

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 17

DATE:
October 19, 2010

RECOMMENDATION

FISCAL YEAR 2011-2012 STATE APPROPRIATION REQUEST

ACTION REQUESTED

It is recommended that the Board of Regents approve the attached Fiscal Year 2011-12 appropriation request. The University is requesting, from the State of Michigan, an appropriation increase of 5.0% for the 2011-12 Fiscal Year.

STAFF SUMMARY

The request highlights Eastern's demonstrated leadership among Michigan's 15 public Universities in tuition restraint. In each of the last two years, Eastern's tuition and fee increases (3.8% and 0.0%) were the lowest of any of the 15 public universities. For the two year period, the average tuition and fee increase for the other 14 public universities was 10.8% compared with Eastern's 3.8%. The request also highlights Eastern's academic strengths and achievements as well as the University's significant economic impact to the State and County.

The request indicates that Eastern is hopeful that its leadership role in containing the costs of a college education for Michigan residents will be recognized in the appropriation process. We continue to emphasize that – with nearly 90% of our students from Michigan and 80% remaining in the state after graduation – an investment in Eastern Michigan is an investment in Michigan.

The University is projecting FY2011-12 General Fund expenditures will increase 3.5% (\$10 million), reflecting higher enrollments as well as increases in fixed costs. Eastern is requesting from the State of Michigan an appropriation increase of 5.0% (\$3.8 million). Recognizing the state's financial challenges, the University is not requesting recovery of previous year's reduced appropriations. It is expected that a 5.0% increase in state appropriation would enable EMU to again keep tuition increases to a minimum while increasing University-sponsored financial aid.

The request also provides information on EMU's cost containment actions as well as projected cost increases.

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 FY2012 APPROPRIATION REQUEST EXECUTIVE SUMMARY

Eastern Michigan University is pleased to present its FY2012 State Appropriation Request.

Over the last two years, Eastern led the state's public universities in tuition restraint. For the 2009-10 academic year, Eastern's tuition and fee increase of 3.8% was the lowest of the 15 public universities. Eastern's "0%,0%,0%" freeze in tuition, fees, room and board for the 2010-11 academic year was again the lowest and represented the first time in almost a decade that any of the 15 public universities did not raise tuition or fees.

For the two year period, the average tuition and fee increase for the other 14 public universities in Michigan was 10.8% compared with Eastern's 3.8%.

Why have we chosen to lead? At Eastern, we recognize the economic challenges faced by our state and by our students and their families. Nearly 90% of our students are from Michigan and upon graduation 80% remain in the State. We believe that higher education will be a critical factor in the economic transformation of Michigan, but only if the costs of a college education remain affordable. To deliver on the promise of affordability, Eastern has not only led in tuition restraint, we've also significantly increased our university-sponsored financial aid (up over 40% the last three years).

Eastern's leadership in tuition restraint has been made possible by aggressive cost containment measures and enrollment growth. We continue to implement significant cost savings actions as evidenced by a major restructuring of our health care plans. Effective January 1, 2011, all non-bargained for and a significant portion of the bargained for employees will be paying a substantially greater share of health care costs through increased premiums, deductibles, co-pays and co-insurance.

At the same time we have been containing operating costs, we are improving academic quality and the student experience through strategic investments in faculty and facilities. For the Fall of 2010, Eastern was successful in 38 tenure-track faculty searches and also will be increasing its number of full-time lecturers. From FY2009-10 through FY2012-13, Eastern's capital spending will total an unprecedented \$195 million. Over 70% of the investment is in academic facilities, but housing and other campus facility enhancements are planned as well as critical building and IT infrastructure investments.

Positive results are already being realized – enrollment has increased by a projected 7% over the last two years, student retention rates are up significantly, and students and families are expressing appreciation for our tuition restraint. Eastern offers an affordable path to a college degree. In collaboration with community colleges, Eastern has 103 agreements that enable 84 to 92 credits to be transferred for a degree (3 + 1).

An investment in Eastern Michigan University IS an investment in Michigan. Our students are from Michigan and stay in Michigan. At Eastern, we remain committed to providing a first class, practical education that's affordable to our students and we'll do our part to continue to improve efficiency with a focus on our core mission. Eastern has clearly demonstrated its commitment to tuition affordability and restraint, a goal we all share, and we are hopeful our leadership position in containing the costs of a college education for Michigan residents will be recognized in the appropriation process. Eastern Michigan University is respectfully requesting a 5.0% increase in appropriation for Fiscal Year 2011-12.

EASTERN MICHIGAN UNIVERSITY FY2012 APPROPRIATION REQUEST

Background

Eastern Michigan University was founded by the State of Michigan in 1849. Then called Michigan State Normal School, its primary purpose was to educate teachers. In 1956, Michigan State Normal College became Eastern Michigan College, and in June 1959, then comprising three colleges and a graduate school, it became Eastern Michigan University.

Today, Eastern Michigan University is the seventh largest public university in the State. Eastern is a comprehensive undergraduate and graduate institution, offering 109 undergraduate majors and curricula leading to a broad spectrum of baccalaureates and a total of 99 graduate concentrations leading to the masters', specialist's, and doctoral degrees. Its focus is on preparing students to succeed beyond graduation by emphasizing a personal approach to education in which the student is the center of the learning experience. The University prides itself on putting "Education First."

Eastern Michigan University was named one of the best regional colleges in the Midwest in the annual U.S. News and World Report 2011 Best College's edition. U.S. News and World Report ranked Eastern Michigan 81st among all universities in the 12-state Midwest region. Eastern ranked 27th in the Midwest region among public universities. Approximately 90 percent of the 1,472 colleges and universities were surveyed. The rankings were based on undergraduate academic reputation, graduate and freshman retention, faculty resources, student selectivity, financial resources, graduate performance rates, and alumni giving rate. U.S. News and World Report also ranked schools in other categories including: 'Best Value,' 'Economic Diversity,' 'Campus Ethnic Diversity,' 'Most international Students' and others. Eastern Michigan University was the highest rated university in Michigan for campus ethnic diversity.

The *Princeton Review* recently recognized Eastern as one of the best colleges in the Midwest for the eighth consecutive year. In its profile, the *Princeton Review* describes an Eastern education as "a great value." The Review bases its selections on a school's academic programs. It also takes into account student responses on an 80 question survey for the yearly project. Collectively, 623 colleges were named regional bests nationwide, constituting about 25 percent of the nation's 2,500 four-year institutions. The Princeton Review does not individually rank colleges in its list

For the second consecutive year, Eastern Michigan University has been named one of the country's top "military friendly" schools by GI Jobs magazine. The magazine's list recognizes the 15 percent of schools that best serve veterans nationwide. Criteria for making the list include efforts to recruit and retain military and veteran students, results in recruiting military and veteran students, and academic accreditations. Eastern currently certifies approximately 400 students for GI Bill benefits. The GI Bill covers nearly all of the education costs for eligible veterans.

Eastern Michigan University prides itself on having a diverse study body. Eastern has been named one of the top gay friendly universities in the nation by the 2010 Campus Pride Climate Index. Eastern Michigan University, along with the University of Michigan and Grand Valley State University, were the highest scoring Michigan schools. All three schools earned a 4.5 out of 5.0 star rating. The Campus Pride LGBT-Friendly Campus Climate Index ranks more than 230 public colleges and universities based on policies, programs and practices related to inclusion and friendliness.

FY2012 Appropriation Request

Eastern Michigan University is requesting a 5.0% increase in appropriation for Fiscal Year 2011-12. Further, we are requesting that Eastern's demonstrated leadership among Michigan's public universities over the last two years in containing the costs of a college education for Michigan residents be recognized in the appropriation process.

For the 2009-10 academic year, Eastern's tuition and fee increase of 3.8% was the lowest of the State's 15 public universities. Eastern followed the lowest increase in 2009-10 with a freeze in tuition and fees, as well as room and board rates, for the 2010-11 academic year. Over the two year period, the average tuition and fee increase for the other 14 public universities in Michigan was 10.8%, almost 3 times Eastern's 3.8%.

Nearly 90% of Eastern's students are from Michigan and after graduating, about 80% remain in the State. At Eastern, we believe that higher education will be an essential element in the State's economic recovery, but only if the costs of a college education remain affordable to Michigan residents. To deliver on the promise of affordability, Eastern has not only led in tuition restraint, we've also significantly increased our university-sponsored financial aid (up over 40% the last three years).

Eastern's leadership in tuition affordability has been made possible by aggressive cost containment measures and enrollment growth. We continue to implement significant cost savings actions as evidenced by a major restructuring of our health care plans (see below). At the same time we have been containing operating costs, we are improving academic quality and the student experience through strategic investments in faculty and facilities. At Eastern, we remain committed to providing a first class, practical education that's affordable to our students and will continue to improve operating efficiency while maintaining a focus on our core mission of education.

Eastern certainly recognizes there are competing needs for funding and difficult choices, yet we are optimistic the critical role higher education will play in Michigan's transformation will be reflected in FY2012 budget development as a priority. We are also optimistic that consideration will be given to Eastern's leadership and commitment to tuition restraint and affordability as specific university appropriations are developed.

An investment in Eastern Michigan University IS an investment in Michigan. The vast majority of Eastern students are from Michigan and upon graduation, they stay in Michigan. Further, the economic return to the State of an investment in Eastern is significant – Eastern's most recent Economic and Social Impact Study indicated that:

- Eastern's annual impact on Michigan's economy of \$3.7 billion for 2008 reflected a return of \$42 for each dollar received from the State
- Eastern's impact on state tax revenues equals \$1.87 in taxes for each dollar it receives from the state
- And locally, Eastern's annual expenditures produce an impact on the Washtenaw County community of \$567 million

As requested, following is an overview of Eastern's projected FY2012 requirements and description of cost containment initiatives:

FY2012 Financial Overview and Requirements

Eastern Michigan University's General Fund budget for FY2011 is balanced with revenues and expenditures of \$280.9 million.

For FY2012, costs are projected to increase 3.5% (\$10 million) reflecting higher enrollments as well as increases to fixed costs. The major projected year-to-year fixed cost increases are:

- Faculty and Staff Compensation - the positive difference EMU makes in the lives of students is directly related to the quality of the faculty who deliver and support our academic programs and the quality of staff that provide support services. Competitive salaries are necessary to attract and retain talented faculty

and staff. Market studies and benchmarking are used to guide negotiations with EMU's seven labor unions which represent about 85% of Eastern's employees.

- Health Care Costs – the cost of health care benefits continues to grow despite changes to the University's plans that require significantly more cost sharing by employees (see below).
- Student Scholarships and Financial Aid – Eastern has always been committed to accessibility, affordability, diversity, and attracting quality students as evidenced by our significant investment in student scholarships, fellowships, and other campus aid. Approximately 75% of Eastern students receive some form of financial aid, and from FY2008 through FY2010, Eastern's annual University-sponsored financial aid increased by over 40% to \$30.4 million. Although the financial aid plan for FY2012 has not been finalized, it is expected the growth rate in financial aid expenditures will again exceed the rate for the balance of other university expenditures.
- MPSERS-Retiree Health Care – retiree health care benefits provided by the Michigan School Employees Retirement System have contributed significantly to the University's cost increases. The cost to Eastern for this unfunded mandate is expected to continue to grow.

Cost Containment Initiatives

Since 2004, total staffing levels at Eastern have been reduced by 140 personnel, generating salary and benefit cost savings of approximately \$12.8 million annually. Other personnel-related cost savings actions included a pay freeze for the 100 highest compensated staff members (about 40% of the University's administrative and professional personnel) implemented July 2009 (remains in effect) and a six month deferral of merit increases for the balance of Administrative and Professional personnel for FY2010. A voluntary furlough program also has been implemented. For non-personnel expenditures, budgets have been frozen for two years except for selected high priority initiatives related to student success, academic programming, and enrollment growth. Other significant cost containment actions include:

- Health Care Plan Re-Structuring - effective January 1, 2011, all non-bargained for and a portion of the bargained for employees will be paying a substantially greater share of their health care costs through higher premiums, deductibles, co-pays and co-insurance. Drug plans have been revised to encourage greater use of generics and for Faculty, the higher-cost Traditional Plan is eliminated.
- Personnel Cost Containment – in addition to the pay freeze and merit increase deferrals for non-bargained-for employees, contract renewals with bargaining units over the past two years have reflected modest pay increases (1% to 2% annually).
- Energy Cost-Related - Eastern has reduced its annual utility costs by about \$2 million (20%) reflecting both lower natural gas prices and a number of energy savings projects and initiatives that have reduced usage. In addition to several significant infrastructure investments that have resulted in energy usage reductions, Eastern has partnered with private companies, adopted "energy savings days", utilized alternate fuel vehicles, joined the State of Michigan Energy Consortium, and adopted a central energy management computer system. Despite reductions in staffing overall, the University is committed to energy conservation, and has invested in new position of Energy Conservation and Sustainability Coordinator.
- Other process improvements – Eastern has implemented numerous other cost savings and cost avoidance actions and process improvements. They include virtual servers, Voice Over Internet Protocol (VOIP), new travel and payment card policies, electronic requisitioning, and other web-based/on-line services.

September 30, 2010