

## **STANDARD NINE—FINANCIAL RESOURCES**

### **DESCRIPTION**

In managing its resources UMass Dartmouth is guided by the principle that decision-making about necessary revenue and annual expenditures flows from clear strategic purposes consistent with the Mission. Revenue generation and allocation of resources are driven by a clear vision of what must be accomplished rather than being determined by budget constraints. In 2000, the University embraced enrollment growth, modest fee rate adjustments, expanding external research support, and increased fundraising in order to develop investment revenue streams necessary to achieve strategic goals. While continuing to advocate for state appropriations and capital allocations, the institution has determined to manage a shifting fiscal landscape through data-driven structures for revenue projection, enrollment management, budgeting, and budget control to ensure financial stability.

#### **Financial Resources, Financial Stability, and Financial Planning**

UMass Dartmouth's administration and faculty have worked during the past ten years to address fiscal concerns raised after the 2000 site visit and the 2003 focused visit. Improved planning and management have better positioned the University to accomplish strategic goals as it adapts to the variability of state appropriations and balances the dynamics of student recruitment and retention revenue streams. Budget controls have been implemented along with a system to budget and monitor personnel costs that is effective from both Mission and control perspectives. The University has strengthened links between resource allocation and strategic goals and objectives while steadily increasing financial stability.

UMass Dartmouth has established financial stability and addressed a deficit in unrestricted net assets while allocating resources consistent with its Strategic Plan, developing prudent financial management policies, and broadly involving the campus community in understanding financial matters. In practice, the budget is driven first by cautiously moderate revenue estimates based on enrollment and state appropriations (a notably declining percentage of the total budget), and then by expense projections that include allocations to a debt reduction plan designed to address the unrestricted fund balance deficit of a previous administration. Funding for strategic objectives has been found in incremental revenue and through reallocation of existing resources, either within a division or across divisional boundaries. In the current financial climate, the concept of addition by subtraction—adding programmatic expense by reducing another programmatic expense—is gaining general acceptance on campus.

Through the 1990's budgeting was done entirely on a cash basis. However, a decline in state support with a concomitant increase in tuition and fee revenue created the need to move toward an accrual-based budget on an aggregate basis; at the same time, the Governmental Accounting Standards Board (GASB) directed changes in the financial statement display. A budget prepared on a cash basis may be balanced on that basis but could result in a negative accrual outcome, which must take into account long-term liabilities. At this time budget development by departments on campus remains a cash-based approach, but the financial office makes adjustments as necessary to provide for a favorable outcome on an accrual basis. This work is supported by an internal crosswalk that converts the cash-based budget to accrual-based financial statements.

As revenue derived directly from student charges became a larger part of the total budget, the accuracy of enrollment projections increased in importance. Academic programs, faculty, and the facilities required to accommodate students flow naturally from consideration of total enrollment levels. The University has a five-year, rolling aggregate [enrollment plan](#) adjusted annually to actual results. The plan is comprehensive, covering undergraduate, graduate, part and full time, day and evening, on-line and off-campus students and incorporating commitments for new programs and/or changes in existing programs. The plan provides the raw numbers for estimating revenue from students and concurrently establishes goals for freshman and transfer students for the Admissions Office while also stating assumptions for student retention. Extrapolations from enrollment data provide the information necessary to anticipate housing and dining requirements as well. A formula to estimate the next year's state funding permits budget planning prior to the beginning of the fiscal year.

Strategic objectives at the University other than those tied directly to enrollment are also considered as the budget process unfolds. However, the emphasis on enrollment provides a focus and context for the budgetary process that relates those objectives to the level of enrollment, rates for tuition and fees, and provision of financial aid.

The Office of Administration and Finance continues to refine the budget process, which begins in the fall as senior staff develop recommendations for institutional priorities related to the programmatic growth and the Strategic Plan. This approach results in consideration of objectives from a University-wide perspective and forges agreement about the strategic objectives to be pursued in the coming fiscal year. Academic divisional budget requests are then prepared so as to be consistent with these strategic objectives. Central to this process is the tenet that incremental and reallocated funds will be necessary to accomplish the initiatives identified and that the budget will adhere to the prudent revenue budget as determined in the process described above. An effective working relationship between the offices of the Provost and the Vice Chancellor for Finance and Administration facilitates the coordination of planning and budgeting.

In order to understand the impact of the deficits of previous administrations, a review of the financial statements for 2002 to 2009 is required. Financial stability is monitored by both financial statements and financial indicators. The changes to the financial statement display mandated in 2002 by GASB provided an opportunity for a consistent examination of the last seven years to evaluate the effect of planning and resource allocation. This analysis includes the Statement of Net Assets as well as the Statement of Revenues, Expenses, and Change in Net Assets. That information is then related to trends developed from a grouping of financial indicators (ratios) used as fiscal monitoring tools within the five campuses of the UMass system.

### **Statements of Net Assets**

**Net Assets 2002 - 2009.** Total net assets grew by 65.6%, or plus \$21,829,000, for the period. This rising total reflects increases in two categories: Invested in Capital Assets, net of debt (+2.7%, or +\$1,050,000), and Restricted Expendable Net Assets (+285.4%, or +\$9,096,000). These changes reflect an emphasis on investing in the physical plant to accommodate the rising student population and growth in research with its restricted funding.

A more detailed consideration of the category of Unrestricted Net Assets illustrates its effect as a particular financial ratio and as a means of monitoring how we have addressed our adverse financial history. Unrestricted Net Assets stood at minus \$9,055,000 in 2002 but had increased by 2007 to minus \$675,000, a 93.5% improvement that provided an additional \$8,380,000 in assets. The change from 2002 to 2007 reflects the University's concerted effort to eliminate the unrestricted fund balance deficit over those years.

By the end of 2008, however, several events, including the nationwide economic downturn and internal funding for a capital project, led to an increase in the negative unrestricted fund balance, from minus \$675,000 at the end of 2007 to minus \$3,267,000. This unfavorable change can be traced to the following: a market adjustment for the investment portfolio of minus \$794,000; an unplanned increase in debt service from a refinancing that included interest rate swaps in the amount of \$500,000; an increase in compensated absences of \$200,000; and the use of \$1.1 million campus funds held by the UMass Building Authority (UMBA) for a student housing renovation project. In regard to this last amount, although the funds held by UMBA are properly classified as campus unrestricted funds, UMBA will release them only for capital projects. However, through careful management of funds that addressed critical needs and requirements, in FY09 the University significantly reduced expenses to build its unrestricted fund balance from a negative \$3,267,000 to a positive \$2,628,000—an increase of almost \$6,000,000. The UMBA funds continue to be held in reserve for future capital projects.

**Assets 2002 - 2009.** Total assets increased by 80.3% for the period, from \$155,194,000 in 2002 to \$279,805,000 in 2009. While current assets increased slightly, there was a substantial increase in noncurrent assets, from \$143,583,000 to \$262,342,000, an increase of 82.7%, or \$118,759,000. Within noncurrent assets the increase in Investment in Plant (net) is virtually identical in amount to the total noncurrent change, an increase of \$120,113,000. This reflects investment in the strategic infrastructure plan to increase enrollment and change the campus profile from a primarily commuter to a residential campus, and to invest in research capacity for faculty. On-campus housing doubled from 2,200 beds to 4,500, and both a permanent home for the College of Business and a separate research building with a Biosafety Level 3 laboratory were completed and occupied.

**Liabilities 2002 - 2009.** Total liabilities rose 84.3%, up \$102,782,000 from \$121,892,000 to \$224,674,000. Current liabilities increased 71% and noncurrent liabilities increased 88%. Both increases were due to long-term debt (bonds payable). Current liabilities rose \$19,401,000, and of this amount, bonds payable represented \$20,131,000. Likewise, the increase in noncurrent liabilities was \$83,381,000 and bonds payable increased by \$87,373,000. The change in liabilities, almost exclusively bonds payable, reflects the debt incurred to finance the capital asset growth for student housing and research noted above.

### **Statements of Revenues, Expenses, and Changes in Net Assets**

**Operating Revenues 2002 – 2009.** Total operating revenue rose by 108%, an increase of \$70,563,000. This increase can be attributed to the increase in the student population and the increase in charges for tuition, fees, room and board; there also has been an increase in research revenue. Tuition and fee revenue (net) rose 109%, or plus \$32,042,000; and auxiliary enterprises increased 226.8%, or plus \$28,304,000. The substantial increase in the on-campus population drove both housing and dining revenues. In addition, auxiliary enterprise revenue increased to

cover the debt service associated with the capital improvements. Total (i.e., federal, state, local and private) grant and contract revenue was up 53.5%, plus \$10,104,000 for the period, from \$18,902,000 to \$29,006,000.

Tuition and fee discounting has also become more important. As the University increased charges to partially offset the decline in state support, affordability became an issue. A public institution has an access mission that asserts that a qualified student should not be denied the opportunity to attend because of inability to pay. Consequently, UMass Dartmouth has increased unfunded financial aid, primarily through discounting of tuition and fees. In the financial statements, this total discount amount is identified as “scholarship allowances” netted from tuition and fees, and includes both need- and merit-based aid. For the period 2002 to 2009, the discount rose from \$3,414,000 to \$15,451,000, an increase of \$12,037,000, or 352.6%. The discount rate for those funds collected and retained on campus rose from 10.4% to 20.1% of tuition and fees across the same period. The increase is especially notable in years 2004 and 2009 when student charges were increased to compensate for significant reductions in the state appropriation. Both the campus administration and the University of Massachusetts Board of Trustees espoused the policy of using administrative aid, through discounting, in order to address the University’s obligation to provide access.

**Non-operating Revenues (Expenses) 2002 - 2009.** Total non-operating revenue (expenses) decreased moderately for the period. Increases from state appropriations were offset by increases in interest expenses resulting in a total positive change of just 10%, 5,600,000, from \$56,194,000 to \$50,594,000. The rise in interest on indebtedness is attributable to the borrowing to meet strategic goals for infrastructure. Interest expense rose from \$2,286,000 to \$8,276,000, an increase of 262%, while state appropriations increased 1.15%. It is significant to note that the increase in state appropriations almost exclusively reflects funding the incremental cost of collective bargaining agreements.

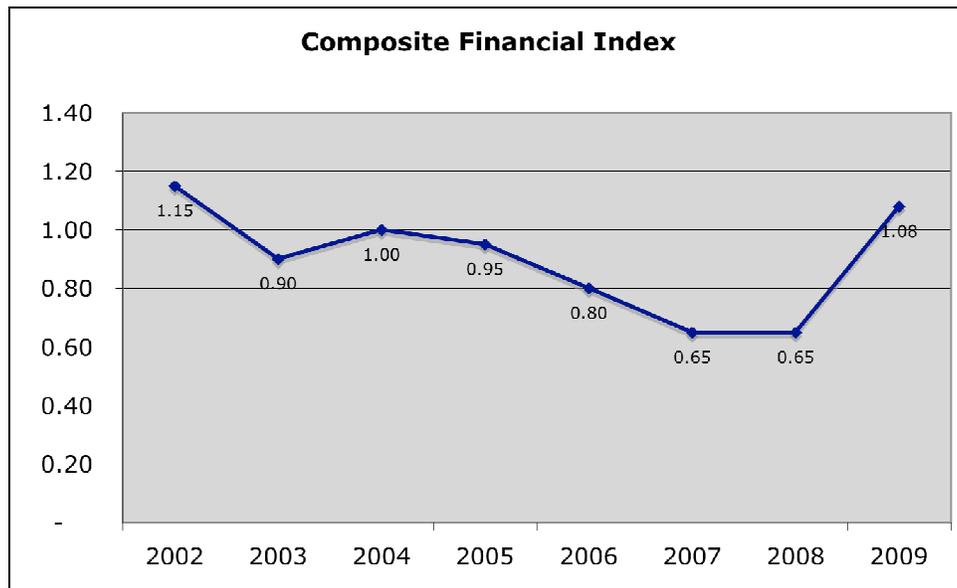
**Other Revenues, Expenses, Gains and Losses 2002 - 2009.** The change in this category is significant with a decrease of \$4,153,000, or 316.5%. One item of note is that capital appropriations grew modestly at 62.1%, an increase of \$2,482,000. The lack of capital appropriation support from the Commonwealth to fund construction and renovation on campus resulted in bonded indebtedness and capital gifts to meet strategic infrastructure goals. A state-wide bond bill in fiscal 2009 has resulted in the allocation of significant capital to the University that will be used to finance a renovation of the Claire T. Carney Library. This will enable the library to provide archival, technological services, and conferencing facilities that cannot be provided in the present facility.

**Operating Expenses 2002 - 2009.** The change in total expenses from 2002 to 2009 is consistent with the implementation of institutional strategic goals for enrollment growth, infrastructure renovations/new construction, and expanding research capacity. Total expenses were up by 53.2%, increasing \$65,545,000 from \$123,292,000 to \$188,837,000. Those functional expense categories related to enrollment growth and the additional square footage for residences and new construction increased predictably over the period: auxiliary enterprises (+86.4%, or +\$8,585,000); depreciation and amortization (+86.0%, or +\$5,534,000), and plant operation and maintenance (+79.6%, or +\$8,622,000).

Expenses for instruction grew by the largest amount during the period, increasing \$19,060,000, from \$40,598,000 to \$59,658,000, or 46.9%. Academic support increased by the largest percentage at 106.3% with a dollar increase of \$11,335,000, from \$10,661,000 to \$21,996,000. Instruction accounted for approximately 33% of total expenses at both the beginning and the end of the period, whereas academic support grew from 8.6% of total expenses in 2002 to 11.9% of total expenses in 2009. Institutional support, which represented approximately 10.5% of total expenses at the beginning and end of the period, was up 30.7%, an increase of \$4,172,000. Student services, as a category separate from the primarily student-related auxiliary enterprises was virtually unchanged for the eight years under consideration, with a percentage change of 1.5%, or a decrease of \$87,000 from \$8,244,000 to \$8,157,000.

**Financial Indicators (ratios)**

The University uses four financial ratios — Operating Margin, Financial Cushion, Debt Burden, Return on Net Assets — as well as a composite financial index (CFI) to evaluate financial health and stability. The CFI is a single overall financial measure based on the four core ratios that are weighted to provide a balanced measure of health. This approach to considering financial health is based on *Strategic Financial Analysis for Higher Education*, sixth edition by KPMG, Bearing Point and Prager, Sealy and Company LLC. The [trend for the 2004-2009](#) period reflects continuing financial stability, although concern is clearly indicated during a time of stress. The following chart displays UMass Dartmouth’s CFIs calculated for the period 2004-2009.



The UMass Dartmouth overall CFI for 2009 is 1.08, comparable to the 2004 number but higher than those of the three previous years. Data for 2009 represent an upward trend that demonstrates a determination to retain the basic financial stability of the University. UMass Dartmouth has CFI results for the period 2004 – 2009, and maintains this process as an on-going tool for evaluation.

## **Other Financial Aspects**

**Financial Aid.** UMass Dartmouth and the UMass BOT regularly review the effectiveness of financial aid policy and practices. Annually, the UMass President’s Office collects comprehensive data and issues a campus-based report that encompasses aid amounts, types, and trends; as well as student impact information. UMass Dartmouth currently meets 90% of the financial need for students who qualify for financial aid. Financial aid personnel participate in enrollment management deliberations, and budgets for need-based and merit aid factor in cost, recruitment and retention efforts, and efforts to protect current students from increases in academic fees through increased institutional aid (discounting).

**Budgetary Processes and Fiscal Policies.** UMass Dartmouth’s budget is developed with input from faculty, staff, students and administration to better integrate priorities and advance educational objectives. Financial information is presented regularly to the Chancellor’s Cabinet, the Executive Council, and the Budget Review Board, a committee of the Faculty Federation. The Chancellor has made several open presentations to the University community to explain and answer questions about the current and prospective financial situation. [Fiscal policies](#) for all of UMass, including each campus, are available on a comprehensive website.

The [Administrative and Fiscal Affairs](#) website displays updated financial statements, the current operating budget; and relevant policies. A staff directory identifies the administrators responsible for each area of fiscal management and accountability. The website also includes links to the PeopleSoft website and a set of frequently used forms for travel reimbursement, declaring business expenses, and other financial transactions.

**Financial Planning, Including Contingency Planning.** Processes to ensure that the institution’s financial planning, including contingency planning, are integrated with overall planning and evaluation processes outlined in the previous section, and are also discussed in Standard 2.

**Ethical Oversight of Financial Resources and Practice.** The Board of Trustees and UMass Dartmouth have implemented comprehensive policies and procedures that ensure the ethical oversight of the institution’s financial resources and practices. The BOT delegates the responsibility to assure proper use of University funds to the Chancellors of each campus through the President. The BOT annually sets mandatory student tuition and fees; receives endowment gifts above a certain amount; approves land acquisition and disposal as well as major building construction projects; and approves the establishment of new revenue operations and other significant financial transactions. The BOT approves the University’s annual operating and capital budgets. [BOT policies](#) that address ethical and fiduciary responsibility include the Policy for Management of University Funds, the Policy on Codes of Conduct for University Vendor Relationships, and the Fraudulent Financial Activities Policy. The University Vice President and Treasurer, with the assistance of the University controller, auditor, and outside consultants, regularly report on the financial condition of the University. Continual review is provided by the Audit Committee and the Committee on Administration and Finance, standing committees that meet quarterly.

**Auditing.** UMass Dartmouth’s financial resources and transactions are audited annually by Pricewaterhouse Coopers as part of the annual five-campus system; the audit is presented in a single report that gives separate accounting statements and tables for each campus. The BOT

Audit Committee and the Committee on Administration and Finance review audits. The full board receives regular reports, and it takes official actions regarding audits. The President of the system and each campus chancellor are present at these meetings. The UMass Audit Opinion Letter, appended to this self study, found that the reports and tables “present fairly, in all material respects, the financial position of the University of Massachusetts ... and its discretely presented component units at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended [are] in conformity with accounting principles generally accepted in the United States of America.” The UMass Dartmouth Foundation is a discretely presented component unit in the overall budget for UMass; it is audited independently of the main UMass audit done by Pricewaterhouse Coopers by an external firm.

**Fundraising.** The mission of the non-profit University of Massachusetts Dartmouth Foundation is to provide financial assistance for the development efforts and educational programs of the University. Additionally, the Foundation is charged to solicit, receive, and hold *inter vivos* and testamentary gifts and to manage investments in appropriate ways to accomplish its primary purpose to support UMass Dartmouth. The Foundation is governed by its own Board of Directors that has full oversight of activities associated with the Foundation’s fundraising efforts. Through its committees (Executive, Audit, Nominating, Development, Budget & Finance, and others), the Board provides guidance to Foundation officials in their efforts to garner support. Board meetings are held quarterly, and committees meet as need arises. The fundraising efforts are accomplished through a comprehensive fundraising plan derived directly from the institutional Strategic Plan.

In addition to adhering to the Code of Ethical Principles and Standards (created by the Association of Fundraising Professionals), UMass Dartmouth has its own Policies and Procedures Manual (See Work Room.) that clearly defines policies and procedures related to fundraising, gift acceptance, and operations. In all cases, donors have the option to restrict their gifts to a program or project approved by the Administration of the University. The operational policies follow guidelines required by the Internal Revenue Service. Fundraising policies (gift acceptance, gift processing, gift solicitation, confidentiality, etc.) follow best practices developed by the Association of Fundraising Professionals, the Partnership for Philanthropic Planning, and the Council for Advancement and Support of Education (CASE). The UMass Dartmouth Policies and Procedures Manual has been significantly enhanced since the last NEASC accreditation cycle and will continue to be reviewed and updated.

### **Professional and Continuing Education (PCE)**

PCE offers credit and non-credit courses and programs (on and off-campus) during evenings, weekends, summers, and intersessions, and also provides online classes. By state law, PCE is a self-supporting business unit; revenues derived entirely from students and/or sponsoring agencies are used to cover operating costs, investment in future program development, and support for related student and academic services. Since the last site visit in 2000, PCE has increased its overall enrollment by 62%, and annual revenue has grown 163%. Despite this growth, PCE began to carry a deficit in FY04. PCE reorganized in late 2008 and reversed the negative trend by eliminating nonproductive financial commitments and reducing overhead. The elimination of this accrued debt is anticipated no later than FY12.

## **Grants and Contracts**

Revenue from grants and contracts supports research, training, and other activities. In FY10, direct expenditures were \$14.2 million and indirect costs were \$3.5 million. Substantial increases are expected over the next five years, as the Office of Research Administration is working proactively to identify funding sources and facilitating the interdisciplinary groups that will be required to obtain this funding.

## **License Revenue**

License revenue is generated when faculty-developed intellectual property (e.g., patents, copyrights, trademarks) is licensed for commercialization. In 2008, the campus contracted with Commercial Ventures & Intellectual Property (CVIP), an experienced firm supported in part by the President's Office. Each campus is responsible for its commercialization activities working with this group. The result of these activities has catapulted the University of Massachusetts system into the top 10 universities deriving revenue from intellectual property. UMass Dartmouth is relatively new to this activity but is pursuing increased revenue in the future. Revenue is split with 30% going to Inventors/PIs, 15% to the PI's department, 40% to the Chancellor, and 15% to CVIP.

## **APPRAISAL**

### **Financial Resources, Financial Stability, and Financial Planning**

Over the past decade, the implementation of a growth strategy to overcome a negative unrestricted fund balance has been largely successful. This approach, absent deficit funding from the Commonwealth, was taken to spread the financial recovery over time so that a given student cohort would bear only a small part of the burden of the restoration of financial health. The fiscal year 2009 financial statement results show the campus financial cushion ratio to be positive.

The University anticipates that state appropriations will continue to decline both in real dollars and as a percent of total revenue. The student growth model seems to have reached a plateau for undergraduate enrollment, and authorized fee increases are too small to make up completely for the loss of state support. The debt incurred to support the growth strategy will persist, and with the current debt service at 8.4% of total expenses, there is limited ability to fund additional capital projects with more debt (the threshold is 10%). Parity debt, where revenue generated by a capital project exceeds debt service and expenses, is the only debt possibility, but only one parity project is in the offing at this time, an energy savings project.

In spite of the financial challenges, the public higher education mission of UMass Dartmouth is more focused than ever, especially on the South Coast. This University is considered an engine of socio-economic development, a powerful source of energy and talent that drives the creative economy, sustains coastal resources, and catalyzes the renewable energy and life science business sectors. In order to address the financial situation while sustaining high quality education, scholarship and service to the region—and while also maintaining a commitment to access and affordability—the institution has been streamlining and innovating its processes and growing non-state funding for operations as state appropriations continue to decline.

Fiscal 2009 was a financial watershed year precipitated by multiple mid-year state budget cuts, increased fringe benefit costs, and a lower than expected enrollment that resulted in a \$5.4M

budget reduction in core operations. Steps taken to address this situation included an aggressive energy savings program, a winter holiday recess, non-union leaves without pay and a pay freeze, and a critical needs hiring process that eliminated some positions or, in the case of the most critical positions, delayed hiring. These actions were taken in FY09 as the result of the decision to avoid (at least for FY 09) layoffs, mid-year fee increases, and mid-year reductions in financial aid.

Internally, the campus had to determine the most effective and efficient way to deliver the core academic, student, and administrative services. Ultimately, a larger public debate about the future of public higher education and the way it is supported must take place, and UMass Dartmouth must play a lead role in that arena. Nevertheless, budget decisions and projections must be made now for fiscal 2010 and beyond in the current troubled financial environment.

### **Other Financial Aspects**

**Financial Aid.** The events of fiscal 2009 signaled the transition from a financial strategy of steady growth to a model of targeted growth more consistent with private institutions with higher tuition/fees and higher financial aid. The impact of tuition/fee discounting is currently being reviewed, and the study, *Evaluation of Tuition/ Fee Discounting*, will be a useful tool for developing policy and improved approaches in enrollment management and fiscal planning. (See Workroom)

**Budgetary Processes and Fiscal Policies.** In light of changing financial support, Administrative and Fiscal Services must be ready to facilitate and support campus-wide strategic discussions regarding targeted enrollment growth (particularly in selected graduate areas), strengthening delivery of online programs, increasing grant and contract activity, and increasing revenues from philanthropic activities. There is a need to professionalize the budget area to add depth and to make the budget process more transparent. It is also of fundamental importance that the budget be placed in the larger context of University finances so that the effect of current budgetary decisions can be understood in the longer view through projections prepared on an accrual basis. In order to accomplish these objectives, the budget area should be reorganized to more clearly define roles and responsibilities.

The current budget process is fragmented. Within Administrative and Fiscal Services, the Budget Office is responsible for activities associated with a traditional University budget operation. However, there are also several other offices on campus where significant budget activity takes place. The individuals providing these budget services play a valuable role in managing their own separate piece of the University's budget allocation. Unfortunately, this process is characterized by dispersed budgetary responsibility that lends itself to a silo method of management. An unintended consequence of the current structure has been the creation of unproductive competition among and between budget offices that serves to reinforce the rationale for establishing a coordinated central approach.

For the end users, routine budget processing, tracking, and general budget management are handled effectively. A centralized model, whereby budget managers currently reporting to outside departments are reassigned to a central budget office, will provide more effective and efficient budget related services. Service Level Agreements (SLA) with departments will ensure

that essential departmental budget services are provided. These SLAs would be a cooperative development between the central budget office and major departments on campus.

Consolidating all budget personnel organizationally creates the opportunity for greater participation in the overall budget process and development of a broader view of the institution, crucial as UMass Dartmouth moves from a largely publicly funded institution to a model with nominal state support and greater reliance on tuition and fees. In addition, the complexities of multiple-year budget development and the need to understand the impact of current budget decisions on future financial statements and financial indicators requires a greater understanding of how resources are allocated. The reorganization will also create opportunities for budget personnel to develop close working relationships with key members of the Administration and Finance staff, including Human Resources, the Controller, Facilities, and Purchasing. These relationships should prove beneficial in moving from transaction-based services to more facilitator-based processes.

There is also a need to improve communications to the general campus community about budget and finance. Currently, formal methods of communicating financial information such as Town Meetings, the Budget Review Board, and the Senior Leadership Group take place regularly throughout the year; however, budget information is not readily available to the campus community. The Budget Office plans to develop a budget and planning website for sharing information, creating access to important forms and documents, developing a Q&A section, training and introducing staff, and describing their areas of responsibility. This effort will be enhanced through the restructuring of the Budget Office.

### **Ethical Oversight of Financial Resources and Practice**

**Auditing:** The Finance and Administrative Services Division follows policies of the University of Massachusetts Board of Trustees with regard to fiscal policies, practices, and audit procedures. The institution's [financial statements](#) and [audit information](#) are also posted and available on request.

**Fund-raising:** Targeted fundraising efforts are yielding substantial increases. In FY 2009, UMass Dartmouth raised \$7.4 million compared to \$4.7 million in FY 2005. This 57% increase over a five-year period shows excellent growth and potential for the future. The UMass Dartmouth Foundation has systematically added staff members and plans for additional staff increases to improve the capacity of the university to meet its strategic objectives well into the future. The fundraising goal is to generate a stable \$10-12 million each year.

**Professional and Continuing Education:** As noted in the description, PCE reorganized in late 2008 and reversed the negative trend in revenue by eliminating nonproductive financial commitments and reducing overhead. In order to identify new revenue streams, PCE is collaborating with academic units, business, and international partners to develop new credit and non-credit programming. PCE, the financial home for online programs, works collaboratively with Academic Affairs to increase this revenue stream by responding with more programming

**Grants and Contracts:** UMass Dartmouth has just finalized a new Indirect Cost Rate (IDC) with the Department of Health and Human Services of 56% of Modified Total Direct Costs, equivalent to that of Carnegie Doctoral/Research institutions. The major impact of the increased

revenue will occur in 2012; the increase is approximately 138%. (See [Indirect Costs Projection](#).) The University has set a goal to increase its externally funded grants and contracts to \$40 million by 2015.

## PROJECTIONS

Over the next five years, the challenging fiscal climate will require that UMass Dartmouth continue to be entrepreneurial in identifying revenue sources. Prudent management and fiscal controls will support fiscal stability. To that end, the University seeks to generate revenue through expanded industry partnerships; increased enrollment, particularly at the graduate level; fundraising, particularly for special goal projects and unrestricted funds; licensing revenue from patents and intellectual property; and expansion of online learning. Based on its history of sound financial management in the past ten years, the University is poised to meet its mission of providing excellent and accessible education and services for its community.

**Financial Resources, Financial Stability, and Financial Planning:** A reduced state appropriation for the campus, a Fall 2009 freshman class smaller than that of Fall 2008, and increases in mandatory expenses have led to a FY 2010 deficit of \$9,754,980. In order to meet the challenge, the University implemented: (1) significant cuts to the operating budget, (2) a reduction in force, (3) a fee increase, and (4) a prudent approach to allocation of stimulus funds available for FY 2010 only. These steps were intended to address the short term and the years immediately following as the University focuses on sustaining its core mission.

On February 27, 2009, the UMass BOT agreed to a \$1,500 fee increase, an action that also stipulated that the campus use grant aid funds to meet 100% of the cost of tuition and mandatory fees for students with a family income at or below the median in Massachusetts (\$78,500). However, the UMass President and Trustees agreed to a rebate of all but \$400 of the increased moneys, to be applied to fall bills based on the campus receiving allocation of Federal Stimulus funds. In addition, the campus agreed to provide aid for students with family income from \$78,500 to \$100,000, if they were determined to be in need. The adverse impact of this legislated discount on revenue is mitigated somewhat by the American Recovery and Reinvestment Act (ARRA), which provides additional Pell aid and a \$2,500 tax credit to students.

Federal stimulus (ARRA) funds in the amount of approximately \$19M were made available to the campus for FY 2010 as a bridge to more stable times, but it is also increasingly likely that no additional ARRA funds will be available for FY 2011. Because these funds are temporary, prudence dictates that they not be used for ongoing expenses. Consequently, stimulus funds are being used to: (1) restore accounts that will likely rebound when the economy recovers, such as endowments to support scholarships and debt service; (2) support initiatives that produce revenue growth; (3) complete facility improvements already underway that enhance the safety for research and for campus life; and (4) support operations that will be transformed into self-sustaining units. In addition, these funds will be used for the student fee rebate described above as well as to pay for the FY 2010 portion of long-term lease agreements, previously funded by special state appropriations that were eliminated in the FY10 budget process.

The effort to identify non-personnel areas for budget reductions included suggestions by students, staff and faculty. Although there are restrictions on personnel expenditures, some

faculty will be hired to meet student program demand and some essential vacant positions will be filled. The non-personnel budget reductions, management of the hiring process, and transfer of positions to other accounts will provide approximately \$4.5m in budget savings for FY 2010, and most of the savings will carry into FY 2011 and beyond.

In addition to the above measures, it will be necessary to streamline campus services to improve effectiveness and efficiency. The effort to refocus on the institutional Mission has precipitated functional reductions in force involving the elimination of 69 positions. The severity of this action was lessened by the creation of 32 new staff positions (albeit with reduced schedules/hours) and the transfer of some individuals into 11 positions that had been vacant. The net savings from these actions is approximately \$1.3M. The new positions represent an investment in future revenue growth in the areas of admissions/enrollment, student retention, grant development, fundraising, intellectual property licensing, and classroom and lab upgrades.

Finally, a continuing effort to lessen reliance on part-time faculty reduced the budget by \$400,000. Through the efforts of college deans working with department chairs, the contracts of 99 part-time lecturers were either not renewed or were reduced in terms of teaching load. While the resulting changes may impact scheduling flexibility for some students, the deans are committed to ensuring that students will graduate on time. This change has increased the student/faculty ratio slightly, from 16.4:1 to 17.7:1, but this is still a favorable rate that compares well with our peer institutions.

Through restructuring of the Budget Office and enhancing communication tools, the Division of Administration and Finance will lead the strategic development of a structure for accurate reporting, providing clear projections and more effectively communicating budget information to the campus community. These efforts will be led by the Vice Chancellor for Administrative and Fiscal Services and the Associate Vice Chancellor for Fiscal Services in collaboration with appropriate personnel across the campus.

### **Schedule and Activities:**

#### **Fiscal Services Reorganization:**

- In AY 2010-13, the Budget Office will improve management of the University budget and related processes through continued professional development for current staff and by hiring qualified budget professionals.
- In AY 2010-15, the Budget Office will develop and implement a plan for a centralized fiscal services model.

#### **Improved Communication with the Campus Community:**

- In AY 2010-11, a Budget and Finance website will be developed to provide easy access to information, common forms, FAQ's, policies and procedures, and job aids aimed at assisting budget managers with financial tasks.
- In AY 2010-13, a plan to enhance communication with the UMass community regarding fiscal and budget planning will be developed and implemented
- AY 2011-12, on-line tutorials will be developed for financial training for new employees or for those employees new to fiscal management roles.

**Other Financial Aspects**

**Fundraising:** Over the next five years, UMass Dartmouth expects a 60% increase in fundraising dollars totaling roughly \$12 Million per year. This effort will be led by the Interim Assistant Chancellor for Fundraising.

**Schedule and Activities:**

- In AY 2009-15 UMass Dartmouth Foundation will add staff members to assist with front line fundraising efforts.

**Professional and Continuing Education:** PCE will focus on expansion of online programs begun in FY 2009. These efforts will be led by the Provost and the Vice Chancellor for Academic Affairs and Student Affairs and the Associate Vice Chancellor for PCE in collaboration with appropriate personnel across campus.

- In AY 2009-13, PCE will invest over \$200,000 annually in new online courses.
- In AY 2010-15, the online education strategic plan will be implemented

**INSTITUTIONAL EFFECTIVENESS**

UMass Dartmouth has experienced significant changes in its financial landscape. Throughout these changes the campus has dramatically improved its financial condition. In the development of financial projections, the institution continues a process designed to tie allocation of resources to campus-wide priorities, and to engage the executive leadership at UMass Dartmouth in articulating those priorities. These financial projections are monitored closely by the University of Massachusetts Board of Trustees through the annual submission of financial indicators.