

BOARD OF REGENTS

EASTERN MICHIGAN UNIVERSITY

SECTION: 21

DATE:

June 23, 2009

RECOMMENDATION

2009-2010 GENERAL OPERATING, AUXILIARY AND CAPITAL BUDGETS

ACTION REQUESTED

It is recommended that the Board of Regents approve fiscal year 2009-2010 General Operating, Auxiliary, and Capital Budgets in the amounts of \$267.7 million, \$38.5 million and \$81.6 million respectively. Revenue and expenditure detail for these budgets is included on the two attachments.

STAFF SUMMARY

The recommended budgets are guided by the continuing objectives of maintaining the excellence of an Eastern Michigan education, keeping EMU affordable and accessible, and positioning EMU for a strong, successful future.

General Operating (Attachment 1)

The recommended \$267.7 million 2009-2010 operating expenditure budget represents a \$5.0 million (1.9%) increase compared with the approved 2008-09 budget. The budget is contingent upon the approval of the accompanying recommendation for 2009-2010 Tuition and Fees.

To contain costs to a 1.9% year-to-year increase and minimize the level of required tuition and fee increase for our students, several personnel-related cost savings actions are recommended including:

- pay freeze for the 100 highest compensated staff members (about 45% of the University's Administrative and Professional personnel)
- deferral of merit increases from July 1, 2009 to January 1, 2010 for the balance of Administrative and Professional staff
- implementation of a voluntary furlough program for staff members where, subject to management approval, employees could choose a reduced work schedule and pay while retaining their benefits
- continuing existing guidelines related to filling of open, budgeted positions

For non-personnel expenditures, the budgets for discretionary elements such as equipment and Services, Supplies, and Materials (SS&M) have been maintained at their 2008-09 budget level except for small increases in selected areas. Discretionary travel has been reduced 10% and contingencies have been reduced from \$1.5 million included in last year's budget to \$1.0 million recommended for 2009-10. Further, the budget reflects an Administration commitment to identify an additional \$500,000 in non-personnel savings during the fiscal year.

Over the last five years, total University staffing levels have been reduced by about 8% (175 employees). To ensure the high quality of an EMU education is maintained, no further staffing reductions are recommended or assumed in the budget beyond those that might occur in the normal course of operation.

Recognizing the growing needs of our students and their families for financial support, University-sponsored financial aid will again be increased significantly. For fiscal year 2009-10, Financial Aid is increased by 8% (\$1.9 million) over 2008-09; in 2008-09, Financial Aid was raised by 10%.

The budget recommendations reflect recent indications from Lansing regarding funding for higher education. It is expected that EMU's base appropriation from the State's General Fund will be reduced by about 3% (\$2.4 million). Although restoration of a portion of the reduced state funding is likely through allocations of one-time federal stimulus funds, the restoration amounts are not certain at this point. It is not recommended that these one-time stimulus funds be assumed in balancing the ongoing operating budget. If, and when, stimulus funds are received, Administration will present to the Board recommendations regarding those funds.

Tuition and fee increases averaging 3.82% are recommended.

Auxiliary Activities (Attachment 2)

The recommended 2009-10 budget for Auxiliary Activities includes \$38.5 million in revenue and \$36.3 million in operating expenses. The budget reflects transferring the resulting \$2.2 million operating surplus to Auxiliary capital reserves. The Auxiliary budget reflects the room, board, and apartment rates for 2009-10 approved by the Board on April 21, 2009.

The 2009-10 Auxiliary budget reflects an increase in residence hall occupancy rates. It is expected that for Fall 2009, at opening, 3,025 students will be living in residence halls compared with 2,898 students last Fall at opening. Residency in University-owned apartments is projected at 405 units leased at opening at Fall 2009 compared with 385 a year ago.

Capital Expenditures (Attachment 2)

Over the next three years, EMU's investment in its future is significant with projected capital expenditures in excess of \$175 million. About 75% of the spending is for academic facility enhancements (primarily Mark Jefferson and Pray-Harrold), but investments in housing facilities, other campus facilities, energy savings actions, and ongoing asset preservation are also planned.

The recommended capital expenditure budget of \$81.6 million for the 2009-10 fiscal year includes \$40.7 million for Mark Jefferson, \$10.5 million for Pray-Harrold, \$7.1 million in housing facility renovations, as well as necessary investments in Information Technology and other campus infrastructure. Further detail on 2009-10 capital expenditures is contained in Attachment 2.

FISCAL IMPLICATIONS

Approval of the 2009-10 budget recommendation outlined above establishes the spending authorization for general operations, auxiliary activities, and capital.

ADMINISTRATIVE RECOMMENDATION

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

University Executive Officer

6-23-09
Date

Eastern Michigan University
General Fund Operating Budget
Fiscal Year 2008-09 & 2009-10

(in Millions)	Approved 2008-09 Budget	Proposed 2009-10 Budget	Variance
Revenues			
<u>Tuition and Fees</u>			
Tuition & Fees -- On Campus	\$154.2	\$159.8	\$5.6
Tuition & Fees -- Continuing Educ.	23.6	25.2	1.6
Total Tuition and Fees	\$177.8	\$185.0	\$7.2
State Appropriation - Base	78.6	76.2	(2.4)
State Appropriation - Stimulus	0.0	0.0	0.0
Other Revenue	6.3	6.5	0.2
Total General Fund Revenue	\$262.7	\$267.7	\$5.0
Expenditures			
<u>Personnel Costs</u>			
Faculty & Lecturer Salaries	\$69.7	\$71.8	\$2.1
Staff Salaries/Misc Pers Svcs	53.7	55.1	1.4
Student Employment	6.9	7.0	0.1
Total Personnel Costs	\$130.3	\$133.9	\$3.6
Fringe Benefits	46.1	46.5	0.4
Total Personnel Costs	\$176.4	\$180.4	\$4.0
<u>Non-Personnel Costs</u>			
Services, Supplies and Materials	\$28.4	\$29.4	\$1.0
Student Financial Aid	23.7	25.6	1.9
Utilities	9.0	7.4	(1.6)
Debt Service	8.4	11.6	3.2
Asset Preservation Transfer	8.5	5.3	(3.2)
Equipment and Library Acquisitions	4.8	4.8	0.0
Travel	3.4	3.3	(0.1)
Distribution to Foundation	1.5	1.5	0.0
Contingencies and Growth Fund	1.5	1.0	(0.5)
TBD Cost Savings Actions	(0.5)	(0.5)	0.0
Net Transfers	(2.4)	(2.1)	0.3
Total Non-Personnel Costs	\$86.3	\$87.3	\$1.0
Total General Fund Expenditures	\$262.7	\$267.7	\$5.0
Total General Fund Surplus/(Shortfall)	\$0.0	\$0.0	\$0.0

Note: At \$267.7M, year over year, budget to budget, expenditure increase of \$5.0M (1.9%)

EASTERN MICHIGAN UNIVERSITY
Auxiliary Activity and Capital Expenditure Budget
Fiscal Year 2009-10

Attachment 2

(In Millions)

Recommended
2009-10 Budget

Auxiliary Activities

Revenues

Dining	\$14.8
Residence Halls/Apartments	15.1
All Other Auxiliary Activities	<u>8.6</u>
Total Revenues	\$38.5

Expenditures

Operating Direct Costs	\$29.6
Debt Service	3.3
Payment to GF for Services	<u>3.4</u>
Total Operating Expenditures	\$36.3

Operating Surplus/(Deficit)	\$2.2
Transfer to Auxiliary Capital Reserve	<u>2.2</u>
Net Surplus/(Deficit)	\$0.0

2009-10 Budget
Amount

Percent
of Total

Capital Expenditures

Academic Facility Enhancements

Mark Jefferson Science Complex (\$90M Project)	\$40.7	
Pray-Harold (\$42M Project)	10.5	
Other (Fletcher Acquisition, Halle)	<u>2.3</u>	
Total Academic Facility Enhancements	\$53.5	66%

Housing Facility Enhancements

First Year Center Windows	\$3.1	
Brown-Munson Windows	1.8	
Pittman Renovation	1.6	
Other (Resnet Wireless)	<u>0.6</u>	
Total Housing Facility Enhancements	\$7.1	9%

Other University Facility Enhancements

Athletics-Related (Indoor Facility, Ryneerson Scoreboard)	\$3.4	
Other (Eagle Crest, McKenny, Signage)	<u>0.8</u>	
Total Other University Facility Enhancements	\$4.2	5%

Infrastructure, Asset Preservation, Energy Savings

IT Infrastructure	\$3.2	
DC-3 Complex Boiler Plant	2.4	
Wise Hot Water System	2.2	
Parking-Related	0.5	
Mass Evacuation	0.9	
Other Asset Preservation (30 Projects)	<u>7.6</u>	
Total Infrastructure, Asset Preservation, Energy Savings	\$16.8	20%

Total Capital Expenditures	\$81.6	100%
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