

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: *24*

DATE:

September 19, 2006

RECOMMENDATION

REPORT: 2006 GENERAL FUND BUDGET MANAGEMENT REPORT

ACTION REQUESTED

It is recommended that the 2006 General Fund Budget Management Report be accepted and placed on file, and that funding authorization in the amount of \$4,959,040 be approved for outstanding obligations, commitments, encumbrances and provisions.

STAFF SUMMARY

The approved FY 2006 General Fund revenue budget plan totaled \$212.5 million. Revenues for the year of \$212.0 were below plan by \$0.5 million.

The approved FY 2006 General Fund expenditures budget totaled \$212.4 million plus authorized allocation of fund balance for outstanding obligations, commitments, encumbrances and provisions of \$4.7 million for a total funding authorization of \$217.1 million. Actual Expenditures of \$211.8 million fell \$5.3 million below authorization..

Revenues exceeded expenditures by \$0.2 million; the amount by which the General Fund balance increased from \$9.2 million at June 30, 2005 (restated to account for a prior period adjustment to accounts receivable) to \$9.4 million at June 30, 2006.

The unallocated General Fund balance decreased from \$6.5 million to \$4.5 – a decrease of \$2.0 million. The change in the unallocated balance is primarily due to the prior period adjustment to accounts receivable of \$2.0 million.

FISCAL IMPLICATIONS

During FY 2006 General revenues exceeded expenditures by \$0.2 million. Budget carryover for outstanding obligations, commitments, encumbrances and provisions totals \$4,959,050.

ADMINISTRATIVE RECOMMENDATION

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

University Executive Officer

Date _____

EASTERN MICHIGAN UNIVERSITY
2006 Budget Management Report

This report evaluates the fiscal 2006 general fund operating budget performance in respect to the planned revenues, the authorized spending levels, the resultant condition of the fund balance and carry-forward authorizations.

FUND BALANCE

- Revenues exceeded expenditures by \$250,762. (*Exhibit# 1*)
- The fiscal 2006 General Fund balance increased by \$250,762 to \$9,425,622 as restated.
- Outstanding encumbrances and commitments, in which funding is obligated but unexpended, and authorized provisions are being proposed for carry-forward in the amount of \$4,959,040.
- The resulting unallocated balance totals \$4,466,582, and represents a decrease of \$2,027,656 compared with the June 30, 2005 unallocated balance.

REVENUES

- Revenues of \$212,017,195 fell below the budget plan by \$516,072. (*Exhibit# 2*)
- The planned appropriation from the State of Michigan was \$76,764,820. Appropriation payments were 36.21 percent of total general fund revenues.
- Appropriation payments not including the rebate from last year increased \$79,820 over fiscal 2005.
- Program fees generated \$10,048,526 exceeding plan by \$196,191, an increase of \$1.3 Million over the prior fiscal year.
- Fiscal 2006 tuition and fee revenue represented 59.66 percent of total General Fund revenues consistent with the operating plan of 58.98 percent, an increase from the prior year level of 55.74 percent.

EXPENDITURES

- Expenditures and Transfers of \$211,766,434 fell \$5,363,918 below the spending authorization (spending authorization included \$212,460,000 of expense budget and \$4,670,352 prior year carry forward). Expenditures increased \$ 14,139,074 or 7.2 percent over the prior fiscal year. (*Exhibit# 3*)

Expense Below Spending Authorization

Central cost reductions \$0.1 million
Divisional Departmental \$5.2 million

- 3
- The personal service component increased 7.25 percent over the prior year. Compensation including salary and benefits for faculty, staff, and students represented 72.81 percent of total expenditures. This was a decrease from the 75.62 percent level experienced in fiscal 2005. A result of position eliminations and divisional cost reductions.

Faculty Salaries

- The fiscal 2006 Faculty Plan and revised operating budget included \$62,939,948 for both instructional and non-instructional faculty salaries including a provision for anticipated salary adjustments. Total faculty expenditures of \$62,916,089 increased 7.2 percent over fiscal 2005.

Staff Salaries

- Expenditures for staff salaries totaled \$43,646,904 or \$642,612 above the revised budget plan. Support staff expenditures decreased by \$496,196 or 3.9 percent below fiscal 2005.

Fringe Benefits

- Direct benefit costs, adjusted for reserves, totaled \$37,099,944 under plan by \$1,403,216. The BCBS payment liability reserve was reduced \$500,000 and the actual composite rate for fringe benefits was lower than the budget composite rate. Direct benefit expenditures were 1.4% over fiscal 2005. Direct fringe benefit expense, as a percentage of salaries paid, amounted to 34.04 percent, compared to 34.83 percent in fiscal year 2005.
- Group Health care costs increased to \$16,202,288, an increase of \$2,686,870 or 19.9% over FY05.

Enrollments

- Student Credit Hours (SCH) of 544,893 fell short of the original plan by 6,144 or 1.1% (a loss of 4,779 SCH or .9 percent below fiscal 2005). The FY 2006 enrollment provision of 2% was able to offset the 1.1% shortfall and resulted in higher than planned revenue of \$1.4 million.

Summary

General fund revenues exceeded expenses resulting in an increase in the fund balance of \$250,762 to \$9,425,622 (restated to account for prior period adjustment to account receivable). Prior commitments, encumbrances and proposed project carry forwards total \$4,959,040 resulting in an unallocated fund balance of \$4,466,582.

GENERAL FUND
2006 BUDGET MANAGEMENT REPORT
SUMMARY OF FUND BALANCES
Post Close

EXHIBIT # 1

8/25/2006

4

Fund Balances (Per Financial Statements)

General Fund Net Assets 6/30/05	11,164,590
Adjustment to prior period	(1,989,730)
Net Assets, beginning of the year restated	9,174,860

Add: 2005-06 Revenues	
Operating Revenues	135,252,375
Non-Operating Revenue	76,764,821
	<u>212,017,196</u>

Less: 2005-06 Expenditures and Transfers	
Operating Expenses	(206,510,968)
Total Transfers	(5,255,466)
	<u>(211,766,434)</u>

Increase/(Decrease) in Fund Balance	250,762
General Fund Net Assets 6/30/06	<u>9,425,622</u>

<u>Allocated Fund Balance:</u>	<u>2,006</u>	<u>2,005</u>	<u>Variance</u>
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<u>Divisional Carry Forwards</u>	
Continuing Education	879,999
Academic Affairs	54,689
Advancement/Foundation	69,727
Business & Finance	670,923
Enrollment Services	172,960
President	242,479
Student Affairs	37,320
CE Funding AA Budget cuts	773,656

Sub-Total Divisional Balances	<u>2,901,753</u>
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<u>Line Item Projects</u>	
Project/operations continuation funding	893,227

<u>Other Projects</u>	
Motor Pool vans	60,000
Office Remodel	75,000
Banner Consultant	50,000
Children's Institute Funding	83,365

Sub-Total Project Balances	<u>1,161,592</u>
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<u>Encumbered Balances*</u>	<u>895,695</u>
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Sub-Total Account Balances	<u>4,959,040</u>	<u>4,670,352</u>	<u>288,688</u>
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* Continuing Education Encumbrances excluded from carryforward-Net to balance forward

Unallocated Fund Balance 6/30/06	4,466,582	6,494,238	(2,027,656)
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Total Fund Balance	<u>9,425,622</u>	<u>11,164,590</u>	<u>(1,738,968)</u>
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EASTERN MICHIGAN UNIVERSITY
2006 BUDGET MANAGEMENT REPORT
GENERAL FUND REVENUE SUMMARY
Post Close

EXHIBIT # 2

	2006 ACTUAL	2005 ACTUAL	VARIANCE	2006 APPROVED BUDGET	2006 ACTUAL	VARIANCE
State Appropriation*	\$76,764,820	\$76,685,000	79,820	\$75,938,400	\$76,764,820	\$826,420
Supplemental Appropriation	0	2,366,198	(2,366,198)	0	0	0
Tuition and Registration Fees	100,217,239	88,086,678	12,130,561	98,729,783	100,217,239	1,487,456
Program Fees	10,048,526	8,698,580	1,349,946	9,852,335	10,048,526	196,191
Tuition-Continuing Education	16,140,695	13,443,989	2,696,706	16,766,138	16,140,695	(625,443)
MASCO MBA	78,249	145,151	(66,902)	0	78,249	78,249
Program Fees- Continuing Education	2,012,548	1,996,695	15,853	2,685,668	2,012,548	(673,120)
Student Fees-Special Purpose	4,895,460	4,741,685	153,775	5,692,844	4,895,460	(797,384)
General Fee-Financial Aid	514,581	493,641	20,940	578,417	514,581	(63,836)
Application Fees	442,683	451,727	(9,044)	506,000	442,683	(63,317)
Federal Contracts & Grants	228,645	257,336	(28,691)	205,000	228,645	23,645
Indirect Cost Recovery	526,870	491,229	35,641	467,182	526,870	59,688
Misc Income	146,879	145,797	1,082	151,000	146,879	(4,121)
Transfers/Operations	0	0	0	960,500	0	(960,500)

GENERAL FUND REVENUES	\$212,017,195	\$198,003,706	14,013,489	\$212,533,267	\$212,017,195	(\$516,072)
Appropriation	36.21%	38.73%		35.73%	36.21%	
Tuition/Fees (Incl. Cont Educ)	59.66%	55.74%		58.98%	59.66%	
As a Percentage of General Revenue	95.86%	94.47%		94.71%	95.86%	

EXHIBIT #3

EASTERN MICHIGAN UNIVERSITY

2005-2006 Expenditure Summary

GENERAL FUND EXPENDITURE SUMMARY

8/24/2006 16:48

Post Close

OBJECT CATEGORY	2006		2005		2005		2005		2005		Variance
	Actual	Actual*	Actual*	Variance	Budget	Revised Bud	Expense	Expense	Variance		
Faculty & Lecturers	\$62,916,089	\$58,700,187	\$4,215,902		\$62,826,823	\$62,939,948	\$62,916,089		\$23,859		
Admin/Professional/Technical	\$31,562,826	\$31,523,491	\$39,335		\$30,370,605	\$30,603,452	\$31,562,826		-\$959,374		
Support Staff	\$12,084,078	\$12,580,274	-\$496,196		\$12,435,485	\$12,400,840	\$12,084,078		\$316,762		
OT/Temp/Misc P.S.	\$2,415,246	\$2,218,561	\$196,685		\$1,795,785	\$1,830,782	\$2,415,246		-\$584,464		
Total Personal Services	\$108,978,239	\$105,022,513	\$3,955,726		\$107,428,698	\$107,775,022	\$108,978,239		-\$1,203,217		
Student Help	\$6,714,369	\$6,520,127	\$194,242		\$6,678,383	\$6,722,189	\$6,714,369		\$7,820		
2100 Fringe Bene.-Indir.	\$1,388,840	\$1,321,651	\$67,189		\$3,177,830	\$3,220,305	\$1,389,933		\$1,830,372		
2500 Fringe Bene.-Dir.	\$37,099,944	\$36,582,213	\$517,731		\$38,340,276	\$38,503,160	\$37,099,944		\$1,403,216		
3000 Supp. Serv. & Mater*	\$29,030,676	\$25,971,219	\$3,059,457		\$25,563,155	\$30,271,447	\$29,029,583		\$1,241,864		
3600 Utilities	\$5,895,216	\$4,298,791	\$1,596,425		\$6,771,189	\$6,771,189	\$5,895,216		\$875,973		
7000 Student Fin. Aid	\$17,403,684	\$14,825,011	\$2,578,673		\$17,529,601	\$17,529,745	\$17,403,684		\$126,061		
Transfers	\$5,255,466	\$3,085,835	\$2,169,631		\$6,970,868	\$6,337,297	\$5,255,466		\$1,081,831		
Total Expenditures	\$211,766,434	\$197,627,360	\$14,139,074		\$212,460,000	\$217,130,354	\$211,766,434		\$5,363,920		
Budget (Exp.) Incr. Between Year	\$23,856,966	-\$14,139,074									
% Increase Over Prior Year (1)											
Total Expenditures	12.70%	-6.68%									
Personal Services	7.25%	-3.63%									
PERCENTAGE OF TOTAL											
Personal Services	51.46%	53.14%			50.56%	49.64%	51.46%				
Student Help	3.17%	3.30%			3.14%	3.10%	3.17%				
Fringe Benefits	18.18%	19.18%			19.54%	19.22%	18.18%				
TOTAL COMPENSATION	72.81%	75.62%			73.25%	71.95%	72.81%				
% Dir. Benefits of Personal SVS.	34.04%	34.83%			35.69%	35.73%	34.04% *				
* Includes Bad Debt Expense											