



University of Massachusetts

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January 3, 2018

Secretary Michael J. Heffernan
Executive Office for Administration & Finance
State House, Room 373
Boston, Massachusetts 02133

Re: University of Massachusetts FY19 Budget Request

Dear Secretary Heffernan,

On behalf of the University of Massachusetts, I submit to you the University's FY19 Budget Request.

The state's investment in UMass has meant a great deal to the Commonwealth and residents in every region of the state. UMass is an economic engine from Boston to Worcester and Western Mass, the South Coast to the Merrimack Valley and beyond. A recent economic analysis showed that UMass generates \$6.2 billion in annual state-wide impact through research, employment, purchasing and other activities. That translates to a 10-1 return on the Commonwealth's investment in the university.

The five UMass campuses conduct \$632 million in annual research activity in areas vital to our innovation economy, including life sciences, computer and data science, nanomanufacturing, marine science, climate and environmental science and robotics. The UMass research enterprise trails only Harvard and MIT in Massachusetts and is the largest among public research universities in New England.

UMass is also the largest contributor to the Commonwealth's workforce, graduating 17,000 students each year, more than three quarters of whom remain in Massachusetts to live and work. UMass graduates are crucial to the sustainability of the state's workforce and to addressing the evolving needs of business and industry. Across the UMass system, approximately 35 percent of all bachelor's degrees, 30 percent of master's degrees and 55 percent of doctorates granted are in STEM fields. Meanwhile, unique industry collaborations are creating workforce pipelines from UMass to some of the state's largest employers.

UMass understands and appreciates the state's challenging fiscal environment. As the state grapples with rising costs in several areas of the budget, the University is also faced with some of the same mandatory and fixed cost increases – collective bargaining, fringe and capital investments. UMass also faces a structural gap that has persisted over the past three years because of collective bargaining costs the University paid to its employees, without receiving the State's expected contribution. In addition, we have made affordability a priority and UMass funded financial aid continues to drive growth in expenses. Nonetheless, UMass remains committed to finding ways to help offset rising costs while continuing to deliver a high quality education and support the kind of research that helps grow the state economy.

For example, the university has aggressively pursued efficiencies across the system and is currently working on 161 projects and additional administrative actions that are projected to save \$171 million. An overarching theme of the UMass Efficiency & Effectiveness program is the ability to realize efficiencies that translate to more resources campuses can use for investments in research, teaching and improving the student experience. These key investments fuel the university's strategic objectives while keeping the overall cost per student as low as possible. I have also set aggressive fundraising goals and will continue to build on the University's endowment, but these efforts alone do not completely address the need for additional revenues.

The university's request to increase state funding is necessary to help cover obligations and is reasonable in its attempt to mitigate potential tuition increases for students and families. While we have worked to be more efficient and maintain a low cost per student, the share funded by the state has diminished over time, leaving students and families to make up the difference. Understanding that there are many demands on the State's limited resources, we hope that we can work together to secure the funding necessary for the University to meet its obligations and continue to improve quality.

The State's investment in UMass is paying off for Massachusetts residents seeking a high quality college education at an affordable cost. This past year I was pleased to announce that all four of the UMass undergraduate campuses are now rated in the top tier of "National Universities" in U.S. News & World Report's Best Colleges rankings. UMass is now one of the few university systems in the nation – and Massachusetts one of the few states – to have each of its public research campuses so acclaimed. This is an expression of national acclaim for a university that is focused on building a brighter future for the Commonwealth and its citizens.

Given the Commonwealth's reliance on the development of intellectual capital, Massachusetts deserves a public research university that encourages the best and brightest to remain in the state to live, learn and contribute to the social and economic well-being of the state.

Sincerely,



Martin T. Meehan
President

Cc: Robert A. DeLeo, Speaker of the House
Harriette L. Chandler, Acting Senate President
Jeffrey Sanchez, Chair House Ways & Means
Karen Spilka, Chair Senate Ways & Means
Michael O. Moore, Chair Joint Committee on Higher Education
John Scibak, Chair Joint Committee on Higher Education
James A. Peyser Secretary for the Executive Office of Education
Carlos E. Santiago, Department of Higher Education Commissioner

Attachments:

- Attachment A – Budget Context
- Attachment B – Additional Budget Request Information
- Attachment C – Other Legislation

University of Massachusetts FY19 Budget Request

FY19 Funding Request:

UMass is requesting an FY19 base appropriation of \$583.4 million, which assumes an enrollment growth of 0.6%, and reflects an increase of \$55.9 million, or 11% above FY18. This amount is based on the University's need to address increases in mandatory and other fixed costs related to the core teaching and education portion of its budget. The table below shows the build-up of the State appropriation, including the cost of the collective bargaining contract currently being negotiated.

	FY18	FY19 Request	Variance
Appropriation	513,460	555,636	42,176
Collective Bargaining*	14,073	27,755	13,682
Total	527,533	583,392	55,859

Once contracts are ratified in FY18, it is assumed that State funding to support the FY18 costs will be appropriated and built into the base for the following year. Additionally, it is assumed that the State will fund its share of the incremental collective bargaining cost for each year of the contract.

Cost of Collective Bargaining:

Beginning in FY18, the first year of the new contract is estimated to cost \$30.5 million, of which the State is expected to contribute \$14.1 million. It is expected that the first year cost would be appropriated in a supplemental budget and added to the base appropriation for FY19. In FY19, the incremental cost of the contract is \$29.7 million of which the State is expected to contribute \$13.7 million. This estimate assumes the most recent parameters provided by OER and that State funding for the new collective bargaining contract, scheduled to begin on July 1, 2017, will be funded in a separate and identifiable reserve for FY18, as required by M.G.L. Chapter 150E.

	FY18	FY19	FY20
State	14,073	13,682	14,068
Non State	16,436	15,980	16,431
Total Incremental	30,509	29,663	30,500

Increased funding to \$583.4 million for the UMass system in FY19 would allow the campuses to meet their obligations for the upcoming fiscal year while *limiting* tuition increases for students. The growth in expenses for FY19 is \$84.4 million over FY18, after netting out all of the auxiliary enterprises and revenue-generating operations of the University (See attachment A). Included in the projection are certain assumptions about the amount of tuition increases needed to cover the growth in expenses. In addition, the projection accounts for an approximate \$34 million structural gap that has persisted over the past three years because of collective bargaining costs that the University paid out to its employees but never received the State's expected contribution pursuant to M.G.L. Chapter 150E. The total cost of the previous contract was \$112.3 million, of which the State's share totaled \$54.3 million; only \$21.5 million was added to the base appropriation for UMass over a three-year period, leaving a deficit of nearly \$34 million. Had the State funded its share of the previous contract, the University's base appropriation would be \$34 million higher than it is currently, therefore eliminating the structural gap and helping to mitigate tuition increases in each of the last two academic years.

If the state is unable to support an increase in the appropriation sufficient to cover the structural deficit left by previously unfunded contracts or the cost of a new collective bargaining agreement, per Chapter 150E, the

University will be in the unfortunate circumstance of having to raise tuition and / or implement over \$42.2 million in cuts that would likely impact the core education and teaching mission of all five UMass campuses. These cuts would result in extending the current hiring freeze to new vacant positions, increasing undergraduate student-faculty ratios, reductions in transportation services, layoffs, changes in program offerings and the re-evaluation the University's support for satellite locations, centers and other institutes. As in previous years, the University will also need to consider tuition increases to help cover its obligations for the upcoming fiscal year.

Attachment A Budget Context

UMass Budget Forecast:

Each year, the University develops a 5-year forecast of revenues and expenses showing how the strategic plans for each campus will be funded and its impact on the University's bottom line. The forecast facilitates long-term planning and is used to convey the University's financial status and funding needs. The forecast is updated annually to reflect actuals and changes in assumptions from one year to the next and serves as the basis for the State budget request. The table below summarizes the University's expense growth for FY19.

<i>\$ in Thousands</i>	E&G FY2018	E&G FY2019	Growth
Salaries & Fringe	1,167,328	1,221,020	53,691
Non-personnel	364,484	361,978	(2,505)
Sch. & fell.	46,456	51,967	5,511
Depreciation	153,192	159,409	6,217
Interest	58,020	63,993	5,973
Sub Total	1,789,480	1,858,367	68,887
Tuition Discount	300,484	315,998	15,514
Total	2,089,964	2,174,365	84,401
Value of 2.5% In State UG			10,040
Value of 3% Out of State & Grad			8,708
Value of Enrollment Growth			9,794
State Funding for CB (2%)			13,682
Remaining Expense Growth			42,176

The growth in expenses associated with the University's core education (E&G) budget is \$84.4. From there, the tuition revenue increases from a rate increase, enrollment growth and the State funding for its incremental share of collective bargaining results in a need of \$42.2 million.

Major Cost Drivers:

Salaries, Wages and Fringe – These make up 58% of the University's total budget with the majority of the increase driven by collective bargaining and the fringe rate, which are determined by the State. The University employs 14,839 employees (FTEs) and the campuses are among the largest employers in the regions they serve. The spending of the University, its employees and students helped to support over 29,000 additional jobs in the Commonwealth.

Capital Support – Capital expenses such as depreciation and interest support necessary investments that maintain our campuses and meet the growing needs of the University. The University's capital plan generates over \$550 million in direct construction expenditures and over \$500 million in additional economic activity in our regions supporting over 6,000 jobs statewide. These investments come after years of minimal State funding for deferred maintenance or new facilities to meet our increased enrollment.

University Financial Aid – The University continues to make record high investments in financial aid in order to address the needs of our student body and to help students lessen their debt burden at graduation. Most recently, UMass invested \$278 million into financial aid and strives to be accessible to our residents and therefore continues to invest in financial aid programs for our students.

**ATTACHMENT B
FY19 Budget Request**

University’s Programmatic Funding:

In addition to the main appropriation for the University, there are several line items included in the State budget that provide direct support to our campuses and fund specific programs. Below is a description of each of these important line items and the FY19 funding request:

7100-0700 – Massachusetts Office of Public Collaboration - The MA Office of Public Collaboration is the state's dispute resolution office pursuant to G.L. Ch. 75, Section 46. The office’s public mandate is to assist the executive, judicial and legislative branches of government, municipalities and public authorities with the design and administration of dispute resolution programs, mediation of public policy disputes, and facilitation of collaborative problem-solving and community involvement on contentious public issues. In addition, the Massachusetts Community Mediation Center Grant Program, administered by the Massachusetts Office of Public Collaboration under G. L. Ch. 75, Section 47, promotes community mediation as an affordable public service.

Line Item		FY18 GAA	FY19 Request	Line Item Language
7100-0700	Massachusetts Office of Public Collaboration	750,000	1,275,000	For the operations of the Massachusetts Office for Public Collaboration and for the operation of the statewide community mediation center grant program administered by the office of public collaboration at the University of Massachusetts at Boston pursuant to section 47 of chapter 75 of the General Laws

7100-0801 – Innovation Commercialization Seed Fund – This funding provided through the Massachusetts Technology Transfer Center provides grants, advice and assistance to public and private research institutions on strategies for technology transfer including assessing the viability and value of developing technologies; defining and exploiting potential markets for such technologies; commercialization strategies; intellectual property issues, including licensing strategies; and business development.

Line Item		FY18 GAA	FY19 Request	Line Item Language
7100-0801	Innovation Commercialization Seed Fund	125,000	2,000,000	For the Innovation Commercialization Seed Fund established in section 45B of chapter 75 of the General Laws

7100-0900 – Medical School – The University is seeking a special appropriation to address the funding needs of the Medical School which have previously fallen outside of any projected increase provided by the State. This funding, in addition to what the Medical School has historically received as part of the main State Appropriation which will allow for the Medical School to continue to support its mission as the State’s only public Medical school. While external conditions unique to UMMS and beyond the control of the University (i.e. federal investment in research, changes to the health care delivery model and payment systems, etc.) impact the Medical School’s economic condition, state government’s support for the state’s only public Medical School serves as the foundation from which UMMS can fully leverage its entrepreneurial endeavors. In recent years, UMMS has been negatively affected by a lack of support for non-unit salary increases and a lack of capital funding to invest in the Medical School’s capital intensive facility needs. Only fifty years since its founding, the University of Massachusetts Medical School (UMMS) is, unquestionably, one of state government’s most successful initiatives as a renowned hub for medical education, biomedical research and health care innovation. While based in Worcester, it has a strong presence throughout the state, is a major catalyst for economic development, a major source of innovative and impactful discoveries, a major contributor to the State’s healthcare and life sciences workforce and a major component of the UMass System.

Line Item		FY18 GAA	FY19 Request	Line Item Language
7100-0900	Medical School	-	20,000,000	For the operation of the University of Massachusetts Medical School

7100-0901 – Innovation Voucher Program Fund – The Innovation Voucher Program was established in the FY18 budget and in section 45C of chapter 75 of the Massachusetts General Laws. It provides start up and small companies with a state cost sharing for use of “core facilities” at the 5 campuses of the University of Massachusetts. Core facilities are research based hardware and software that are available at a daily or hourly rate or per unit rate for use by companies at the University of Massachusetts.

Line Item	FY18 GAA	FY19 Request	Line Item Language
7100-0901 Innovation Voucher Program Fund	2,000,000	2,000,000	For the Innovation Voucher Program Fund established in section 45C of chapter 75 of the General Laws

1599-7104 – Star Store - The Star Store facility is a state-of-the-art facility home to hundreds of artists working in a variety of disciplines and has developed strategic partnerships with New Bedford arts organizations. The Star Store is also home to a number of impressive exhibition spaces, which features exhibitions of local, national, and international renown. The facility includes administrative and academic office space, provides learning spaces for Bristol Community College, and provides quality meeting space for community organizations. The funding provided for the Star Store funds the monthly lease obligation for the Star Store space in New Bedford.

Line Item	FY18 GAA	FY19 Request	Line Item Language
1599-7104 Star Store	2,700,000	2,700,000	For a reserve of not more than \$2,700,000 for the facilities costs associated with the College of Visual and Performing Arts at the University of Massachusetts at Dartmouth including funds from this item for Bristol Community College

1599-7114 – UMass Center at Springfield - With UMass Amherst as the lead campus, the UMass Center at Springfield opened in the fall 2014 and offers bachelor and master level courses associated with a variety of existing academic degrees and certificates. The academic offerings include courses in Management, Healthcare and Nursing, Education, Cyber Security, Landscape Architecture and Regional Planning, Architecture, a bachelor’s degree completion program, a 2+2 bachelors program in liberal studies, and a non-credit certificate in Addictions Counseling. The center houses classrooms, computer labs, conference rooms and small meeting rooms, faculty and staff offices, a student learning commons and a lounge. The Center also houses selected outreach, research, and economic development programs and activities. Other UMass campuses, Holyoke Community College, and Springfield Technical Community College, offer for-credit courses and workforce training programs on-site and/or blended that are associated with existing academic degrees and certificates that are responsive to the educational, economic and social needs of Springfield area residents. The funding requested for the UMass Center at Springfield funds the monthly lease obligation along with staff salaries and administrative costs currently subsidized by the campuses.

Line Item	FY18 GAA	FY19 Request	Line Item Language
1599-7114 Springfield Satellite Center	250,000	1,500,000	For a reserve for the costs associated with the UMass Center at Springfield

1599-3857 – Center for Innovation & Entrepreneurship – The Center for Innovation & Entrepreneurship is a technology incubator that provides the infrastructure to support startups and early stage companies on site and across southeastern Massachusetts. The primary objective of the Center is to provide an environment where technology companies will develop into employers located in the region. By attracting these companies to the Center for Innovation & Entrepreneurship, the University facilitates the economic growth of the region. Participating companies benefit from an environment that includes quality space, complete facilities and support services, technical and business expertise, and proximity to other companies facing similar challenges. Access to UMass Dartmouth faculty and staff, as well as the fully-equipped research laboratories, is one of the most beneficial resources. Additionally, business and technical support is available from the main

UMass Dartmouth campus. The services include strategic and business planning, financial and capital planning as well as market research. The University will also help with legal and intellectual property issues as needed. The Center has established commercial alliances with accounting, legal, human resources and funding organizations. The Center also can provide these startups with access to student interns and faculty researchers. The CIE has incubated more than 45 companies which, today, employ more than 225 and have a combined sales revenue of 200 million. This line item, historically funded at \$1,581,922, had supported the lease and operations of the Center in Fall River. However, in 2014, the Dartmouth campus acquired the Center for Innovation & Entrepreneurship with funding provided in the Life Sciences Bond Bill and approved by the Life Sciences Board. Due to the acquisition, the University is now responsible for funding 100% of the center's operations and building maintenance. Therefore, funding of the ongoing operational of the center is needed. The University is requesting that \$1,067,092 be restored to support operating costs of the Center for Innovation & Entrepreneurship and to ensure that it continues to be a successful resource to growing companies in the area.

Line Item	FY18 GAA	FY19 Request	Line Item Language
1599-3857 Center for Innovation and Entrepreneurship	-	1,067,092	For the operation of the center for innovation and entrepreneurship

1599-4417 – Edward J. Collins, Jr. Center for Public Management- The Edward J. Collins, Jr. Center for Public Management at the John W. McCormack Graduate School of Policy and Global Studies at the University of Massachusetts Boston was established by the Legislature in July 2008 to improve the efficiency and effectiveness of all levels of government with a particular focus on state and local government. The Center's mission is to enable public entities to provide high quality services to the people they serve on a sustainable basis. Since its founding, the Center has provided a comprehensive array of services including government analytics, executive recruitment, human resources policy audits and governance and management reforms to the Commonwealth's cities, towns, school districts, and state agencies. The Center has conducted over 350 engagements for state, regional and municipal governments since its establishment. Support from the Commonwealth allows the Center to provide specialized services and expertise to public sector clients that would not otherwise be available and to provide these services at a reduced cost.

Line Item	FY18 GAA	FY19 Request	Line Item Language
1599-4417 Edward J. Collins, Jr. Center for Public Management	125,000	250,000	For the Edward J. Collins, Jr. Center for Public Management in the John W. McCormack Graduate School of Policy and Global Studies at the University of Massachusetts at Boston

ATTACHMENT C
UMass Legislative Priorities

Full Allotment of State Funds

The University's State appropriation supports only a portion of the overall operations in any given fiscal year. In an effort to maximize State funds, the University utilizes the appropriation solely for payroll purposes. Because State funding only covers a portion of the overall payroll, it becomes an administrative burden to move employees from the State funding source to other funding sources between allotment periods.

The allotment process is governed by MGL Chapter 29, Section 9B which states:

"Section 9B. Any monies made available by appropriation to state agencies under the control of the governor or a secretary, but not including the courts, the office of the governor and the office of the lieutenant governor, shall be expended only in such amounts as may be allotted as provided in this section. The secretary of administration and finance shall allot to each such state agency the amount which it may expend for each month out of the sums made available to it by appropriation or otherwise, taking into account the programmatic needs of the program supported by the appropriation and the cash-flow needs of the commonwealth."

Since the University is not an Executive Branch department and, therefore, not subject to the provisions of section 9B, we are asking for a full allotment of the University's appropriation. In prior fiscal years, the University's appropriation was fully allotted at the beginning of each fiscal year and was not subject to the periodic allotment process. A full allotment of the University's appropriation would allow for greater efficiencies in payroll processing.

State Matching Endowment Incentive Program

State matching funds programs serve as powerful incentives for public universities to raise funds from private sources. Public colleges and universities that fully utilize state matching funds programs maintain a considerable competitive advantage over their peer institutions. The availability of matching funds from state appropriations is a major factor in the fundraising success of many public universities. In the past, the Commonwealth's Public Higher Education Endowment Incentive Program matched 50 percent of gifts to the University's endowment, funds that can be designated for academic purposes, including scholarships, facility construction or named faculty chairs. Endowment giving for faculty support, faculty-led research programs and financial aid provide opportunities for positive press and the building of a donor base.

For public universities with modest fundraising histories, matching funds provide a strong incentive to flag the important role that the endowment can play in supporting University operations. The use of matching funds to encourage endowment giving has produced dramatic results. The last endowment match program sponsored by the Commonwealth was funded at \$20 million and helped the University to raise over \$92 million in private funds and added \$142 million to the University's endowment. This fueled the establishment of more than 70 endowed professorships and chairs and numerous scholarships for students.

7066-0115. For the purposes of implementing section 15E of chapter 15A of the General Laws to encourage private fundraising by the commonwealth's public institutions of higher education for the endowments and capital outlay programs of those institutions; provided, that the board of higher education shall implement this program in a manner which ensures that each institution shall have an equal opportunity to secure matching funds from this item; provided further, that \$10,000,000 shall be allocated to University of Massachusetts campuses; provided further, that \$5,000,000 shall be allocated to state college campuses; provided further, that \$5,000,000 shall be allocated to community college campuses; provided further, that if any funds allocated herein for disbursement to state and community college campuses shall be unused, the remaining funds shall be made available to University of Massachusetts' campuses..... \$10,000,000

(\$20,000,000 was done last time funding was provided)

University Insurance on Properties

Currently, Massachusetts General Law limits the University's ability to properly insure our buildings based on the following language:

- Chapter 29 Section 30. No officer or board shall insure any property of the commonwealth without special authority of law.
- Chapter 75 Section 9. The trustees may insure the memorial building and its contents in such amount as they deem sufficient.

The inability to properly insure our facilities is a disadvantage to the University and results in a significant cost when buildings are damaged by accident or natural disaster. Furthermore, when a federal emergency is declared, the federal government requires proof of insurance on damaged facilities in order to apply for and receive federal reimbursement for some or all of the damage. The language identified below would allow for the University to properly insure our facilities and utilize such insurance in the event it is required.

Massachusetts General Law is hereby amended in Chapter 75 by striking Section 9 in its entirety and replacing it with the following language: - "The trustees may insure its buildings and any and all of its contents."

Additional Information Links: Below is additional information including links to the University's web page for in support of the University's overall Budget Request.

- University of Massachusetts FY18 Budget and Financial Forecast – <https://www.umassp.edu/budget-office/annual-budget>
- Efficiency & Effectiveness Projects at the University – <https://www.umassp.edu/budget-office/efficiency-effectiveness>
- University Capital Plan – <https://www.umassp.edu/budget-office/capital-planning>
- University Sustainability Report – <https://www.umassp.edu/budget-office/sustainability>