

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 13

DATE:

October 20, 2009

RECOMMENDATION

FISCAL YEAR 2010-11 APPROPRIATION REQUEST

ACTION REQUESTED:

It is recommended that the Board of Regents approve the attached Fiscal Year 2010-11 Appropriation request. The University is requesting from the State of Michigan an appropriation increase of 3.6%, equal to the Higher Education Price Index (HEPI) increase.

STAFF SUMMARY:

The request highlights EMU's academic strengths and achievements, the University's significant economic impact, as well as EMU's other positive contributions to the State and our students. The request encourages 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 minimizing tuition increases (for 2009-10, EMU's tuition increase of 3.8% was the lowest of the State's 15 public universities). The request also provides information on EMU's cost containment actions in FY2009-10 and FY2010-11 as well as projected cost increases for FY2010-11.

The University is estimating FY2010-11 General Fund expenses of \$277.9 million, \$10.2 million (3.8%) higher than FY2009-10 budget. EMU is requesting from the State of Michigan an appropriation increase of 3.6% which reflects the Higher Education Price Index (HEPI) increase. Recognizing the State's financial challenges, the University is not requesting appropriations beyond the level of inflation to recover previous year's reduced appropriations. It is expected that a 3.6% increase in state appropriation would enable EMU to again keep tuition and fee increases to a minimum while significantly increasing University-sponsored financial aid.

Higher education has been identified as a key component to improving and transforming the State's economy and we are requesting a State appropriation for FY2011 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

10/20/09

EASTERN MICHIGAN UNIVERSITY FY2011 APPROPRIATION REQUEST EXECUTIVE SUMMARY

Eastern Michigan University (EMU) is pleased to present the FY2011 appropriations request. An investment in EMU is an investment in Michigan as nearly 90% of our students are from Michigan and, upon graduation, 80% remain in the state.

EMU remains committed to providing a high quality, affordable education to students and is delivering on that promise -- EMU's tuition increase for the Fall of 2009, at 3.8%, was the lowest of the 15 public universities in the state while financial aid was increased significantly. At the same time, EMU continues to improve the quality of its programs.

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 2010. The education services company selected EMU as one of 158 institutions it profiles for this designation, and is featured on their Web site "2010 Best Colleges: Region-by-Region," that posted July 27, 2009. This marks the seventh consecutive year that EMU has received the honor.

In 2009, Eastern Michigan University was named one of the country's top "military friendly" schools by "GI Jobs" magazine. Criteria for making the list included efforts and results in recruiting and retaining military and veteran students, and academic accreditations. This list recognizes the top 15 percent of schools that best serve veterans nationwide. EMU currently certifies approximately 300 students for GI Bill benefits.

For the sixth consecutive year, "Diverse Issues in Higher Education" magazine has recognized Eastern Michigan University as one of the top 100 institutions in the nation for the number of African American students who receive an undergraduate degree. EMU ranked 82nd, one position ahead of the University of Michigan, while Wayne State University and Michigan State University were the only other Michigan schools in the rankings.

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.

EMU's emphasis on out-of-classroom experiences for students is a vital part of our curriculum. The Carnegie Foundation for the Advancement of Teaching recently selected Eastern Michigan University to receive its 2008 Community Engagement Classification. This classification provides national recognition of EMU's commitment and impact in improving the lives of individuals and the community, and as a means for enhancing learning. For example:

- Our students have contributed more than 38,000 volunteer hours in the community through our program, Volunteers Incorporating Service Into Our Neighborhoods, more popularly called VISION.

Ypsilanti Meals on Wheels and Eastern Michigan's 34-year partnership was recognized as a finalist in 2007 for the Jimmy and Rosalynn Carter Partnership Award for Campus-Community Collaboration.

- EMU's Dining Services prepares meals at cost for Meals on Wheels, while VISION volunteers deliver meals and support the operation of the organization.
- EMU's Upward Bound Program has a 41-year partnership with Ypsilanti and Willow Run High Schools to prepare students for academic excellence, global citizenship and lifelong learning through academic support and tutoring.
- In a rare opportunity, our historic preservation faculty and students helped present a case to the Secretary of the Interior for designating the 1812 River Raisin Battlefield in Monroe as a National Park. Congressman John Dingell facilitated this meeting. The ultimate goal is to get approval for the site as both a National Historic Landmark and possibly a National Park.

During its 160-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 EMU. It continues the tradition as one of the top schools in the country for producing education 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. EMU's highly acclaimed Special Education Department is the only program in Michigan providing professional preparation in all areas of disability education.

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 it promotes 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, which is operated in partnership with the Michigan Small Business and Technology Development Center and Washtenaw Community College. In addition, the College offers the Professional Education Center, which provides customized training to the education field. Also, the College has signed an agreement with the Ansal Institute of Technology in Delhi, India, as part of its goal to develop global partnerships.

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 College 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 of 2007, EMU launched a new General Education Program, which has already received an award for innovation: 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 globalizing and internationalizing its curriculum, as well as in public engagement.

The College of Education (COE) is beginning a new master's degree in Autism Spectrum Disorders in FY09. This program is a major step in addressing a growing need for services for children affected by the disorder. A new Autism Collaborative Center will open in the fall 2009 and will focus on the needs of Michigan families with autistic children. The center is a partnership between EMU and St. Joseph Health Systems that will provide treatment, outpatient services and support systems for people with autism and their families. It will offer training for students from eight disciplines across three EMU colleges; conduct research into treatment options, and provide much-needed affordable care. The center will be housed at the former Fletcher Elementary School, purchased by EMU from the Ypsilanti Public Schools. The Fletcher School fully meets the unique needs of the center and also will enable relocation of EMU's Children's Institute to a safer and enhanced learning environment.

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

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

Impact on the Michigan Economy

EMU's total impact on the Michigan economy of an estimated \$3.7 billion annually reflects a return of \$42 for each dollar received from the state. The University's annual impact on the Michigan economy includes a contribution of \$166 million in state tax revenue. EMU's impact on state government tax revenue is \$1.87 in taxes for each dollar received from the state.

The University's annual operating budget and construction spending have a total impact on the regional economy of more than \$1.5 billion a year. The state and regional economies also benefit from higher earnings, and thus higher expenditure levels, for workers who have earned college degrees compared to those who have not. This earnings premium was estimated at \$2.1 billion for 2008.

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.

Impact of Reduced Appropriations

In the face of flat or reduced appropriations funding from the state, Eastern Michigan University has implemented extensive cost containment measures to minimize the level of required tuition increase that would affect students. Over the last few years, total university staffing levels have been reduced by about 8% (175 employees), lowering annual costs by about \$16 million. For FY2010 EMU implemented further cost containment measures, and as a result was able to have the lowest tuition increase, 3.8 percent, of all the 15 public universities in Michigan for the 2009-10 academic year. The University also implemented several personnel-related cost saving actions, including:

- A pay freeze for the 100 highest compensated administrative 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 personnel
- Implementation of a voluntary furlough program for staff members, where employees could choose a reduced work schedule and pay while retaining their benefits
- Continuing existing hiring delays and temporary freezes related to filling open, budgeted positions

For non-personnel expenditures, budgets have been frozen at their already reduced FY2009 levels. All discretionary travel has been reduced by 10%, and the University reduced \$500,000 from other controllable expenditures.

EMU's estimated FY2010 appropriation of \$76,200,000 is approximately equal to its appropriation in FY1999, and is 13% below the FY2002 appropriation. State appropriation comprises 29% of EMU's General Fund Operating Budget for FY2009 as compared to 51% for FY1999.

Despite having the state's seventh largest university enrollment, EMU ranked tenth in state appropriation per student among the 15 public universities in FY2008.

Fixed Costs

Eastern Michigan University is projecting a \$10.2 million (3.8%) increase in costs for FY2011. The most significant increases are highlighted below.

Faculty and Staff Compensation

\$4.2 Million

The positive difference EMU makes in the lives of students is directly related to the quality of the faculty that 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 \$4.2 million increase (3%) is required to meet existing and anticipated contractual obligations for FY2011.

Student Scholarships and Financial Aid

\$3.6 Million

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 14.1% increase for FY2011 over the FY2010 budget will be used to cover cost increases for existing scholarships, fellowships and other aid programs as well as a higher number of students receiving aid. This increase for FY2011 builds on the FY2009 and FY2010 increases in student financial aid of 8% and 10%.

Health Care Cost Increases (medical and dental)

\$1.4 Million

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 FY2011 is \$1.4 million.

MPSERS – Retiree Health Care

\$ 900,000

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 \$900,000 in FY2011.

Revenues to Support FY11 Expenditures

Eastern Michigan University's estimated FY2011 General Fund expenses total \$277.9 million, \$10.2 million higher than FY2010 (3.8% increase). EMU is requesting from the State of Michigan an appropriation increase of 3.6 percent, which is equal to the Higher Education Price Index (HEPI) increase of 3.6 percent. We are not requesting any additional funding to try and recover reduced appropriations from previous years. A 3.6 percent increase in state appropriation would allow EMU to mitigate the tuition rate increase needed to balance the University's FY2011 budget.

Cost Containment

I. FY10 Cost Containment Measures include:

1. Personnel Cost Containment

The University reduced its FY2010 budget by freezing the salaries of the 100 highest compensated staff members and deferring the merit increases of the remaining University Administrative and Professional staff until January 1, 2010. A voluntary furlough program was introduced for staff members where employees could choose a reduced work schedule and pay while retaining their benefits. In addition, the University will continue to aggressively manage its open positions and is holding vacancies unfilled for an indefinite period of time.

2. Health Care Initiatives

- ◆ On March 1, 2009 the University joined The Michigan Coalition on Health (MUCH), in an effort to constrain its health care administrative costs. The anticipated cost savings for FY2010 from joining MUCH on the administrative fees charged by Blue Cross/Blue Shield of Michigan is \$380,000.
- ◆ 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 hiring 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 FY2010.
- ◆ The University is reviewing its calendar to optimize the shut down periods around holidays. During FY2009, to save heating costs, Wednesday, November 26, 2008 and Friday, January 2, 2009 were 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

- ◆ A copier/printer pilot program is underway that should result in significant cost savings when implemented campus-wide.
- ◆ The online input of purchase requisitions is presently being rolled out across EMU's campus and is expected to be complete by January 1, 2010. Online purchase requisitions will result in the automatic processing of supplier payments.

II. FY2011 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. Expenditure Policies and Procedures

Revised policies and procedures are being developed including delegation of authority, travel, and purchasing. It is expected the revisions will result in ongoing cost savings in travel, goods, and service-type expenditures.

3. Banner/Process Improvements

Ongoing efforts to leverage Banner automation opportunities to improve processes and gain staffing and workflow efficiencies will continue in FY2011.

4. 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.

5. Internal Reallocation

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

6. Purchasing Consortiums

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.

7. 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

EMU has remained focused on providing a quality, affordable education for its students as evidenced by the lowest tuition increase (3.8%) for the 2009-10 academic year among Michigan's public universities. This demonstrates EMU's continuing commitment to educational quality, affordability, and accessibility -- *"Education First"*.

Eastern Michigan University is projecting cost increases totaling \$10.2 million for FY2011. 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 year's funding levels to make higher education a top priority. EMU requests an increase to its FY11 appropriation of 3.6 percent.