

April 25, 2022

Board of Trustees
Fitchburg State University
Fitchburg, MA 01420

FY2023 BUDGET NARRATIVE

As we begin to return to some level of normalcy with the decline in COVID, Fitchburg State University is again planning a full schedule of in-person classroom instruction in the Fall. The University expects stable undergraduate enrollment in FY23, while achieving modest growth in the School of Graduate, Online and Continuing Education (SGOCE). At the same time, university leadership will continue to invest in our future, and strengthen the support services and classroom experiences for our students.

The framework for the FY23 budget is supported with state appropriations, SGOCE operations, undergraduate enrollment, and residence hall occupancy, addressed individually, below:

- The University receives funds as appropriated by the state legislature and approved by the governor on an annual basis. Since 2004, the Commonwealth has utilized a comprehensive budget formula for the state universities. The formula was developed collaboratively by the Board of Higher Education and the universities to determine total resource requirements and the appropriate allocation of state support to individual institutions. The formula reflects targets based on national standards and peer comparisons, as well as policy goals articulated by the Board of Higher Education. State appropriations are anticipated to increase 8.3% to \$35,938,368 and the DHE allocated performance funding is also anticipated to increase from \$573,943 to approximately \$900,000. These are both positive and welcome signs from the Governor's office with further developments noted in their [press release](#) from 1/26/2022, "More than \$155 million in financial aid grants, including \$18 million to support an expansion of the MASSGrant Plus program that will enable all low-income, in-state undergraduate students to attend public higher education without incurring debt for mandatory tuition and mandatory fees." Our Financial Aid office is anticipating substantial increases to the availability of financial aid funds to enroll more qualified students.
- Undergraduate enrollments in FY2023 are projected to stabilize at 2,600 FTE students and gradually increase in future fiscal years. In addition, regarding the MASSGrant Plus program, Gov. Baker announced "\$23.1 million to support higher education and career pathways for high school students in underserved communities through the Early College, Innovation Pathways, and Dual Enrollment programs." These sources of state funding will

provide more state funding for our students, in addition to other enrollment strategies, and will support our efforts to maintain undergraduate enrollment levels during the demographic decline in the college aged population.

- Included in the University revenue streams are funds generated by SGOCE, which is a self-funded operation. The revenue is unrestricted and supports SGOCE programs, as well as, general University operations, including academic, administrative and student services, and facilities. Slight increases in Graduate and Continuing Education (GCE) and Accelerated Programs (AP) credit fees are requested this year providing approximately \$683k in additional revenue (see below) to keep current with the increases in personnel salaries and operating expenses, and to facilitate additional investments in marketing and recruitment. GCE and AP continue to contribute significantly to the overall financial health of the university. SGOCE continues to thrive in the current economic climate. Enrollment is expected to moderately increase while continuing an upward trend for the division. Revenue is projected to increase 7.5% to \$9M while expenses are projected to increase 3% to \$8.4M.
- Residence hall occupancy is projected to remain level (61% occupancy) continuing a projected deficit in the Housing Trust Fund of approximately \$818K in FY23, \$565K in FY24, and \$393K in FY25. \$4.1 million dollars of HEERF funding was distributed to the Dorm Trust Fund to make up for lost revenue due to COVID in FY21 and FY22 and the remaining balance \$8.4 million dollars went into the University Trust Fund to offset university loss revenue during the same time period. Residence hall right-sizing discussions have already begun on how to repurpose the excess bed capacity to reduce the financial drain on the residence hall trust fund while providing additional space for student support services and a possible daycare facility.

Overall university expenses increased compared to FY22 due largely to retroactive and future salary increases. Day operational expenses declined due to savings in projected energy usage, equipment leases, reductions in adjuncts, and various administrative expenses. To help offset the increased day personnel expenses, the University is proposing a 3.5% increase to the University Fee, which has not increased the past five fiscal years, that will generate approximately \$661K in additional revenues (see [Appendix 2](#)). With this increase in revenue, the University still projects a structural operating deficit of \$1,746,418 for the Day Division for FY23. This is part of a multi-year effort to close the deficit, along with other measures to attain additional cost savings and mitigate the future fiscal year projections, which currently anticipate Day and Housing operating deficits of \$2.6 million in FY24 and \$2.58 million in FY25. As noted in [Appendix 1](#), these structural deficits will continue to have an impact on Cash Flow. The strategy for undergraduate enrollment growth in the University's 2020-25 Self-Study is to "adopt an

integrated approach to enrollment management to achieve more systemic and centralized coordination of student recruitment and retention efforts” and substantially increase enrollment of under-represented groups to better reflect the demographics of the state.

To ensure departments are successful, the three percent budget cuts implemented last year (in the amended FY22 budget adopted on 8.31.2021) were returned to the academic division leaders to address specific areas or priorities via budget redistribution. Some division heads elected to return the funds directly to the departments for FY23. Otherwise most other department budgets remained level. \$200K in remaining savings from non-academic departmental budget reductions will carry forward from FY22.

In addition, the university leadership announced two exciting new sources of funding: The University Innovation Fund (\$250,000) to encourage development of innovative initiatives that stimulate enrollment growth, support student retention, or promote financial sustainability within a framework of equity and inclusion; and a new Academic Innovation Fund (\$250,000) to promote innovation within the academic programs and curriculum. Additionally, funding will continue to remain available to assist with one-time operational support in the form of Extraordinary Budget Requests (EBRQs), formerly Strategic Funding Requests.

The university expanded its long-term partnership with the Educational Advisory Board (EAB) to include enrollment services assistance to support undergraduate recruitment efforts.

Strengthening our enrollment efforts, an AVP of Enrollment, Richard Toomey, was hired this past year. This position was identified as being critical to directing the efforts of three distinct units (Admissions, Financial Aid, and Marketing and Integrated Communications) to further a university-wide strategy designed to achieve increased enrollment and retention objectives.

The university will also take advantage of EAB’s technology solutions to help leadership evaluate tough decisions facing the institution and to support long-term financial planning. Their product, Academic Performance Solutions (APS), is currently being used to analyze and benchmark data across the institution and against peer institutions to enable leadership to make data-based decisions. Fitchburg State has leveraged this data to standardize faculty line requests, evaluating requests based on demonstrated need rather than precedent, and to analyze course enrollment data to plan course offerings based on past and predicted demand. The University is also in the process of implementing a product called Edify. It is a data management solution that organizes data assets across campus into a single centralized data warehouse platform to support real-time decision making with a 360-degree view of students, faculty, and operations.

Fitchburg State continues to remain in a strong financial position. The efforts noted above are designed to support and sustain that status. Over the past 10 years the operating activity has produced an operating surplus with the exception of FY19 and FY20 in which a loss was

experienced primarily due to the pandemic and enrollment declines. With the exception of FY20 net assets, the university has experienced positive gains throughout this period. Since 2010, net assets have increased from \$67 million to \$135 million in FY21. The institution has intentionally balanced current operating needs with long-range planning and investment that will ensure the university's long-term viability.

FY2023 Operating Budget Summary

The funding forecast for state appropriation is \$35,938,368 with tuition and fees of \$51,704,338, auxiliary services of \$12,369,871, and total revenue of \$114,115,073. This results in a \$1,466,653 overall operating deficit. The overall goal for the upcoming year is to maintain if not increase enrollment to retain a stable financial footing. The university must remain conscious of the cost of education for our students and their families and the dynamics associated with an increasingly competitive higher education market. The university will balance the FY23 budget with unrestricted assets to ensure that daily cash-flow needs are met and that adequate reserves remain to satisfy longer-term obligations.

Summary of Revenue Sources

Increases in revenue of 3.9% compared to the FY22 budget projection are the result of an increased state appropriation, a projected increase in graduate tuition and fees and undergraduate fees, and an increase in investment income. While day undergraduate enrollment is estimated to remain flat relative to Fall 2021, a 3.5% undergraduate day fee increase will generate approximately \$661K in additional revenues. Encouragingly, the traditional SGOCE division saw a 6% increase in revenue in Fall 2021 and enrollment growth in accelerated programs increased 6% during this same period. These increases are not expected to be as large in FY22, but are anticipated to grow at a rate of 1% and 5% respectively.

Revenue Sources	FY2022 Budget Proposal	FY2023 Budget Proposal	Delta
State Appropriations	\$ 33,197,515	\$ 35,938,368	\$ 2,740,853
Performance Funding	\$ 573,943	\$ 900,000	\$ 326,057
Financial Aid	\$ 7,300,000	\$ 7,300,000	\$ -
Grants	\$ 1,492,410	\$ 1,492,410	\$ -
Dorm Authority Housing	\$ 7,526,689	\$ 9,169,871	\$ 1,643,182
Food Service	\$ 3,388,000	\$ 3,200,000	\$ (188,000)
Tuition and Fees	\$ 53,005,369	\$ 51,704,338	\$ (1,301,031)
Investment Income	\$ 768,800	\$ 1,650,000	\$ 881,200
Sales and Service	\$ 2,009,050	\$ 1,853,100	\$ (155,950)
Unrestricted Assets	\$ 308,268	\$ 640,986	\$ 332,718
Foundation	\$ 266,000	\$ 266,000	\$ -
Totals	\$ 109,836,044	\$ 114,115,073	\$ 4,279,029

Highlights in revenue differences from FY22

The major difference between the budget for FY22 and FY23 is the \$2.7M increase in state appropriation as previously explained. The Dorm Authority increase is due to a slight increase in occupancy and increase in room rents. The Tuition and Fees decrease is from the resetting of the estimated undergraduate enrollment of 2,900 FFTE in the original FY22 Budget approved on May 3, 2021 by the Board of Trustees. On August, 31, 2021 the BOT approved a revised budget to reflect the declining undergraduate enrollment. The FY23 undergraduate FFTE is slightly increased to 2,629 and also includes a projected continued enrollment growth of 5% in AP, while GCE is anticipated to stay level. The FY23 tuition and fee revenues of \$3 to \$9 per credit incorporate the proposed undergraduate day and SGOCE increases. Fee increases are projected to result in \$684K for SGOCE and \$661K for Day Undergraduate revenue.

Summary of Operating Expenses

Total operating expenses are projected to increase 2.9% to \$115,581,726 which consists of faculty and staff salaries and related personnel expenses (now approximately 44% of the budget), student aid and scholarships, auxiliary services expenditures, technology costs, and strategic funding initiatives. The increase is primarily attributable to personnel costs which increased 6.5% in total for retroactive and future salary increases that are negotiated at the state level. Further information is provided below.

FY2023 Operating Expenses	FY2022 Budget Proposal	FY2023 Budget Proposal	Delta
Regular Employee Compensation	\$ 43,386,194	\$ 45,982,232	\$ 2,596,038
Regular Employee Related Expenses	\$ 388,474	\$ 395,671	\$ 7,197
Special Employee/Contracted Services	\$ 7,527,316	\$ 7,397,476	\$ (129,840)
Pension & Insurance Related Expenditures	\$ 4,603,297	\$ 4,597,116	\$ (6,181)
Administrative Expenses	\$ 1,965,867	\$ 1,646,112	\$ (319,755)
Facility Operational Supplies	\$ 1,199,070	\$ 1,198,779	\$ (291)
Energy Costs and Space Rental Expenses	\$ 4,898,820	\$ 4,720,686	\$ (178,134)
Consultant Services	\$ 1,686,647	\$ 1,583,619	\$ (103,028)
Operational Services	\$ 5,895,012	\$ 6,706,972	\$ 811,960
Equipment Purchase	\$ 167,224	\$ 175,674	\$ 8,450
Equipment Lease Rental Maint. & Repair	\$ 991,552	\$ 834,393	\$ (157,159)
Student Related Travel Reimbursements	\$ 265,149	\$ 258,323	\$ (6,826)
Construction and Improvements Building	\$ 6,212,910	\$ 6,212,210	\$ (700)
Benefit Programs	\$ 10,452,020	\$ 10,557,474	\$ 105,454
Loans and Special Payments	\$ 17,343,302	\$ 18,222,767	\$ 879,465
Information Technology Expenses	\$ 4,978,914	\$ 5,092,223	\$ 113,309
TOTAL EXPENSES	\$ 111,961,768	\$ 115,581,726	\$ 3,619,958

Highlights in expense differences from FY22

The major difference for the increased operating expenditure is personnel costs of \$2.6M. This is due to the negotiated union contracts that provide employees with increases to base salaries

over three years. These salary increases are the retroactive (FY21 & FY22) and future salary (FY23) increases that are negotiated at the state level.

Another increase to expenses is expected in the Loans & Special Payments category of approximately \$800K. This amount is simply the existing debt payments resuming that had been paused during COVID as a result of the MSCBA debt negotiations.

Two notable increases are the new \$250K Academic Innovation Fund and the \$250K University Innovation Fund.

SGOCE expenses have increased as the popularity of the programs continue to grow and personnel salaries are also increased as discussed above. GCE (3% increase) and AP (9% increase) are bringing in more revenue but as more students take these courses, additional instructors and support are required. Several additional increases in AP expense, technology, marketing, police academy expenses, and student support services all have an impact on the overall SGOCE expenses. (See [Appendix 4](#) for rate increase chart and [Appendix 5](#) for graduate and continuing education costs from sister institutions.)

Staffing

The leadership team of the university continues to evaluate and capitalize on staffing vacancies to redeploy resources that will strategically serve current and future needs. However, it is important to note that the state appropriation of \$36.8 million continues to fall short of the \$42.8 million needed to fully fund payroll. This shortfall is further compounded because every payroll dollar not covered by the state appropriation adds an additional 40% percent to cover employee fringe benefits – or an additional \$2.4 million.

As part of the cost containment and right-sizing efforts, created as a result of real and projected enrollment decline in traditional age undergraduate students, evaluation of new hires utilizing APS data has been very focused. Evaluation of course offerings with consolidation or elimination of under enrolled classes has resulted in a projected adjunct faculty cost savings.

School of Graduate, Online and Continuing Education Division

The university's effort to increase enrollments and revenues by partnering with Academic Partnerships, in support of accelerated programs, five years ago continues to be very successful. Enrollment growth continues within the division of the SGOCE. A continuation of growth is anticipated for FY23.

The traditional SGOCE programs continue to struggle with enrollment growth as the master degree market has become much more competitive in recent years and enrollment growth rates are slowing. To counter that decline, SGOCE has begun to focus on the creation of workforce development programs. In addition, they are exploring expansion of life-long learning programs to continue to build on the success of the Adult Learning in the Fitchburg Area (ALFA) program and to meet the changing educational landscape. These efforts are part of the Center for Professional Studies (CPS) program, which has been working to reinvigorate their performance.

Facility and Technology Improvement Program

The university has continued to deploy funds toward capital renewal as an institution and in partnership with the Division of Capital Asset Management and Maintenance (DCAMM) and the Massachusetts State College Building Authority (MSCBA). These efforts are designed to continue to improve the learning, living, and working environment of the campus. In particular the 5-year Deferred Maintenance Funding program from DCAMM has leveraged \$16 million of total renovations as a result of the \$7.5 million from DCAMM over a five-year time period.

Work in FY22 included the final renovation of McKay C along with a series of smaller deferred maintenance projects across the campus. Additionally, the first phase of the Thompson Hall renovation has begun that will address substantial deferred maintenance needs (including improved fire protection, accessibility energy efficiency and code compliance), as well as

updated finishes and a modern HVAC system throughout the first and second floors. This work will continue through FY23. Concurrently, work is near completion on a DCAMM funded infrastructure initiative (\$24 million), which will replace antiquated electrical distribution systems, as well as replace and add new generator capabilities to campus facilities. DCAMM has also indicated that they will be offering another 5-year deferred maintenance funding initiative for FY 24-28. Fitchburg State will be working to prepare its next five-year plan during FY23, evaluating and identifying scopes of work in buildings including Edgerly and Conlon.

The Information Technology Department (IT) continues to implement their five-year plan designed to systematically renew systems and equipment that serve the student community. This has included upgrading student computer labs, upgrading the wi-fi system along with other core upgrades. The ever-increasing demand for technology services and capabilities by both students and staff is a challenge and will require substantial continued investment.

Conclusion

This budget plan represents ongoing efforts to strategically invest in the future, while at the same time demonstrating continued diligence in both cost containment and right-sizing of operations. By being proactive in recognizing and planning for this change (enrollment challenges, realities of state funding, new curricular opportunities, among others), the university is positioning itself for success and a stable financial future.

The university is committed to focusing its resources toward knowledge creation, career readiness, social mobility and lifelong learning, serving as an engine of development for the region, reinforcing our distinctive value proposition, while responsibly stewarding our physical and financial resources to navigate a path to long-term sustainability. The steps taken in the past years to increase revenue and reserves while at the same time closely managing costs, has provided the university the financial footing to achieve these goals and navigate the challenges facing higher education.

Appendix 1

FSU Cash Flow

Current and Future decreases in Cash Flow are a result of the structural budget deficit projections. Federal funding for loss revenue due to the pandemic saved the university from depleting a significant portion of the cash reserves these past two fiscal years.

	Market Value		
	End of FY19	End of FY20	End of FY21
University Cash	\$16,348,040	\$12,084,053	\$17,734,943

PROJECTIONS	FY	Start of FY	End of FY	Day Projected Deficit
	FY22	\$17,734,943	\$16,383,952	\$ (1,350,991)
	FY23	\$16,383,952	\$14,637,534	\$ (1,746,418)
	FY24	\$14,637,534	\$12,595,543	\$ (2,041,991)
	FY25	\$12,595,543	\$10,407,649	\$ (2,187,894)

Appendix 2

University Fee Increase Analysis

When evaluating potential undergraduate day fee increases, 2.5%, 3.5%, 4.5%, and 5.5% increments were calculated with estimated increases in revenue below. The University is planning to increase the University Fee for the first time in five years by 3.5% which will equal \$266 per student per academic year. The total Tuition and Mandatory Fees for a student will be \$10,920, which is still below many of our sister institutions (see Appendix 3 for comparison).

Current		
Semester	Fall 2022	Spring 2023
University Fee	\$3,812	\$3,812
Revenue	\$10,021,748	\$8,878,148
Total AY Revenue	\$18,899,896	

Based on Day Undergrad FFTE Enrollment of: Fall 2,629 and Spring 2,329.

2.5% Increase		
Semester	Fall 2022	Spring 2023
University Fee	\$3,907	\$3,907
Revenue	\$10,272,292	\$9,100,102
Total AY Revenue	\$19,372,393	
Increase in AY Revenue	\$472,497	

3.5% Increase		
Semester	Fall 2022	Spring 2023
University Fee	\$3,945	\$3,945
Revenue	\$10,372,509	\$9,188,883
Total AY Revenue	\$19,561,392	
Increase in AY Revenue	\$661,496	

Recommending 3.5% in an effort to find the balance between increasing revenue yet maintaining affordability. A larger increase could provide additional resources to address deferred maintenance issues and structural operating losses but has a direct impact on student cost.

4.5% Increase		
Semester	Fall 2022	Spring 2023
University Fee	\$3,984	\$3,984
Revenue	\$10,472,727	\$9,277,665
Total AY Revenue	\$19,750,391	
Increase in AY Revenue	\$850,495	

5.5% Increase		
Semester	Fall 2022	Spring 2023
University Fee	\$4,022	\$4,022
Revenue	\$10,572,944	\$9,366,446
Total AY Revenue	\$19,939,390	
Increase in AY Revenue	\$1,039,494	

Appendix 3

Tuition and Mandatory Fees at Massachusetts Public Colleges and Universities

Sorted highest to lowest in FY22

Institution	FY-2013	FY-2014	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019	FY-2020	FY-2021	FY-2022
Massachusetts College of Art and Design	\$10,400	\$10,400	\$11,224	\$11,724	\$12,200	\$12,700	\$13,200	\$13,700	\$14,200	\$14,200
Salem State University	\$8,110	\$8,130	\$8,646	\$9,246	\$9,736	\$10,278	\$10,882	\$11,284	\$11,674	\$11,674
Framingham State University	\$8,084	\$8,084	\$8,324	\$8,704	\$9,344	\$9,920	\$10,520	\$11,100	\$11,380	\$11,380
Massachusetts College of Liberal Arts	\$8,526	\$8,526	\$8,976	\$9,476	\$9,876	\$10,136	\$10,560	\$10,930	\$11,306	\$11,306
Westfield State University	\$8,298	\$8,298	\$8,682	\$8,816	\$9,276	\$9,716	\$10,430	\$10,850	\$11,140	\$11,140
Bridgewater State University	\$8,054	\$8,054	\$8,354	\$8,928	\$9,628	\$10,012	\$10,368	\$10,732	\$10,732	\$10,732
Fitchburg State University	\$8,710	\$8,986	\$9,260	\$9,934	\$10,134	\$10,154	\$10,354	\$10,504	\$10,654	\$10,654
Worcester State University	\$8,158	\$8,158	\$8,558	\$8,858	\$9,202	\$9,532	\$10,162	\$10,162	\$10,586	\$10,586
Massachusetts Maritime Academy	\$7,206	\$7,190	\$7,258	\$7,630	\$8,006	\$8,398	\$9,728	\$10,018	\$10,314	\$10,516

source: <https://www.mass.edu/datacenter/tuition/appendixtuitionfeesweight7.asp>

Appendix 4

SGOCE Proposed Fee Increase

GCE					
GRADUATE	Current Projection		Increase of		Grad Increase in AY Revenue
Graduate Credits	12,603				
Tuition Revenue	\$190	\$ 2,394,570	\$ 5	\$ 63,015	
Ed Service Fee Revenue*	\$115	\$ 1,449,345	\$ 8	\$ 100,824	\$ 163,839
UNDERGRADUATE	Current Projection		Increase of		Undergrad Increase in AY Revenue
Undergrad Credits	8,985				
Tuition Revenue	\$144	\$ 1,293,840	\$ 6	\$ 53,910	
Ed Service Fee Revenue*	\$143	\$ 1,280,363	\$ -	\$ -	\$ 53,910

* does not include the separate **GCE Capital Projects Fee** (undergrad \$25.5 per credit Grad \$20 per credit) or the **Tech Fee** (\$9 per credit)

AP					
Credits		Revenue		Increase of	
Masters Ed Credits	6,445	M.Ed. Tuition	\$ 1,482,350	\$ 3	\$ 19,335
MBA Credits	20,130	MBA Tuition	\$ 5,535,750	\$ 9	\$ 181,170
		Ed Service Fee	\$ 3,773,650	\$ 10	\$ 265,750
					\$ 466,255

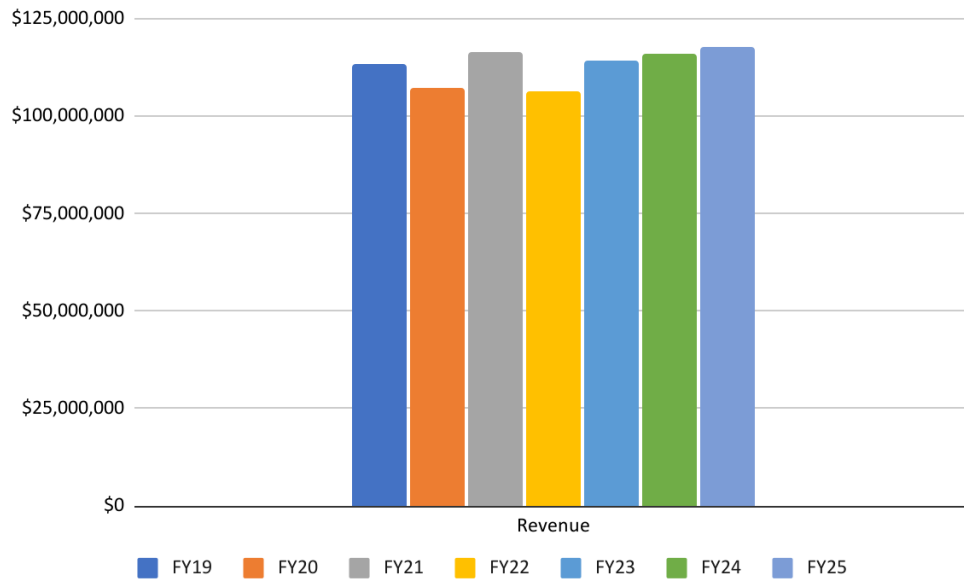
Appendix 5

Graduate & Continuing Education Fees at Massachusetts Public Colleges and Universities

University	Graduate Tuition (Per credit)	Graduate Fees Per Credit	Total for a 3 credit grad course	Undergraduate Tuition Per Credit	Undergraduate Fees Per Credit	Total for a 3 credit UG course
Bridgewater	\$475.25	-	\$1,425.75	\$443.25	-	\$1,329.75
Fitchburg (with new proposed rates)	\$203.00	202 for online programs and 144 for face-to-face programs	\$1,215 and \$1,041 for face-to-face programs	\$150.00	\$540.00	\$990.00
Framingham	\$294.67	\$441.00	\$1,325 and \$1,525 for the MBA	\$251.33	\$441.00	\$1,195.00
Salem	\$140.00	\$299.35	\$1,318.05 and \$1,920 for MBA	\$115.00	\$324.70	\$1,319.70 (\$1,829 for out of state)
Westfield	\$372.00	\$150.00	\$1,266.00	\$330.00	\$150.00	\$1,140.00
Worcester	\$169.00	\$152.50	\$964.50	\$130.00	\$150.50	\$841.50
(There are other fees and program specific tuition rates at the other Universities not highlighted above but these represent the total cost of similar programs offered at Fitchburg.)						

Appendix 6

Actual Revenue and two year Projection



Actual Expenses and two year Projection

