

**University Budget Council
Eastern Michigan University
Final Report to the Board of Regents
May 5, 2017**

The following is an overview of the activities of the University Budget Council for Fiscal Year 2017 and recommendations from the Council to the Board of Regents for its Fiscal Year 2018 budget considerations.

The first meeting of FY17, of the UBC was September 19th, and was a general update on the prior year's motions and activities. Chief financial officer Mike Valdes and Todd Ohmer, executive director of financial planning and budgets, provided an update on the FY17 budget.

UBC Chair Colleen Croxall reported that she had a very constructive conversation and briefing last spring regarding UBC activity and recommendations with Regent Beth Fitzsimmons, who was the chair of the Board's Finance and Audit Committee.

The UBC elected to have the same two committees as last year: Short Term Budget and Long Term Budget. The Short Term Budget Committee took up the question of block tuition this year, taking into account the effects such a move would have to those taking between 12-15 credits. The Long-Term Budget Committee looked at the bigger picture in aiming to help set the University on a consistent budgeting strategy that has less variance from year to year.

A number of special presentations and budget updates were made to the council and subcommittees throughout the year.

The Short-term budget committee, chaired by Anne Balazs outlined their planned efforts for the year which included:

- Studying the issue of implementing block tuition for the 2018-19 academic year.
- Website redesign-- looking into other ways to report budget information, with the goal of greater clarity and transparency.
- Summer scheduling, including examination of conflicting reports on profitability; scheduling patterns, what students are taking, what students would take if offered, and possible discounting of summer tuition.
- Continued simplification of billing format and fee structure.

The Long-term budget committee, chaired by Dave Crary outlined their planned efforts for the year to include:

- The committee is taking a fuller look at long-term budgeting and multi-year budgets as it pushes for consistency and less year-to-year variance in budgeting. This includes looking

at the multi-year effect of the co-generation project and the new dining contract with Chartwells.

- Further exploring tuition differential at the graduate level, where differences still remain between in-state and out-of-state rates.
- Working with the short-term committee on block tuition, including examining the question of whether students who only take 12 credits for the 12-15 block should carry those three credits into summer.
- Examining the question implementing greater flexibility on carryovers, with benefits to departments who show savings vs. penalties for those who blow through their budgets.

Reports from the Faculty Senate Budget Committee included:

- Received the posted glossary of budget terms, aimed at facilitating greater understanding for those reading budget materials.
- Received last spring's annual report from the Senate Budget and Resources Committee.
- Received the Faculty Senate Budget Committee's Response to the Provost's Office written response to the annual report.
- Received an analysis of the five colleges' revenues over the previous 5 years

From September to April, six motions were brought to the council for its consideration; five from the Long Term Budget Planning sub-committee and one from the Short Term Budget Planning Committee.

Long Term Budget Planning: The first motion was a recommendation to the provost's office that it should undertake exploration of having the minimum credit hours for graduation be reduced from 124 to 120 (Appendix A).

The second proposal was a recommendation that UBC committee agendas for future years include targeted meetings to receive key reports and at which to target action on key recommendations from the council (Appendix B).

The third proposal is a recommendation that the FY2018 budget be designed based upon an assumption of 482,000 student credit hours (SCH), a projected decline of 10,000 SCH or two percent from the projected actual level of 492,000 for FY2107. It was further recommended that longer term budget planning be based upon further projected declines in SCH of 9,000 to 473,000 in FY19 and 8,000 to 465,000 in FY 20 (Appendix C).

The fourth motion related to some edits the subcommittee felt should be made to a Long Term Strategic Budgeting motion first approved by council in 2012. See Appendix D for changes in bold.

The final motion from the Long Term sub-committee relates to the need for a Capital Campaign. “Based upon comparisons to other universities included in the annual financial report, EMU lags significantly on its endowment and fundraising activities. To improve the financial stability of the university, it is highly recommended that EMU embark on an aggressive, capital campaign targeting scholarships, general funds, and capital needs, with campus-wide leadership. This effort needs to be sustained on an on-going basis” (Appendix E).

Short Term Budget Committee: After a great deal of time and effort examining the benefits and challenges of moving to a flat tuition plan and after a resolution last April to move forward, the plan was tabled. The decision to table the consideration of block tuition stemmed from extensive study by the ST committee. That extensive look showed no appreciable revenue gain for such a move, particularly when weighed against the PR and financial fairness issues such a structure would generate at an institution with Eastern's heavy commuter and part-time student composition.

The sub-committee put forward a resolution on tuition for 2017-2018, recommending that tuition be increased by no more than the cap ultimately provided for in Governor Snyder's FY18 budget (Appendix F).

All motions put forward by the two sub-committees were passed by UBC. A tentative schedule for both full council and sub-committees has been set for 2017-18. The council looks forward to continuing to work with the Board to develop a sound budgeting processes and recommendations for FY19 and beyond. We welcome any input and/or charges the Board might be interested in conveying to the council.

Respectfully submitted,

Colleen L. Croxall, Ph.D
Chair, University Budget Council

Date: February 10, 2017

To: Rhonda Longworth, PhD, Interim Provost

From: Colleen L. Croxall, PhD, Chair, University Budget Council

Re: Recommendation on minimum credit hours for graduation

At the January 9, 2017 UBC meeting the following recommendation was made and passed unanimously: *The UBC recommends to the provost's office that it should undertake exploration of having the minimum credit hours for graduation be reduced from 124 to 120.*

Feel free to contact me if you have any questions: 7-3231 or ccroxall@emich.edu

University Budget Council April 3, 2017

Proposals from Long term Sub-committee Meeting **As Approved**

1) **UBC annual schedule of reports/duties by month:**

Resolution: *The long-term subcommittee recommends to the full UBC that committee agendas for future years include targeted meetings to receive key reports and at which to target action on key recommendations from the council including the following:*

Sept.:

- A) Budget Approved by BOR,
- B) Opening Fall Enrollment,
- C) Review data for and provide input on Financial Aid for following year

Oct./Nov.:

- A) Audited Financial Report plus general fund and auxiliary detail,
- B) Report from LT subcommittee on Actual vs. Budget for prior year vs. assumptions that had been used for multi-year budget projections

Dec.:

- A) Projected Winter Enrollment,
- B) Review data for and provide input on room and board increases

Jan.:

- A) Opening Winter Enrollment,
- B) Projections on Actual vs. Budget for Fiscal Year,
- C) Review data for and provide input on capital plan for following year

Feb./March:

- A) Projected SCH for following year,
- B) Report from CFO on budget considerations for following year,
- C) Report from LT subcommittee on estimated actual vs. budget for current year and projections for future years including SCH,
- D) Report from ST subcommittee on proposed recommendations

April:

- A) Review data for and provide input on tuition increase for following year,
- B) Other final budgetary recommendations for following year

2) **SCH projections for LT budget projections (See Table 1 on next page for background):**

Resolution: *The UBC recommends that the FY2018 budget be designed based upon an assumption of 482,000 student credit hours (SCH), a projected decline of 10,000 SCH or two percent from the projected actual level of 492,000 for FY2017. It is further recommended that longer term budget planning be based upon further projected declines in SCH of 9,000 to 473,000 in FY19 and 8,000 to 465,000 in FY20.*

SCH projections for LT budget projections Resolution:

The UBC recommends that the FY2018 budget be designed based upon an assumption of 482,000 student credit hours (SCH), a projected decline of 10,000 SCH or two percent from the projected actual level of 492,000 for FY2017. It is further recommended that longer term budget planning be based upon further projected declines in SCH of 9,000 to 473,000 in FY19 and 8,000 to 465,000 in FY20.

Table 1: Data Used for making SCH Projections:

Fiscal	SCH Budget	SCH Actual	# Diff	% Diff	ΔSCH actual	% ΔSCH actual
2001	545,599	541,468	-4,131	-0.8%		
2002	542,688	558,264	15,576	2.9%	16796	3.1%
2003	565,485	567,995	2,510	0.4%	9731	1.7%
2004	574,074	569,471	-4,603	-0.8%	1476	0.3%
2005	568,000	550,708	-17,292	-3.0%	-18763	-3.3%
2006	551,037	544,893	-6,144	-1.1%	-5815	-1.1%
2007	541,023	537,718	-3,305	-0.6%	-7175	-1.3%
2008	534,123	524,679	-9,444	-1.8%	-13039	-2.4%
2009	514,000	513,148	-852	-0.2%	-11531	-2.2%
2010	510,000	535,096	25,096	4.9%	21948	4.3%
2011	553,545	546,323	-7,222	-1.3%	11227	2.1%
2012	555,875	538,783	-17,092	-3.1%	-7,540	-1.4%
2013	544,100	537,756	-6,344	-1.2%	-1,027	-0.2%
2014	544,026	532,787	-11,239	-2.1%	-4,969	-0.9%
2015	524,880	512,970	-11,910	-2.3%	-19,817	-3.7%
2016	520,756	505,107	-15,649	-3.0%	-7,863	-1.5%
2017	495,225	492,000 (FY17 est)	-3,225	-0.7%	-13,107	-2.6%

FY17 Estimation

To-date	462,719		462,719	
Summer		(using Summer 2016		(5% loss on Summer 2016
A	<u>30,268</u>	actual)	<u>28,755</u>	actual)
	492,987		491,474	

	Average Change in SCH 2012 through 2017	-9,054	-1.7%
2018	482,000	-10,000	-2.033%
2019	473,000	-9,000	-1.867%

2020	465,000
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-8,000 -1.691%

Long-term, Strategic Budgeting

(University Budget Council, Dec. 18, 2012, March 18, 2014, April 14, 2015, April 4, 2016, amendments in **Bold** approved on April 17, 2017)

Given the extremely challenging environment in higher-education funding and recruitment, disciplined budgetary practices are essential for long-run success in higher-education.

Therefore, the University Budget Council recommends to the Board of Regents that the following principles for long-term, strategic budgeting be followed each year:

1. **With a combination of projected enrollment declines and increases in financial aid that exceed tuition and fee increases, any general fund surplus is projected to decline substantially in the near future. To protect EMU's motto of "Education First", it may be necessary to target reduced deficits in athletics and other areas of the budget to meet this financial challenge.**
2. With declining cohorts of high school graduates and declining enrollments in community colleges in Michigan, budgets should be formulated on the assumption of little or no enrollment growth from prior year actuals and with **a high probability of declining enrollments, until these trends change.**
3. **Given declining cohorts of projected high school and community college graduates, EMU should continue its strong recruitment efforts of FTIACs and continually seek to improve retention rates. It should also consider directing greater recruitment efforts toward graduate students, transfer students, international students, and returning-students who have not yet completed degrees.**
4. Careful recognition must be given to the trade-off between tuition discounting (financial aid) and net tuition revenues. Any decision to increase tuition discounting (increase the % of tuition used to fund financial aid), should be carefully targeted as a means to increase net enrollment without jeopardizing funds available to support the quality of academic programs.
5. It is important that EMU adequately fund recruitment and retention of high quality faculty and staff who are devoted to student education and engagement, research, and community service.
6. As indicated in a previous UBC resolution, budgets should not be approved that contain a "savings to be identified" component.
7. Given the inevitable occurrence of unexpected, emergency expenditures, an adequate contingency should be included in the budget each year.
8. Long-run viability requires stabilizing funding for maintenance and enhancement of EMU's buildings, grounds, and equipment. Allowance for standard depreciation of physical assets, to provide for maintenance, replacement and other capital funding, needs to be directly incorporated into the annual budget process.
9. Given EMU's high net debt ratio, budgets should be designed to target annual operating surpluses needed to increase reserve balances to a more appropriate level.
10. In implementing these budgeting principles, Eastern Michigan University should make annual budget decisions within the context of five-year budget projections that include all

university activities, including the operating fund, auxiliaries, athletics, and the plant fund.

In the current, challenging financial environment, achieving these principles will require difficult choices year after year. However, doing so is essential to maintaining and strengthening the academic quality of EMU and the numerous benefits EMU provides to the citizens of Michigan.

Resolution regarding capital campaign approved by UBC 4-17-2017:

Based upon comparisons to other universities included in the annual financial report, EMU lags significantly on its endowment and fundraising activities. To improve the financial stability of the university, it is highly recommended that EMU embark on an aggressive, capital campaign targeting scholarships, general funds, and capital needs, with campus-wide leadership. This effort needs to be sustained on an on-going basis.

UBC Short-term Budget Committee Resolution on Tuition for 2017-2018

Whereas:

Eastern Michigan University has approved limited tuition increases in recent years, which range from 0% in 2010 to 7.8% in 2015, averaging less than 3.8% over the past eight years.

Eastern Michigan University approved a tuition increase of 4.1 percent last year, under the state cap of 4.2 percent.

Eastern Michigan University is routinely cited as a good value in public higher education and within the state of Michigan.

The financial reserves of Eastern Michigan University are at a low point and threaten the financial stability of the institution.

To maintain our brand of affordability, while at the same time attending to increasing operational expenses, an increase is deemed reasonable and justifiable.

At the same time, at this point in our history, and with a new president having taken office last summer, it is important to continue to nurture relationships with the state, the public and our students in setting tuition. Thus, the committee recommends setting tuition at or very near the cap ultimately specified in the Governor's budget, which remains under discussion in the state legislature.

RESOLUTION: Given the above history and the degree to which public perception is associated with a fiscally responsible public university, and particularly after the University significantly exceeded the cap two years ago, the UBC recommends increasing tuition by no more than the cap ultimately provided for in Governor Snyder's FY18 budget. The UBC acknowledges that the increase in 2015 was an unusual but highly necessary measure and that, given our current financial state, we continue to pursue other long-term sources of revenue, such as an institution-wide commitment to fundraising while continuing to control expenses.