April 24, 2018

Board of Trustees
Fitchburg State University
Fitchburg, MA 01420

SUBJECT: FY2019 BUDGET NARRATIVE

While the performance of the economy has been improving, though somewhat volatile, these conditions are having limited impact on the University budget. No comparable increase in the state appropriation is anticipated this year. However, with the steps taken in past years to put the University on a more stable footing, Fitchburg State has been able to sustain its performance in holding down the structural deficit. This University continues to support high quality academic programs, student success initiatives focused on retention, and strengthened partnerships with the local community and region. Key past initiatives undertaken that are having a direct impact on the University budget include the ongoing realized savings from the ERIP, user-based fees, and continued right-sizing of centralized operations.

Of great significance are the newly implemented on-line degree programs through the Division of Graduate and Continuing Education. These degree programs, MBA, M.Ed. and RN to B.S. in Nursing are offered at an accelerated pace of seven-week terms, with six terms per year. The program content and instruction remain the exclusive product of the University; however, marketing, recruitment, student success, and retention efforts are being supported by our business partner, Academic Partnerships. As a cost-effective and convenient option for working adults, enrollment has demonstrated initial performance successes, and is expected to increase, resulting in the single largest new revenue stream for the University.

The financial challenges confronting the University will continue into the next decade. Updated forecasts in projected high school graduates within our region and throughout the northeast remain somewhat level for the next several years, with a larger decline expected to occur starting in 2026. The University has begun incorporating this long-term enrollment data into the budget planning process, so that it is better leveraged for future impacts.

As the University remains attuned to the overall fiscal climate at the state and national level, all departments were asked to prepare level-funds budgets for FY2019. What follows is an overview of our economic plans for Fiscal 2019.

Budget in Brief

FY2019 Operating Budget

Highlights

Given the encouraging results from efforts to control costs, maintain enrollments, and the success with the new accelerated on-line program, once again the University is proposing only minimal changes to fees. This proposal seeks increases to the Technology Fee (mandatory), with smaller changes to two user fees: parking permit costs and Center for Professional Studies course fees. The University proposes to maintain level-funded operating budgets for departments while at the same time continuing the deployment of funds for strategic initiatives.

Notable for the FY2019 year, but with no real impact to the budget, is the incorporation of the Food Service Auxilliary. Previously classified as an Agency rather than an Auxilliary, this change requires the financial activity to now be recognized within the budget.

FY2019 Operating Budget Scenario

This scenario depicts our state funding forecast with the state appropriation of $29,400,756, estimated collective bargaining funding of $605,539, and total revenue of $108,404,654 (column E, line 19). Under this scenario, the projected deficit is $1,594,822. Our overall goal is to strike a balance between fee increases and maintaining adequate cash reserves while also remaining conscious of the cost of education for our students and families, and the competitive higher education market. We are able to balance the budget under these assumptions with unrestricted assets and still maintain adequate reserves.

Summary of Revenue Sources (Budget Scenario, Column E, Line 19)

As noted, total revenue from all sources is projected to be $108,404,654, with state appropriations and student fees representing the largest segments.

FY2019 Revenue Sources

State Appropriation	30,006,295
Financial Aid	7,300,000
Grants	1,150,000
Auxillary	15,867,514
Tuition and Fees	49,480,471
Investment Income	437,285
Sales and Service	2,302,267
Foundation	266,000
Unrestricted Assets	1,594,822
Total	108,404,654

Increases in revenue derive from the collective bargaining funds for what will be the (retroactive) year one of the new contracts. The other primary increase to revenues is the accelerated on-line degree programs, which will increase total revenue by $3,681,758.

Summary of Operating Expenses
(Budget Scenario, Column E, Line 38)

Total operating expenses are projected to be $108,404,654. The bulk of these expenses consist of faculty and staff salaries and benefits (now approximagely 47 percent of the budget), student aid and scholarships, physical plant expenditures, technology costs, and departmental operating budgets.

FY2019 Operating Expenses

Salaries and Benefits	50,767,019
Financial Aid	7,300,000
Grants	1,150,000
Auxiliary Services	16,194,729
Utilities/Space	3,588,044
Scholarships/Insurance	2,906,059
Information Technology	4,553,362
Capital	4,725,000
Operation & Maintenance	11,820,025
Debt Service	5,400,416
Total	108,404,654

Summary of Operating Funds

The University budget is composed of two primary sources: state appropriations and funds held in trust. The various trust funds come from fees, grants, auxiliary activities and other sources. State appropriations are estimated at $30M, Trust funds from tuition and fees $53.4M, Auxilliary $16.2M and Financial Aid, Grants, etc. at $8.8M.

FY2019 Summary of Operating Funds

C81	State Maintenance	30,006,295
T65/T65P	University Fee	35,809,889
T10/T19	Continuing Education CPS	8,583,790
T11	Student Activity	400,000
T16	Technology Fee	1,308,560
T22	Dorm Authority	11,794,729
T25	Food Service	4,400,000
T24	General Purpose	133,125
T26	Student Financial Aid	31,200
T36	Summer Conference	129,650
T37	Bookstore Trust Fund	150,000
T38	Parking Scholarship	25,000
T99	Out of State Tuition	1,400,000
N91/N93	Retirement of Debt	5,400,416
F13	Federal Work Study	260,060
Transfer	Fin Aid, Grants, Clubs, etc.	8,571,940
		108,404,654

Staffing

The leadership team of the University continues to evaluate and capitalize on staffing vacancies to redeploy resources that strategically serve current and future needs. In addition, the early retirement program offered in FY2017 is performing as expected. Positions were refilled at a lower cost, which helps to hold down personnel costs even as new positions are added. However, it is important to note that our state appropriation of $30.0 million still falls well short of the $39.9 million needed to fully fund our payroll. This shortfall is further compounded because every payroll dollar not covered by the state appropriation adds an additional 35.41 percent to cover employee fringe benefits – or another $3.5 million.

The three collective bargaining units – MSCA, APA, and AFSCME – are still currently in negotiation for new agreements. While it appears that some of these contracts may be finalized in the near future, in all cases FY2019 will be year two of these contracts. Funding for the retro and to increase the state appropriation base is not currently incorporated into the FY2019 proposed state appropriation. However, the University has developed the budget based on two percent salary increases, including the anticipated state appropriation, as that has been the practice with past contracts. Historically, subsequent contract years have not been funded by the state, thus shifting a larger portion of the payroll (and fringe costs) to the University to fund locally. Until these agreements and the appropriation to fund them are finalized, the compounded cost of these agreements remains unknown.

Accelerated Online Program Implementation

After a number of years of research and planning, the University took a significant step forward to increase enrollments and revenues by launching a partnership to support on-line degree program delivery**.** This strategy, identified in the strategic plan, targets the working adult community with cost-effective, convenient programs designed to allow for rapid completion of degree programs that support career advancement. The participation has been especially robust with the MBA program, which now boasts an enrollment of 659 students, with new cohorts beginning every seven weeks.

Student Success Initiatives

The University has continued its efforts toward increased retention of students, critical to both student outcomes as well as the financial health of the University. A major highlight of this effort is the participation in the Student Success Collaborative (SSC), harnessing the data we have regarding student performance to target initiatives and efforts that will increase the probability of retention and graduation rates of our students. In FY2018 the student facing portal was launched, which includes communications and appointment tools. Faculty and advisors have widely adopted the tool for outreach to the students and student response has been positive, with more than 6000 advising appointments scheduled through the portal just this year. Additionally, progress reporting for Athletics was relaunched in spring 2018 using the SSC, which saw a 20 percent participation increase in reporting by faculty. Expanded use for FY2019 anticipates including groups such as freshmen and at-risk students.

Facility and Technology Improvement Program

The University has continued to deploy funds toward capital renewal. Significant investments, alone or in partnership with DCAMM and the MSCBA, continue to improve the learning, living, and working environment of the campus. Key among these undertakings are the ongoing work to completely renovate Percival Hall, which will see the second phase of construction in summer 2018. The result will be the transformation of the auditorium into business case rooms and classrooms. With the completion of the Edgerly project, where use of matching funds from DCAMM was provided, the last academic building without an elevator will be equipped. Also, in partnership with the MSCBA, the University completed the Landry renovation. The opening of the facility for Athletics and Exercise and Sport Science will provide a teaching, training and practice space. This project was completed with no increase to the capital fee.

Construction on phase one of the Theater Building is underway and will be completed in summer 2018, with the second floor being repurposed for use by the Game Design program for its Senior Intern Experience. An ideaLab, which in partnership with other organizations, will be able to leverage external support to equip the space.

The IT department undertook to develop a long-term planning cycle for renewal of systems and equipment that serve the student community. The ever-increasing demand for these services and capabilities, in addition to the rapidly improving and changing technology, requires a substantial and continued investment. To support this plan, the proposal to increase the Technology Fee by $200 annually has been incorporated into the FY2019 budget.

Summary

This budget plan represents ongoing efforts to wisely invest in the future success of the University; at the same time, it demonstrates continued diligence in both cost containment and new revenue generation. By recognizing and planning for the ongoing budgetary climate, the University is well positioned for a successful future.