

UMass Lowell

Fiscal Year 2014 Operating Budget

September 2013

UNIVERSITY OF MASSACHUSETTS LOWELL
FY 2014 Operating Budget Narrative
REVISED – AUGUST 12, 2013

Overview

The University of Massachusetts Lowell submits for review an updated Fiscal Year 2014 operating budget totaling \$345.4 million. This revised budget reflects the impact of final state appropriation allocation and student charge decisions on campus finances. Key elements of the revised FY14 budget include:

- State appropriation increases to support bargaining unit raises for state funded employees and additional new state funding allocated as part of the “50.50” fee-freeze program.
- Projected 11.0% increase in revenue from tuition and fees due to student charge increases and growth in undergraduate, graduate, out-of-state and continuing studies enrollment. Enrollment growth and the opening of two new residential halls also driving 23% increase in auxiliary revenues.
- Increased investment in new faculty and student service staff.
- Other cost drivers include depreciation, interest and operations and maintenance expenses and investments for campus Division 1 upgrade.

The Fiscal Year 2014 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 2014.

The document considers the FY2012 actual Financial Statements, the forecasted results for FY2013 and the projected outcome for FY2014 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

The University of Massachusetts Lowell is a major research public university committed to excellence in teaching, research and community engagement. We strive to transform students to succeed in college, as lifelong learners and as informed citizens in a global environment. UMass Lowell offers affordable, experience-based undergraduate and graduate academic programs taught by internationally recognized faculty who conduct research to expand the horizons of knowledge. The programs span and interconnect the disciplines of business, education, engineering, fine arts, health and environment, humanities, sciences and social sciences. The University continues to build on its founding tradition of innovation, entrepreneurship and partnerships with industry and the community to address challenges facing the region and the world.

The campus developed the UMass Lowell 2020 Strategic Plan four years ago. It provides a framework for how we will achieve national and international recognition as a world-class institution. The Strategic Plan has driven programmatic growth and investments in facilities and is repositioning the University so that students, faculty and staff, and the community see us as a true public enterprise committed to taking an entrepreneurial approach to innovation in all aspects of our University.

FY 2014 University Operating Budget – T13-034

UMass Lowell will join the America East Athletic Conference in July 2013 elevating all programs to the Division 1 level. This move aligns the campus more closely with peer research institutions in the region and across the country. The invitation to join the conference is a further recognition of the progress that the University has made toward achieving the goals set out by the strategic plan.

Enrollments grew nearly 43% between 2007 and 2012 and are projected to grow more than 5% this Fall and 4% per year through Fall 2017. UMass Lowell is expanding out-of-state and international enrollments, Master's and on-line enrollments and most significantly, it is expanding its overall "market share" of Massachusetts' undergraduate students. This growth *has not* come at the expense of selectivity, quality or diversity. Sponsored research funding has increased 66% and is targeted to grow another 15% by 2017. The campus facilities master plans will address the pressures of current and future growth including demand for new academic programs and residential and recreational facilities and the continued need to renew facilities with systems that show signs of obsolescence and address the backlog of deferred maintenance.

UMass Lowell's progress is receiving national recognition as one of the nation's "best buys" in higher education, according to Forbes' "Best Value College" rankings for 2013. This accolade comes one month after UMass Lowell was named the "Most Underrated College in America" by Business Insider, a business and technology news website <http://www.uml.edu/News/news-articles/2013/sun-forbes.aspx>.

FY2013 Review

The campus continues to experience dynamic enrollment growth. Enrollment increased by 863 students in FY2013 (including on-line and continuing education). Student enrollment generated revenue has become a significant portion of the University's unrestricted revenue.

FY2013 student revenues are forecasted to increase 9.8% over FY2012 due to enrollment growth and increased rates.

Campus investments of more than \$26 million from FY2011 through FY2013 have been targeted at activities that improve the overall quality of academic programs and enhance the entire student learning and living experience, such as:

- Supporting Enrollment Growth, Campus Expansion and Financial Aid:
 - New tenure track and non-tenure track faculty;
 - Support for faculty and student work including smart classroom upgrades, lab equipment investments and library materials;
 - Critical staff hires in growth impacted service areas such as admissions, financial aid, international student support;
 - Transportation system improvements;
 - Public safety investments including police equipment upgrades, emergency phone, blue light and security camera upgrades;
 - Information technology including academic computing, network support, audio visual and video conferencing upgrades, training, document management and workflow systems to improve processing efficiencies.
- Operational and Service Improvements:
 - Facilities renewal including repairs, academic office renovations, energy efficiency and space inventory system upgrades, planning, project management and building and operational service improvements;
 - Human resource and research administration investments.

FY 2014 University Operating Budget – T13-034

- Student Affairs, Athletics and Recreation:
 - Funding for student activities, counseling, veterans, disability and diversity services.
- Fundraising, Marketing & Branding:
 - Annual fund and development support;
 - Marketing and web development investments.

Consistent with the approved FY2013 Operating Budget, the Lowell Campus is forecasting a \$5.3 million operating deficit for FY2013 or a -1.7% operating margin funded by accumulated surpluses. Management believes an operating deficit of this size is a prudent investment in campus growth and strategic initiatives.

FY 2014 Budget Assumptions

Revenues

State Support

The updated University of Massachusetts Lowell FY2014 budget utilizes the state appropriation allocation set by the President's Office upon the completion of the state budget process. The FY2014 state appropriation allocation includes increased funding to support bargaining unit raises for state funded employees and additional new state funding allocated as part of the "50.50" fee-freeze program. The campus initially prepared a budget that assumed a larger FY2013 base appropriation than that which was used to calculate the FY2014 allocation resulting in \$1 million less than initial estimates.

Other Revenues

The Lowell campus anticipates a 5.0% increase in undergraduate enrollment for Fall 2013. The university increased student charges 4.9% for non-resident graduate and undergraduate students and resident graduate students. The Lowell campus has frozen the operating fee (curriculum fee) for resident undergraduate students for FY2014 as a result of the University's "50.50" commitment to the state. The state appropriation allocation from the President's Office partially offset the loss of fee revenues that would have been generated by a 4.9% operating fee increase on resident undergraduate students.

An annual increase in the Student Activity Fee (SAF) of \$250 is required for at least three years to support UMass Lowell's ascension to Division I and has been built into the financial plan for fiscal years 2014, 2015 and 2016. The funds will be critical to building new facilities and enhancing programs that will enrich the educational experience for all students. This move is consistent with the recommendations of the Athletics & Recreation Strategic Planning Committee, which was comprised of 32 faculty, staff, students, alumni and business leaders. The Division I proposal, including the fees, was reviewed and received unanimous support from the Faculty Senate and a unanimous vote of the Student Government Association.

The enrollment growth and student charge increases will result in an estimated 11.0% increase in tuition and fee (net of financial aid).

Enrollment growth and efforts to expand the residential experience for students will generate a 23% increase in revenues from Residential Housing and Food Services. This includes the opening of two new residential halls in the fall of 2013 and a full redesign of the meal plan options available to students. Grant and contract revenue from all sources is projected to increase by 8.0% over FY2013.

Expenditures

The campus funded 83 new tenure track and non-tenure track faculty between FY2011 and FY2013 to meet enrollment growth and program needs and has budgeted an additional 31 new faculty in FY2014. Staffing

FY 2014 University Operating Budget – T13-034

levels have increased in areas of critical importance to the strategic plan, primarily in the facilities, public safety, student services and academic support areas.

Projected cost increases for facilities in FY2014 include \$3.5 million increase in debt interest payments and \$3.6 million increase for facility operational and maintenance costs. Initial cost estimates of moving to Division 1 are reflected in the increase in student service spending. Additionally, the campus has budgeted a \$3.3 million increase for collective bargaining and fringe benefit cost increases not covered by state funding.

The overall result of the changes in revenues and expenses is a projected \$6.2 million deficit or a -1.8% operating margin for FY2014 funded by accumulated surpluses. However, on an operating cash flow basis (adding back depreciation, capital expenditures and debt principle) the University expects a breakeven outcome.

Should the University's final FY2013 and FY2014 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.

Table 1
University of Massachusetts
Lowell Campus
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Fiscal Year 2014 Operating Budget Statement
(in thousands of dollars)

			FY2014 BUDGETED			
	FY11 Actuals	FY12 Actuals	FY13 Projected Budget-Accrual/ Adjusted Basis	FY14 Budget-Accrual Basis	FY13 to FY14 Change	
REVENUES						
Operating Revenues						
Tuition and Fees	\$141,505	\$157,669	\$172,378	\$188,914	\$16,536	10%
Scholarship allowance	\$28,087	\$29,990	\$32,168	\$33,840	\$1,672	5%
Tuition and Fees (net of scholarship allowances)	\$113,418	\$127,679	\$140,210	\$155,074	\$14,864	11%
Federal Grants and Contracts	\$24,964	\$22,404	\$22,737	\$24,415	\$1,678	7%
State Grants and Contracts	\$5,123	\$5,622	\$4,744	\$4,800	\$56	1%
Local Grants and Contracts	\$278	\$279	\$232	\$242	\$10	4%
Private Grants and Contracts	\$10,577	\$10,700	\$9,377	\$10,314	\$937	10%
Sales & Service, Educational	\$228	\$375	\$250	\$268	\$18	7%
Auxiliary Enterprises	\$30,054	\$32,564	\$35,928	\$44,355	\$8,427	23%
Other Operating Revenues:						
Sales & Service, Independent Operations						
Sales & Service, Public Service Activities						
Other	\$4,694	\$4,202	\$5,146	\$5,511	\$365	7%
Total Operating Revenues	\$189,336	\$203,825	\$218,624	\$244,979	\$26,355	12%
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	\$90,691	\$101,858	\$109,827	\$117,280	\$7,453	7%
Research	\$35,285	\$36,794	\$35,955	\$37,995	\$2,040	6%
Public Service	\$2,216	\$1,824	\$1,846	\$1,901	\$55	3%
Academic Support	\$20,164	\$23,058	\$24,610	\$27,149	\$2,539	10%
Student Services	\$17,405	\$20,516	\$21,204	\$25,057	\$3,853	18%
Institutional Support	\$32,135	\$39,376	\$35,703	\$37,123	\$1,420	4%
Operation and Maintenance of Plant	\$27,482	\$32,737	\$35,407	\$39,042	\$3,635	10%
Depreciation and Amortization	\$16,085	\$16,927	\$20,321	\$24,258	\$3,937	19%
Scholarships and Fellowships	\$8,413	\$8,674	\$9,025	\$10,246	\$1,221	14%
Auxiliary Enterprises	\$18,814	\$19,832	\$20,962	\$25,338	\$4,376	21%
Other Expenditures						
Independent Operations						
Public Service Activities						
Total Operating Expenses	\$268,690	\$301,596	\$314,860	\$345,390	\$30,530	10%
Operating Income/(Loss)	(\$79,354)	(\$97,771)	(\$96,236)	(\$100,411)	(\$4,175)	4%
NONOPERATING REVENUES/(EXPENSES)						
Federal Appropriations						
State Appropriations	\$76,303	\$77,868	\$76,634	\$82,901	\$6,267	8%
Gifts	\$2,667	\$2,463	\$2,524	\$2,589	\$65	3%
Investment Return	\$8,514	\$3,975	\$2,682	\$1,580	(\$1,102)	-41%
Endowment Return	\$874	\$1,329	\$1,649	\$2,136	\$487	30%
Interest on Indebtedness	(\$4,596)	(\$5,310)	(\$8,098)	(\$11,557)	(\$3,459)	43%
Nonoperating Federal Grants	\$14,290	\$15,695	\$15,311	\$16,317	\$1,006	7%
Other Nonoperating Income	\$167	\$126	\$183	\$196		
Revenue from Stimulus Funds	\$5,735					
Net Nonoperating Revenues	\$103,954	\$96,146	\$90,885	\$94,162	\$3,277	4%
Income Before Other Revenues, Expenses, Gains, and Losses	\$24,600	(\$1,625)	(\$5,351)	(\$6,249)	(\$898)	17%
Capital Appropriations	\$5,463	\$41,220	\$26,383	\$19,500	(\$6,883)	-26%
Capital Gifts, Grants and Contracts	\$1,901	\$2,105	\$3,000	\$5,000	\$2,000	67%
Capital - Stimulus Funds					\$0	
University Related Transactions					\$0	
Disposal of Plant Facilities	(\$1,004)	(\$4,528)	(\$1,338)	(\$1,234)	\$104	-8%
Other Additions/Deductions	\$220	\$1,332	\$275	\$303	\$28	10%
Total Other Revenues, Expenses, Gains & Losses	\$6,580	\$40,129	\$28,320	\$23,569	(\$4,751)	-17%
Total Increase in Net Assets	\$31,180	\$38,504	\$22,969	\$17,320	(\$5,649)	-25%
NET ASSETS						
Net Assets at Beginning of Year	\$182,289	\$213,469	\$251,973	\$274,942	\$22,969	9%
Net Assets at End of Year	\$213,469	\$251,973	\$274,942	\$292,262	\$17,320	6%

Table 2
University of Massachusetts
Lowell Campus
Fiscal Year 2014 Operating Budget Statement
SPENDING BY TYPE OF EXPENSE (NATURAL CLASSIFICATION)
(in thousands of dollars)

	FY11	FY12	FY13	FY14	\$ Change	% Change
EXPENSE CATEGORY	Actuals	Actuals	Projected	Budgeted	FY13 - 14	FY13 - 14
Salaries and Wages	\$131,440	\$144,401	\$157,073	\$170,424	\$13,351	8.5%
Employee Fringe Benefits	\$31,857	\$37,207	\$36,676	\$40,752	\$4,076	11.1%
Student Aid	\$8,413	\$8,674	\$9,025	\$10,246	\$1,221	13.5%
Utilities	\$9,035	\$7,655	\$9,873	\$10,877	\$1,004	10.2%
Supplies and Other Services	\$71,860	\$86,732	\$81,892	\$88,833	\$6,941	8.5%
Depreciation	\$16,085	\$16,927	\$20,321	\$24,258	\$3,937	19.4%
TOTAL	\$268,690	\$301,596	\$314,860	\$345,390	\$30,530	9.7%

*Total should equal total Operating Expenses from SRECNA

Table 3
University of Massachusetts
Lowell Campus
Fiscal Year 2014 Operating Budget Statement
SUMMARY OF FULL-TIME EQUIVALENT (FTE) EMPLOYEES*

	Actual FTEs Fall 2010 (FY2011)	Actual FTEs Fall 2011 (FY2012)	Actual FTEs Fall 2012 (FY2013)	Proj. FTEs Fall 2013 (FY2014)	FTE Change Fall 2013 - 14	% Change Fall 2013 - 14
UNRESTRICTED/DESIGNATED FUNDS						
STATE FUNDED POSITIONS						
Faculty	429.5	471.2	512.2	543.3	31.1	6.1%
Professional Staff	399.5	443.7	470.2	493.2	23.0	4.9%
Classified Staff	177.0	200.0	207.0	235.0	28.0	13.5%
Subtotal, State Funded	1,006.0	1,114.9	1,189.4	1,271.5	82.1	6.9%
NON-STATE FUNDED POSITIONS						
Faculty	3.4	5.0	6.0	6.0	0.0	0.0%
Professional Staff	58.1	46.4	64.1	72.7	8.6	13.4%
Classified Staff	15.0	14.0	0.2	0.0	(0.2)	-100.0%
Subtotal, Non-State Funded	76.5	65.4	70.3	78.7	8.4	11.9%
Total Unrestricted/Designated	1,082.5	1,180.3	1,259.7	1,350.2	90.5	7.2%
RESTRICTED FUNDS						
GRANT FUNDED POSITIONS						
Faculty	9.0	11.7	9.1	7.3	(1.8)	-19.8%
Professional Staff	112.0	127.8	112.3	127.2	14.9	13.3%
Classified Staff	0.0	2.0	3.8	2.8	(1.0)	0.0%
Subtotal, Grant Funded	121.0	141.5	125.2	137.3	12.1	9.7%
OTHER RESTRICTED POSITIONS (TURI)						
Faculty	0.0	0.0	0.0	0.0	0.0	0.0%
Professional Staff	12.0	11.3	11.3	14.0	2.7	23.9%
Classified Staff	0.0	0.0	1.0	1.0	0.0	0.0%
Subtotal, Other Restricted Funds	12.0	11.3	12.3	15.0	2.7	22.0%
Total Restricted	133.0	152.8	137.5	152.3	14.8	10.8%
TOTAL UNRESTRICTED AND RESTRICTED	1,215.5	1,333.1	1,397.2	1,502.5	105.3	7.5%

* 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 2014 Operating Budget Statement
HEADCOUNT AND FTE ENROLLMENT

	UNDERGRADUATE		GRADUATE		TOTAL	
	HC	FTE	HC	FTE	HC	FTE
Fall 2013 projected	12,879	10,415	4,328	2,719	17,207	13,134
Fall 2012	12,287	9,972	4,007	2,518	16,294	12,490
Fall 2011	11,729	9,568	3,702	2,299	15,431	11,867
Fall 2010	11,260	9,190	3,426	2,155	14,686	11,345

*Source: Fall 2010, Fall 2011, and Fall 2012 figures from Student Profile