

University of Massachusetts Lowell FY 2012 Operating Budget Narrative

Overview

The Fiscal Year 2012 Operating Budget Statement for the University of Massachusetts Lowell (UML) presents a general plan for the year and outlines our priorities, resources and planned use of funds in FY 2012.

The document considers the FY2010 actual Financial Statements, the preliminary results for FY2011 and the projected outcome for FY2012 based on the campus budget planning and parameters established by the President's Office.

Chancellor Meehan has been working with Lowell's faculty, staff and administration since 2008 to adjust to the Commonwealth's fiscal crisis while maintaining the focus on building a new vision and strategic plan for the University. Despite the challenges, the goal continues to be to strive for excellence through strategic investment in our students, faculty and facilities.

UMass Lowell Mission and the UMass Lowell 2020 Strategic Plan

UMass Lowell's mission is "to enhance the intellectual, personal and cultural development of students through excellent, affordable educational programs," and to "meet the needs of the Commonwealth today and into the future and support the development of sustainable technologies and communities." UML seeks to fulfill this mission every day through our teaching and learning, research and scholarship, and outreach and engagement.

The campus has completed the first phase of the strategic planning effort. UMass Lowell 2020 will serve as the University's next generation strategic plan, providing a blueprint for how the campus will achieve national and international recognition as a world-class institution over the next decade. Almost 200 faculty, staff, and students have been assessing the University's current academic, research, partnership, fiscal and facilities status and drafting strategies to improve the campus's achievement, reputation and rankings as expressed in the following ways:

- Strengthen undergraduate education through the enhancing of experiential and interdisciplinary learning, learning through discovery, and further development of the Honors program.
- Continue to increase retention and graduation rates. Work to increase enrollment of transfer students through improved services and through enhanced articulation (maintain freshman enrollment but work to increase selectivity). Increase undergraduate enrollment through emphasis on student success.
- Strengthen graduate education through enhanced marketing and recruitment of existing Master's and Doctoral programs and through marketing of the newly developed Professional Science Programs (PSM). Strengthen existing collaborative efforts with UMass institutions. Work to increase fee-paying Master's students through aggressive recruitment regionally, nationally and internationally with emphasis on the new 13 PSM programs.
- Strengthen scholarship and research and enhance extramural funding from all sources including grants and contracts and fundraising.
- Strengthen partnerships with the urban community through collaborative work on societal challenges and through enhancing economic development.

- Strengthen partnerships with business and industry, building on UMass Lowell's hallmark in innovation.
- Continue to develop strong partnerships with strategic international institutions, with emphasis on in-depth experiences for students and opportunities for joint/dual academic programs and collaboration in research and development. Recruit aggressively nationally and internationally (non-resident students are projected to increase; international students are similarly projected to increase for the first year students and through the UMass Lowell NAVITAS International Center).
- Enhance cultural and ethnic diversity among students, faculty, and academic leadership.
- Continue to systematically assess viability and effectiveness of all academic programs with an overarching goal of achieving effective deployment of faculty effort.

An external advisory committee, made up of alumni and local community leaders has been engaged in the strategic plan.

Consistent with the goals of the strategic plan, UMass Lowell appointed a Financial Planning and Budget Review Committee to increase transparency; open up how the campus makes short and long term operating and capital budgeting decisions; and help to empower managers while increasing the accountability and responsibility over the management of university resources. The Committee has conducted its FY2012 budget hearings and is reviewing all major departmental budgets, including goals, strategic priorities, efficiency ideas, and contingency planning depending upon available financial resources. Obviously, final budget decisions for FY2012 will depend considerably on the final outcome of the state budget process and student charge deliberations.

FY2011 Review

A significant development in FY2011 was the impact of state budget cuts and the reductions in federal stimulus funds. UMASS Lowell was allocated a total of \$22.7 million in ARRA funding in FY2010 and in FY2011 the amount of ARRA funding dropped to \$5.7 million. Because the ARRA funds were not expected to last the campus made the decision to focus the use of these funds on one-time investments that would advance the strategic plan. Operationally, UMASS Lowell used the actual ARRA funds to support salary and fringe benefit costs of campus employees and has targeted the campus funds freed up by the federal stimulus monies on one-time projects that will not place additional pressures on the operating budget. Projects that have been funded over the past two fiscal years are those that will improve the overall quality of academic programs and enhance the entire student learning and living experience, such as:

- Support for faculty and student work including smart classroom upgrades, lab equipment investments and library materials;
- Funding for capital repairs and renewal, academic office renovations, energy efficiency and space inventory systems;
- Transportation System improvements;
- Marketing and branding investments to improve recruiting and external relations including web enhancements and content management system upgrades, signage and way-finding improvement;
- Information Technology including academic computing, network support, audio visual and video conferencing upgrades, training, document management and workflow systems to improve processing efficiencies;
- Public Safety investments including police equipment upgrades, emergency phone, blue light and security camera upgrades.

In addition to these investment activities, the University continued to make progress as evidenced by the following:

Develop First-Rate Infrastructure

- In April, the University broke ground on the new \$40 million, 69,000-square-foot Health and Social Sciences Building that will be home to three of the university's most popular majors in health and social sciences – criminal justice, nursing and psychology.
- UMass Lowell acquired the former St. Joseph's Hospital in January and will transform the property into a vibrant hub for students and the community. University Crossing is centrally located between UMass Lowell's North, South and East campuses and provides much needed space for the growing University. The site was acquired by the UMass Building Authority on behalf of UMass Lowell for \$6.3 million and consists of six buildings totaling nearly 300,000 square feet and two parking lots. UMass Lowell will invest millions of dollars to rehabilitate the building and will begin occupying it as soon as possible, beginning with University Police and some administrative functions. Potential uses include space for student services and activities, community programs, a bookstore, student dining and student housing.
- More than 80,000 people have passed through the Tsongas Center's turnstiles since October, when UMass Lowell unveiled its latest and most extensive renovations to the building, both inside and out. A reorganized management team and renewed entrepreneurial focus has brought in new and diverse event offerings that are driving the center's increased popularity.

Impact on Regional Economy

- The Merrimack Valley saw a \$490 million positive economic impact in the last fiscal year from UMass Lowell, which also supported more than 3,100 jobs and delivered an 8 to 1 return on the state's investment in the campus, according to a report by the UMass Donahue Institute. UMass Lowell employs more than 1,440 in faculty and staff jobs. Spending by those workers - as well as the more than 13,000 students who attended UMass Lowell in FY 2010 - supported 1,700 off-campus jobs across the Merrimack Valley. UMass Lowell spent nearly \$32 million on construction projects in FY 2010—including at the UMass Lowell Inn & Conference Center and Tsongas Center at UMass Lowell and the new Emerging Technologies and Innovation Center—supporting 153 jobs.
- UMass Lowell students, faculty and staff provide a significant stimulus to the city's downtown economy, representing a potential \$10 million in annual spending in Lowell. The Downtown Initiative Report, released by the Lowell Plan Inc. and UMass Lowell, underscores the University's role in creating a thriving downtown that enhances student and faculty recruitment and retention, attracts private investment, expands the economy and creates jobs in the city.

Findings:

- Students, faculty and staff spending represents a potential \$10 million impact in Lowell.
- 91 percent of faculty and staff and 82 percent of students regularly visit downtown Lowell, spending approximately \$30 per visit.
- 85 percent of business owners are interested in UMass Lowell expanding its presence downtown and 78 percent said they have a good relationship with the University.
- More than one-third of faculty, staff and students have volunteered in Lowell.

Student Success

- The University's increase its graduation rate—eight percent over six years— was the highest for any public research university in New England. The Chronicle of Higher Education compiled changes in graduation rates among colleges and universities across the country, comparing averaged rates for

2001-2002 to comparable numbers for 2007-2008.

Maintain and Improve Affordability and Access

- Lowell's undergraduate population is approximately 21% first generation college students; 23% are students of color; and 86% are Massachusetts residents.
- Fifty-five percent of undergraduate students demonstrate financial need. For them, on average 94% of their need is met. Approximately one in three (32%) of Lowell's undergraduate students receive Pell grants. By providing financial need assistance and by increasing the amounts of merit awards for new freshmen and grants for transfer students, UMass Lowell will not only maintain affordability, it will improve on accessibility.
- To encourage more young women to study computer science, UMass Lowell last November awarded scholarships to 12 outstanding female high-school students. The students were all winners of the National Center for Women & Information Technology Award for Aspirations in Computing, which honors young women for their computing-related achievements and interests.

Enhance the Student Learning Experience

- UMass Lowell has been awarded \$124,200 by the Alfred P. Sloan Foundation for expansion activities over the next 18 months. Student enrollments and business partnerships will be increased significantly and model curricula will be developed to support an increase in PSM programs across the system.
- Lowell students are very satisfied with their academic experiences. The 2005 NSSE survey administration found that eighty-two percent of the seniors rate their experience as "good" or "excellent." Taking into consideration those students who would also "start it over" at UML, then, 76% rated their academic experience at Lowell as "good/excellent" *and* also said they would "start it over" again at UML. High satisfaction, indeed. This figure will be updated upon completion of the NSSE 2011 administration.

Research

- Research expenditures continue to increase. Lowell has exceeded the target of \$90,000 per faculty in research expenditures for three consecutive years. The average was \$132,187 per faculty in FY2010.

Increase the Endowment

- A \$5 million commitment was received from the Desphande Foundation for the Merrimack Valley Sandbox, one of only three initiatives of its kind in the world, supporting the new Merrimack Valley Center for Innovation and Entrepreneurship at UMass Lowell.
- Fifteen new endowments were created, totaling more than \$1 million.
- Nearly \$4 million was raised to support the new emerging technology and innovation center.
- A \$250,000 charitable gift annuity was received, matching the largest gift annuity received in history.
- A \$240,000 gift was received to support the library.
- The Power of One Campaign was launched to let prospective donors know that every gift, large or small, has an impact.

Resource Management

- The administration continues to implement more than twenty efficiency projects that will be that are aimed at improving the delivery of administrative and information technology services including: a document imaging project (coordinated with the system office); expanding HR self-service functionality; developing a space inventory system to support the indirect cost recovery rate and a rational deployment of teaching, research and support space.

- Rigorous attention to academic program planning will continue to focus on achieving the vision of national and international recognition as a world class institution set by the Chancellor. The Provost is using the following criteria by which program expansion, reorganization and reallocation proposals are reviewed: numbers of majors served, annual graduates produced, associated credit hours taught, research and scholarly productivity, and service productivity.

FY2011 Financial Results:

The University is projecting a \$1.8 million operating surplus for FY2011 or a 0.6% operating margin.

FY 2012 Budget Assumptions

Revenues

State Support

In FY2010, the state cut the University's budget significantly but backfilled those cuts with ARRA funding. Since then, the state has cut the direct appropriation, eliminated ARRA funding, and implemented collective bargaining agreements without funding to support the second year cost increases. The total impact in state support of these actions between FY2010 and the amounts being proposed for FY2012 is approximately \$19 million or -23.3%.

For planning purposes, the University of Massachusetts Lowell FY2012 budget assumes a state appropriation cut of \$6.2 million or a -8.5% reduction from FY2011. This allocation is consistent with the amount recommended by the Governor and the House of Representatives for FY2012 and takes into consideration the loss of allocations of ARRA funding to the University as well as the reduction in state appropriation to account for the authority to retain non-resident tuition. In addition to the direct state cut, the University will have to absorb the second year of collective bargaining contract costs that are unfunded by the state and the associated fringe benefits. The contracts add an additional \$3.8 million of costs to the budget.

Other Revenues

The Lowell campus anticipates a 3.7% increase in full-time equivalent undergraduate and graduate enrollment for Fall 2011. This enrollment growth, the growth in Continuing Studies and Corporate Education (CSCE) programs and current estimates for student charge rates will result in an estimated 12.4% increase in tuition and fee revenues. As previously noted, these increases will be offset by increased financial aid spending to maintain the University's commitment to affordability. The enrollment growth and campus efforts to expand the residential experience for students are projected to generate a 5.7% increase in revenues from Residential Housing and Food Services. Grant and contract revenue from all sources is projected to increase by 5.0% over FY2011.

The campus has proposed to expand the current non-mandatory campus technology fee into a mandatory fee within the existing mandatory fee cap to fund improvements to the information technology infrastructure and expand and improve student computer lab and teaching and learning technologies. A campus-wide advisory committee will support the new Chief Information Officer as he reorganizes the deployment of IT resources and develops a multi-year renewal program to be funded by this new fee.

Expenditures

The campus has budgeted 50 new tenure track and non-tenure track faculty in fiscal years 2011 and 2012 to meet enrollment growth and program needs. Staffing levels have increased in areas of critical

importance to the strategic plan, primarily in the facilities, public safety, student services and academic support areas.

Other projected cost increases anticipated for FY2012 include \$1.4 million increase in debt interest payments; \$8.5 million increase for collective bargaining and fringe benefit costs and \$2 million increase for facility expansion and related operational costs and preventative/deferred maintenance. A recently completed facility condition assessment calculated total deferred maintenance at the Umass Lowell campus to be in excess of \$450 million. Finally, in addition to these targeted increases the campus projects modest inflationary increases in other areas consistent with the system guidelines.

The overall result of the changes in revenues and expenses is projected to be a 0.1% operating deficit of \$0.4 million for FY2012.

Should the University's final FY2011 and FY2012 budget outcome prove more favorable, the campus will continue the practice of reviewing and targeting surpluses toward much needed facility improvements and other strategic investments to enhance the growth and development of the student experience and effectiveness of our world-class faculty.

Summary

The University of Massachusetts Lowell has embarked on an exciting plan to grow enrollment, construct new academic/research buildings, expand research activity, develop a comprehensive energy management program and engage all segments of the campus in a comprehensive strategic planning effort. Over the past couple of years, the campus has made great progress in achieving financial sustainability by reestablishing adequate financial reserves while reallocating increased funds toward academic quality and student success initiatives. We still face significant financial challenges in improving our facilities and increasing our faculty and staffing levels to that of our peer institutions of similar size and complexity. These challenges are difficult but not insurmountable. The campus will continue to take the actions necessary to maintain a positive annual financial outcome.

Table 1
University of Massachusetts
Lowell Campus
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Fiscal Year 2012 Operating Budget Statement
(in thousands of dollars)

	FY2012 BUDGETED					
	FY09 Actuals	FY10 Actuals	FY11 Projected Budget-Accrual/ Adjusted Basis	FY12 Budget-Accrual Basis	FY11 to FY12 Change	
REVENUES						
Operating Revenues						
Tuition and Fees	\$104,302	\$135,179	\$140,754	\$158,216	\$17,462	12.4%
Scholarship allowance	\$17,029	29,245	\$29,573	\$32,435	\$2,862	9.7%
Tuition and Fees (net of scholarship allowances)	\$87,273	\$105,934	\$111,181	\$125,781	\$14,600	13.1%
Federal Grants and Contracts	\$24,674	\$31,472	\$35,157	\$36,902	\$1,745	5.0%
State Grants and Contracts	\$5,385	\$5,134	\$5,735	\$6,020	\$285	5.0%
Local Grants and Contracts	\$471	\$284	\$317	\$333	\$16	5.0%
Private Grants and Contracts	\$13,083	\$10,791	\$12,055	\$12,653	\$598	5.0%
Sales & Service, Educational	\$1,244	\$921	\$1,146	\$1,193	\$47	4.1%
Auxiliary Enterprises	\$19,656	\$23,539	\$28,007	\$29,590	\$1,583	5.7%
Other Operating Revenues:						
Sales & Service, Independent Operations						
Sales & Service, Public Service Activities						
Other	\$4,235	\$3,379	\$3,723	\$3,925	\$202	5.4%
Total Operating Revenues	\$156,021	\$181,454	\$197,321	\$216,397	\$19,076	9.7%
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	\$78,606	\$83,159	\$93,593	\$98,926	\$5,333	5.7%
Research	\$35,171	\$33,730	\$38,678	\$40,723	\$2,045	5.3%
Public Service	\$3,174	\$1,940	\$2,112	\$2,311	\$199	9.4%
Academic Support	\$19,026	\$20,184	\$22,716	\$24,011	\$1,295	5.7%
Student Services	\$15,457	\$15,846	\$17,906	\$18,712	\$806	4.5%
Institutional Support	\$30,071	\$29,083	\$32,732	\$34,597	\$1,865	5.7%
Operation and Maintenance of Plant	\$17,767	\$19,471	\$24,339	\$26,334	\$1,995	8.2%
Depreciation and Amortization	\$14,771	\$14,357	\$18,153	\$19,744	\$1,591	8.8%
Scholarships and Fellowships	\$4,480	\$4,996	\$5,740	\$6,284	\$544	9.5%
Auxiliary Enterprises	\$14,012	\$17,502	\$19,717	\$21,278	\$1,561	7.9%
Other Expenditures						
Independent Operations						
Public Service Activities						
Total Operating Expenses	\$232,535	\$240,268	\$275,686	\$292,920	\$17,234	6.3%
Operating Income/(Loss)	(\$76,514)	(\$58,814)	(\$78,365)	(\$76,523)	\$1,842	-2.4%
NONOPERATING REVENUES/(EXPENSES)						
Federal Appropriations						
State Appropriations	\$82,032	\$62,205	\$73,254	\$74,035	\$781	1.1%
Gifts	\$3,245	\$1,848	\$2,032	\$2,853	\$821	40.4%
Investment Return	(\$120)	\$5,360	\$3,237	\$4,364	\$1,127	34.8%
Endowment Return	\$646	\$344	\$720	\$1,085	\$365	50.7%
Interest on Indebtedness	(\$3,194)	(\$3,584)	(\$4,821)	(\$6,241)	(\$1,420)	29.5%
Other Nonoperating Income	\$217	\$77	\$96	\$100	\$4	4.2%
Revenue from Stimulus Funds		\$22,662	\$5,711		(\$5,711)	-100.0%
Net Nonoperating Revenues	\$82,826	\$88,912	\$80,229	\$76,196	(\$4,033)	-5.0%
Income Before Other Revenues, Expenses, Gains, and Losses	\$6,312	\$30,098	\$1,864	(\$327)		
Capital Appropriations						
Capital Appropriations	\$9,971	\$1,340	\$1,500	\$23,000	\$21,500	1433.3%
Capital Gifts, Grants and Contracts		\$28,000	\$2,000	\$3,000	\$1,000	50.0%
University Related Transactions					\$0	
Disposal of Plant Facilities	(\$1,040)	(\$3,681)	(\$973)	(\$1,338)	(\$365)	37.5%
Other Additions/Deductions	(\$313)	(\$1,676)	(\$250)	(\$275)	(\$25)	10.0%
Total Other Revenues, Expenses, Gains & Losses	\$8,618	\$23,983	\$2,277	\$24,387	\$22,110	971.0%
Total Increase in Net Assets	\$14,930	\$54,081	\$4,141	\$24,060	\$19,919	481.0%
NET ASSETS						
Net Assets at Beginning of Year	\$113,278	\$128,208	\$182,289	\$186,430	\$4,141	2.3%
Net Assets at End of Year	\$128,208	\$182,289	\$186,430	\$210,490	\$24,060	12.9%

Operating Margin	FY08	FY09	FY10	FY11	FY12
Total Operating Revenues	\$134,413	\$156,021	\$181,454	\$197,321	\$216,397
Federal Approp		\$0		\$0	\$0
State Approp.	\$97,490	\$82,032	\$62,205	\$73,254	\$74,035
Gifts	\$3,778	\$3,245	\$1,848	\$2,032	\$2,853
Investment Income	\$1,762	-\$120	\$5,360	\$3,237	\$4,364
Endowment Income	\$699	\$646	\$344	\$720	\$1,085
Revenue from Stimulus Funds		\$0	\$22,662	\$5,711	\$0
Total	\$238,142	\$241,824	\$273,873	\$282,275	\$298,734
Total Operating Expenses	\$ 227,555	\$ 232,535	\$ 240,268	\$ 275,686	\$ 292,920
Interest on Indebtedness	2,403	3,194	3,584	4,821	6,241
Total	\$ 229,958	\$ 235,729	\$ 243,852	\$ 280,507	\$ 299,161
<i>Operating Surplus/Deficit</i>	\$ 8,184	\$ 6,095	\$ 30,021	\$ 1,768	\$ (427)
<i>Operating Margin (surplus as pct. of revenues)</i>	3.4%	2.5%	11.0%	0.6%	-0.1%

Table 2
University of Massachusetts
Lowell Campus
Fiscal Year 2012 Operating Budget Statement
SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)
(in thousands of dollars)

	FY09	FY10	FY11	FY12	\$ Change	% Change
EXPENSE CATEGORY	Actuals	Actuals	Projected	Budgeted	FY11 - 12	FY11 - 12
Salaries and Wages	\$120,820	\$123,475	\$131,853	\$139,496	\$7,643	5.8%
Employee Fringe Benefits	\$24,144	\$25,298	\$34,171	\$38,707	\$4,536	13.3%
Student Aid	\$4,480	\$4,996	\$5,740	\$6,284	\$544	9.5%
Utilities	\$7,908	\$9,138	\$10,297	\$10,422	\$125	1.2%
Supplies and Other Services	\$60,412	\$63,004	\$75,472	\$78,267	\$2,795	3.7%
Depreciation	\$14,771	\$14,357	\$18,153	\$19,744	\$1,591	8.8%
TOTAL	\$232,535	\$240,268	\$275,686	\$292,920	\$17,234	6.3%

*Total should equal total Operating Expenses from SRECNA

Table 3
University of Massachusetts
Lowell Campus
Fiscal Year 2012 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES*

	Actual FTEs Fall 2008 (FY2009)	Actual FTEs Fall 2009 (FY2010)	Actual FTEs Fall 2010 (FY2011)	Proj. FTEs Fall 2011 (FY2012)	FTE Change Fall 2010 - 11	% Change Fall 2010 - 11
UNRESTRICTED/DESIGNATED FUNDS						
STATE FUNDED POSITIONS						
Faculty	434.0	431.0	444.0	469.1	25.1	5.7%
Professional Staff	373.0	362.8	385.0	415.0	30.0	7.8%
Classified Staff	150.3	170.0	177.0	195.0	18.0	10.2%
Subtotal, State Funded	957.3	963.8	1,006.0	1,079.1	73.1	7.3%
NON-STATE FUNDED POSITIONS						
Faculty	6.0	7.0	3.4	4.0	0.6	17.6%
Professional Staff	54.0	57.0	58.1	60.6	2.5	4.3%
Classified Staff	29.0	20.0	15.0	16.0	1.0	6.7%
Subtotal, Non-State Funded	89.0	84.0	76.5	80.6	4.1	5.4%
Total Unrestricted/Designated	1,046.3	1,047.8	1,082.5	1,159.7	77.2	7.1%
RESTRICTED FUNDS						
GRANT FUNDED POSITIONS						
Faculty	7.0	9.0	9.0	10.7	1.7	18.9%
Professional Staff	124.1	116.0	112.0	113.8	1.8	1.6%
Classified Staff	0.0	0.0	0.0	0.0	0.0	0.0%
Subtotal, Grant Funded	131.1	125.0	121.0	124.5	3.5	2.9%
OTHER RESTRICTED POSITIONS (TURI)						
Faculty	0.0	0.0	0.0	0.0	0.0	0.0%
Professional Staff	12.5	11.7	12.0	14.2	2.2	18.3%
Classified Staff	3.0	0.0	0.0	0.0	0.0	0.0%
Subtotal, Other Restricted Funds	15.5	11.7	12.0	14.2	2.2	18.3%
Total Restricted	146.6	136.7	133.0	138.7	5.7	4.3%
TOTAL UNRESTRICTED AND RESTRICTED	1,192.9	1,184.5	1,215.5	1,298.4	82.9	6.8%

* Includes Full and Part-time employees; student and other hourly employees not included. All employee counts from fall census data (Oct.).

Table 4
University of Massachusetts
Lowell Campus
Fiscal Year 2012 Operating Budget Statement
HEADCOUNT AND FTE ENROLLMENT

	UNDERGRADUATE		GRADUATE		TOTAL	
	HC	FTE	HC	FTE	HC	FTE
Fall 2011 projected	11,813	9,645	3,518	2,212	15,331	11,857
Fall 2010	11,276	9,207	3,426	2,154	14,702	11,361
Fall 2009	10,548	8,472	3,054	1,901	13,602	10,373
Fall 2008	9,706	7,659	2,765	1,755	12,471	9,414