchases for FY09.

- ◆ The University is adjusting its campus open buildings calendar to optimize the shut down periods around holidays during FY09 to save heating costs during the Fall and Winter Terms. Wednesday, November 26, 2008 and Friday, January 2, 2009 have been designated "Energy Savings Days" with virtually all campus buildings closed.
- ◆ An initiative is underway to partner with energy advisors to measure facilities performance and implement cost reduction initiatives. Programs that are being explored include generation and distribution systems, upgraded controls, and a space utilization and inventory study.

4. Business Process Enhancements

- ◆ Effective October 15, 2008, all employee paper direct deposit advice will be replaced by an electronic version. This action will reduce printing and distribution costs.
- ◆ The online input of purchase requisitions is presently being rolled out across EMU's campus and is expected to be complete by June 30, 2009. Online purchase requisitions will result in the automatic processing of supplier payments.

II. FY10 Cost containment measures will include:

1. Web-Based and Online Services

Continued efforts to provide expanded services delivered via e-commerce campus wide. The divisions of Business and Finance and Human Resources will look to implement electronic approvals and update the business policies around that process to ensure consistent and efficient operations.

2. Banner/Process Improvements

Ongoing efforts to leverage Banner automation opportunities to improve processes and gain staffing and workflow efficiencies will continue in FY2010.

3. Energy Savings Days

The University will look to expand on its campus open buildings and work calendar to further optimize the shut down periods to reduce utility costs.

4. Internal Reallocation

The University will continue to evaluate reallocating funds to support new initiatives without increasing the overall base budget.

5. Purchasing Consortia

Eastern Michigan University will continue to identify cost containment opportunities through consortium memberships such as; computer services, copying and printing, liability insurance and similar services.

6. Other

Other energy-related cost containment measures will include alternate fuel vehicles, computer awareness, a central energy management computer system, more energy efficient outside lighting, reduced over-lit lighting levels, more efficient exit lighting, restrictions on space heaters and portable air conditioning units, reductions in the level of heating during holiday shutdowns, more efficient use of academic buildings and installation of instantaneous domestic water heaters.

Summary

Eastern Michigan University is projecting cost increases totaling \$10.1 million for FY10. 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 not only the Higher Education Price Index, but a steady return to previous years funding levels to make higher education a top priority. EMU requests an increase to its FY10 appropriation of 5.9 percent.